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# A BILL FOR AN ACT

RELATING TO HOUSING.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 PART I

2 SECTION 1. The legislature finds that the State's transit-  
3 oriented development strategic plan highlights a lack of  
4 infrastructure necessary to support affordable housing and  
5 mixed-use development near transit. Furthermore, the 2023  
6 transit-oriented development infrastructure finance and delivery  
7 strategy, developed by the office of planning and sustainable  
8 development, identifies the current fragmented infrastructure  
9 funding process as a source of inequitable outcomes. The first  
10 recommendation of the report is to increase the conveyance tax  
11 on high-value, non-owner-occupied homes and allocate a portion  
12 of the revenue to finance infrastructure in transit-oriented  
13 development zones.

14 The legislature also finds that the conveyance tax, a one-  
15 time tax levied at the time of a property conveyance, is  
16 identified as an appropriate revenue source for affordable  
17 housing, infrastructure, land conservation, and homeless



1 services. Despite dramatic increases in housing prices over the  
2 past seventeen years, the conveyance tax rates have not been  
3 updated since Act 59, Session Laws of Hawaii 2009. In fact, the  
4 State's conveyance tax remains significantly lower than  
5 comparable high-cost areas in the nation.

6 The legislature recognizes that without reform, the current  
7 conveyance tax rate structure could disproportionately affect  
8 affordable multifamily housing, as high total property values  
9 for these complexes do not reflect the lower per-unit costs.  
10 High conveyance taxes on these properties could be passed on to  
11 renters. Moreover, the current rate structure may create market  
12 inequities, where even small increases in property value could  
13 result in disproportionate tax burdens. Because the property  
14 values upon which the conveyance tax is imposed are not tied to  
15 inflation, rising home prices will eventually push moderately  
16 priced homes into higher tax brackets, compounding the issue.

17 The legislature further finds that the department of  
18 Hawaiian home lands requires dedicated, predictable annual  
19 funding to support multi-year planning, procurement, and  
20 sequencing of infrastructure and housing so that homes can be  
21 delivered to all beneficiaries. Consistent revenue is not only



1 operationally necessary, but also fiscally efficient because  
2 department dollars leverage other public and private capital.  
3 Deployments through Act 279, Session Laws of Hawaii 2022, have  
4 unlocked billions in projected vertical development, and recent  
5 low-income housing tax credit transactions show more than five  
6 times leverage on department investments. Establishing  
7 dedicated conveyance tax funding for the department of Hawaiian  
8 home lands, including a maximum of \$40,000,000 annually, is  
9 therefore warranted and is a core recommendation of the 2025 Act  
10 279 Working Group's interim report.

11 The legislature further finds that the existing mission and  
12 statute for the department of land and natural resources through  
13 the Na Ala Hele trails program is to not only provide for  
14 traditional hiking trails and public access, but also includes  
15 an unfulfilled mandate to provide for public access to public  
16 beaches, shores, parks, trails, and other recreational areas to  
17 which access is unavailable or inadequate. Unlike Kauai, which  
18 has a coastal network of community trails connecting  
19 neighborhoods to beaches, parks, and places to recreate, many  
20 other communities in transit-oriented development, urban, rural,  
21 and especially department of Hawaiian home lands project areas



1 do not have access for residents to makai beaches, shoreline,  
2 parks, and mauka forests and recreational areas. Yet,  
3 meaningful public access to these areas is a vital part of a  
4 healthy and properly planned community, and without it,  
5 residents are forced into a higher cost of living to drive to  
6 nearby destinations, which becomes a more dangerous experience  
7 for pedestrians where there is no safe access and an additional  
8 cost to taxpayers to inevitably fix these errors after the fact.

9 The legislature believes that all communities should have  
10 access to food and the ability to locally produce food to feed  
11 their residents. Ensuring agricultural land is readily  
12 available to meet this need in communities around the State is a  
13 critical priority, and resources should be placed into ensuring  
14 this need is met.

15 Accordingly, the purpose of this Act is to:

- 16 (1) Restructure the conveyance tax to a marginal rate  
17 system for the sale of properties with residential  
18 use, applying higher rates only to property values  
19 exceeding specified thresholds;
- 20 (2) Adjust the conveyance tax for multifamily properties  
21 to reflect value on a per-unit basis;



- 1           (3) Tie conveyance tax rates to a cost-of-living  
2                   adjustment to maintain equity over time;
- 3           (4) Allocate a portion of conveyance tax revenues to the  
4                   department of land and natural resources to fulfill  
5                   its statutory mission to provide public access to  
6                   mauka and makai beaches, parks, watersheds, and trail  
7                   systems to better provide for complete communities;
- 8           (5) Allocate a portion of conveyance tax revenues to the  
9                   agribusiness development corporation for the  
10                  acquisition of agricultural lands to provide for  
11                  additional opportunities for locally grown food in all  
12                  communities;
- 13          (6) Allocate a portion of conveyance tax revenues to the  
14                  dwelling unit revolving fund to fund infrastructure  
15                  programs in areas that meet transit-supportive density  
16                  requirements;
- 17          (7) Establish a dedicated conveyance tax allocation to the  
18                  department of Hawaiian home lands to provide  
19                  predictable funding for multi-year planning and  
20                  infrastructure and to leverage additional public and  
21                  private capital for beneficiary housing;



- 1 (8) Authorize the Hawaii agricultural development
- 2 revolving fund to be used to acquire land; and
- 3 (9) Establish and appropriate funds out of a Hawaiian home
- 4 lands infrastructure and housing special fund.

5 PART II

6 SECTION 2. Section 201H-191, Hawaii Revised Statutes, is  
7 amended to read as follows:

8 "**§201H-191 Dwelling unit revolving fund.** (a) There is  
9 created a dwelling unit revolving fund. The funds appropriated  
10 for the purpose of the dwelling unit revolving fund, conveyance  
11 taxes received pursuant to section 247-7(4), and all moneys  
12 received or collected by the corporation for the purpose of the  
13 revolving fund shall be deposited in the revolving fund. The  
14 proceeds in the revolving fund shall be used:

- 15 (1) To reimburse the general fund to pay the interest on
- 16 general obligation bonds issued for the purposes of
- 17 the revolving fund;
- 18 (2) For necessary expenses in administering housing
- 19 development programs, regional state infrastructure
- 20 programs, and the government employee housing program
- 21 pursuant to part V; [~~and~~]



- 1 (3) To carry out the purposes of housing development  
2 programs, regional state infrastructure programs, and  
3 the government employee housing program pursuant to  
4 part V, including but not limited to the expansion of  
5 community facilities and regional state infrastructure  
6 constructed in conjunction with housing and mixed-use  
7 transit-oriented development projects, permanent  
8 primary or secondary financing, and supplementing  
9 building costs[~~7~~] and federal guarantees required for  
10 operational losses[~~7 and all~~];
- 11 (4) To fund infrastructure programs in areas that meet  
12 transit-supportive density requirements; provided that  
13 proceeds from the conveyance tax deposited pursuant to  
14 section 247-7(4) shall only be used for the purposes  
15 of this paragraph; and
- 16 (5) All things required by any federal agency in the  
17 construction and receipt of federal funds or low-  
18 income housing tax credits for housing projects.
- 19 (b) Subject to the requirements of subsection (a),  
20 proceeds in the revolving fund may be used to:



- 1 (1) Establish and operate regional state infrastructure
- 2 subaccounts pursuant to section 201H-191.5; and
- 3 (2) Administer, implement, and finance the government
- 4 employee housing program pursuant ~~[+]~~to~~[+]~~ part V.
- 5 (c) For purposes of this section, "transit-supportive
- 6 density" has the same meaning as in section 206E-246."

7 SECTION 3. Section 247-2, Hawaii Revised Statutes, is  
 8 amended to read as follows:

9 **"§247-2 Basis and rate of tax.** (a) The tax imposed by  
 10 section 247-1 shall be based on the actual and full  
 11 consideration (whether cash or otherwise, including any promise,  
 12 act, forbearance, property interest, value, gain, advantage,  
 13 benefit, or profit) ~~[7]~~ paid or to be paid for all transfers or  
 14 conveyance of realty or any interest therein, ~~[that shall~~  
 15 ~~include]~~ including any liens or encumbrances thereon at the time  
 16 of sale, lease, sublease, assignment, transfer, or conveyance,  
 17 and shall be at the following rates:

- 18 (1) ~~[Except as provided in paragraph (2):]~~ For the sale of
- 19 a property with a residential dwelling unit for which
- 20 the purchaser is eligible for a county homeowner's
- 21 exemption from property tax:



- 1           (A)   ~~[Ten cents per \$100 for]~~ For properties with a
- 2                   value of less than \$600,000[+]:                   cents per
- 3                   \$                    ;
- 4           (B)   ~~[Twenty cents per \$100 for]~~ For properties with a
- 5                   value of at least \$600,000, but less than
- 6                   \$1,000,000[+]: \$                    plus                   cents per
- 7                   \$                    of excess over \$                    ;
- 8           (C)   ~~[Thirty cents per \$100 for]~~ For properties with a
- 9                   value of at least \$1,000,000, but less than
- 10                  \$2,000,000[+]: \$                    plus                   cents per
- 11                  \$                    of excess over \$                    ;
- 12           (D)   ~~[Fifty cents per \$100 for]~~ For properties with a
- 13                   value of at least \$2,000,000, but less than
- 14                  \$4,000,000[+]: \$                    plus \$                   per
- 15                  \$                    of excess over \$                    ;
- 16           (E)   ~~[Seventy cents per \$100 for]~~ For properties with
- 17                   a value of at least \$4,000,000, but less than
- 18                  \$6,000,000[+]: \$                    plus \$                   per
- 19                  \$                    of excess over \$                    ;
- 20           (F)   ~~[Ninety cents per \$100 for]~~ For properties with a
- 21                   value of at least \$6,000,000, but less than



1                   \$10,000,000 [~~+~~and]: \$ \_\_\_\_\_ plus  
2                   \$ \_\_\_\_\_ per \$ \_\_\_\_\_ of excess over  
3                   \$ \_\_\_\_\_ ;; and  
4           (G) [~~One dollar per \$100 for~~] For properties with a  
5           value of at least \$10,000,000 [~~or greater; and~~]:  
6           \$ \_\_\_\_\_ plus \$ \_\_\_\_\_ per \$ \_\_\_\_\_ of  
7           excess over \$ \_\_\_\_\_ ;  
8           (2) For the sale of a [~~condominium or single family~~  
9           ~~residence~~] property with a residential dwelling unit  
10           for which the purchaser is ineligible for a county  
11           homeowner's exemption on property tax:  
12           (A) [~~Fifteen cents per \$100 for~~] For properties with  
13           a value of less than \$600,000 [~~+~~]: \_\_\_\_\_ cents  
14           per \$ \_\_\_\_\_ ;  
15           (B) [~~Twenty five cents per \$100 for~~] For properties  
16           with a value of at least \$600,000, but less than  
17           \$1,000,000 [~~+~~]: \$ \_\_\_\_\_ plus \_\_\_\_\_ cents per  
18           \$ \_\_\_\_\_ of excess over \$ \_\_\_\_\_ ;  
19           (C) [~~Forty cents per \$100 for~~] For properties with a  
20           value of at least \$1,000,000, but less than



1 \$2,000,000[+]: \$ \_\_\_\_\_ plus \_\_\_\_\_ cents per  
2 \$ \_\_\_\_\_ of excess over \$ \_\_\_\_\_ ;

3 (D) [~~Sixty cents per \$100 for~~] For properties with a  
4 value of at least \$2,000,000, but less than  
5 \$4,000,000[+]: \$ \_\_\_\_\_ plus \$ \_\_\_\_\_ per  
6 \$ \_\_\_\_\_ of excess over \$ \_\_\_\_\_ ;

7 (E) [~~Eighty five cents per \$100 for~~] For properties  
8 with a value of at least \$4,000,000, but less  
9 than \$6,000,000[+]: \$ \_\_\_\_\_ plus  
10 \$ \_\_\_\_\_ per \$ \_\_\_\_\_ of excess over  
11 \$ \_\_\_\_\_ ;

12 (F) [~~One dollar and ten cents per \$100 for~~] For  
13 properties with a value of at least \$6,000,000,  
14 but less than \$10,000,000[+and]:  
15 \$ \_\_\_\_\_ plus \$ \_\_\_\_\_ per \$ \_\_\_\_\_ of  
16 excess over \$ \_\_\_\_\_ ; and

17 (G) [~~One dollar and twenty five cents per \$100 for~~]  
18 For properties with a value of at least  
19 \$10,000,000 [~~or greater,~~]: \$ \_\_\_\_\_ plus  
20 \$ \_\_\_\_\_ per \$ \_\_\_\_\_ of excess over  
21 \$ \_\_\_\_\_ ; and



1        (3) For the sale, lease, sublease, or assignment of any  
2        property with no residential dwelling unit:

3        (A) For properties with a value of less than  
4        \$600,000:                    cents per \$                    ;

5        (B) For properties with a value of at least \$600,000,  
6        but less than \$1,000,000:                    cents per  
7        \$                    ;

8        (C) For properties with a value of at least  
9        \$1,000,000, but less than  
10       \$2,000,000:                    cents per \$                    ;

11       (D) For properties with a value of at least  
12       \$2,000,000, but less than  
13       \$4,000,000:                    cents per \$                    ;

14       (E) For properties with a value of at least  
15       \$4,000,000, but less than  
16       \$6,000,000:                    cents per \$                    ;

17       (F) For properties with a value of at least  
18       \$6,000,000, but less than  
19       \$10,000,000:                    cents per \$                    ; and

20       (G) For properties with a value of at least  
21       \$10,000,000: \$                    per \$                    ,



1 of [~~such~~] the actual and full consideration; provided that in  
2 the case of a lease or sublease, this chapter shall apply only  
3 to a lease or sublease whose full unexpired term is for a period  
4 of five years or more[, ~~and in those cases, including (where~~  
5 ~~appropriate) those cases where the~~]; provided further that if a  
6 lease has been extended or amended, the tax in this chapter  
7 shall be based on the cash value of the lease rentals discounted  
8 to present day value and capitalized at the rate of six per  
9 cent, plus the actual and full consideration paid or to be paid  
10 for any and all improvements, if any, that shall include on-site  
11 as well as off-site improvements, applicable to the leased  
12 premises; [~~and~~] provided further that the tax imposed for each  
13 transaction shall be [~~not~~] no less than \$1. For the purposes of  
14 this section, any conveyance of property that is used for  
15 transient accommodations, as defined in section 237D-1, for any  
16 period during the two years before the date of conveyance shall  
17 be taxed at the rates under paragraph (2), regardless of whether  
18 the purchaser is eligible for a county homeowner's exemption on  
19 property tax.

20 The rates in this section shall apply to the transfer or  
21 conveyance of a multifamily residential property; provided that



1 "value", for purposes of determining the applicable rate, shall  
2 be an amount calculated by dividing the actual and full  
3 consideration for the transfer or conveyance of realty or any  
4 interest therein by the number of residential dwelling units in  
5 the property.

6 As used in this subsection, "multifamily residential  
7 property" means a structure that is located within the state  
8 urban land use district and divided into five or more dwelling  
9 units.

10 (b) For each taxable year beginning after December 31,  
11 2026, the director of taxation, no later than December 15 of the  
12 preceding calendar year, shall recompute the "value" in  
13 subsections (a)(1), (2), and (3) by multiplying the dollar  
14 amounts for the preceding taxable year by a cost-of-living  
15 adjustment factor, if the cost-of-living adjustment factor is  
16 greater than 1.0, and rounding off the resulting product to the  
17 nearest \$1; provided that if the cost-of-living adjustment  
18 factor is less than or equal to 1.0 in a given year, then no  
19 adjustment shall occur in the following year.

20 As used in this subsection, "cost-of-living adjustment  
21 factor" means a factor calculated by adding 1.0 to the quotient



1 of the percentage change in the Urban Hawaii Consumer Price  
2 Index for all items divided by one hundred, as published by the  
3 United States Department of Labor, from July of the preceding  
4 calendar year to July of the current calendar year; provided  
5 that if the Urban Hawaii Consumer Price Index is discontinued,  
6 the Chained Consumer Price Index for All Urban Consumers, as  
7 published by the United States Department of Labor, shall be  
8 used to calculate the cost-of-living adjustment factor.

9 (c) Notwithstanding subsection (a), the total conveyance  
10 tax imposed on the transfer or conveyance of a parcel shall not  
11 exceed:

12 (1) Four per cent of the actual and full consideration for  
13 the conveyance, if the purchaser is eligible for a  
14 county homeowner's exemption from property tax with  
15 respect to that parcel; or

16 (2) Six per cent of the actual and full consideration for  
17 the conveyance if the purchaser is ineligible for a  
18 county homeowner's exemption from property tax with  
19 respect to that parcel.

20 For the conveyance of a multifamily residential property as  
21 defined in subsection (a), the cap under this subsection shall



1 be applied on a per-unit basis, calculated by dividing the  
2 actual and full consideration by the number of residential  
3 dwelling units, and the total tax imposed on the conveyance  
4 shall not exceed the applicable per-unit cap multiplied by the  
5 number of residential dwelling units."

6 SECTION 4. Section 247-7, Hawaii Revised Statutes, is  
7 amended to read as follows:

8 "**§247-7 Disposition of taxes.** All taxes collected under  
9 this chapter shall be paid into the state treasury to the credit  
10 of the general fund of the State, to be used and expended for  
11 the purposes for which the general fund was created and exists  
12 by law; provided that of the taxes collected each fiscal year:

13 (1) Ten per cent or [~~\$5,100,000,~~] \$10,000,000, whichever  
14 is less, shall be paid into the land conservation fund  
15 established pursuant to section 173A-5; [and]

16 (2) Fifteen per cent or \$15,000,000, whichever is less,  
17 shall be paid into the Hawaii agricultural development  
18 revolving fund established pursuant to section 163D-17  
19 for land acquisition;

20 (3) Fifteen per cent or \$15,000,000, whichever is less,  
21 shall be paid into the special land and development



1           fund established pursuant to section 171-19 for land  
 2           acquisition and development of community access  
 3           pursuant to sections 198D-2 and 198D-5;  
 4       ~~[-(2)]~~ (4) [Fifty] Twenty per cent or [~~\$38,000,000,~~  
 5           \$40,000,000, whichever is less, shall be paid into the  
 6           rental housing revolving fund established by section  
 7           201H-202[-];  
 8       (3) Twenty per cent or \$40,000,000, whichever is less,  
 9           shall be paid into the Hawaiian home lands  
 10           infrastructure and housing special fund established  
 11           pursuant to section 26-       ; and  
 12       (4) Twenty per cent or \$40,000,000, whichever is less,  
 13           shall be paid into the dwelling unit revolving fund  
 14           established pursuant to section 201H-191."

## PART III

16           SECTION 5. Chapter 26, Hawaii Revised Statutes, is amended  
 17 by adding a new section to be appropriately designated and to  
 18 read as follows:

19           "§26-       Hawaiian home lands infrastructure and housing  
 20 special fund. (a) There is established within the department  
 21 of Hawaiian home lands a special fund to be known as the



1 Hawaiian home lands infrastructure and housing special fund.  
2 The fund shall be administered by the department of Hawaiian  
3 home lands.

4 (b) The following shall be deposited into the special  
5 fund:

6 (1) Conveyance tax revenues allocated pursuant to section  
7 247-7(3); and

8 (2) Funds appropriated by the legislature or otherwise  
9 made available for the purposes of this section.

10 (c) Moneys in the special fund shall be expended by the  
11 department of Hawaiian home lands for:

12 (1) Multi-year planning, procurement, and sequencing of  
13 infrastructure and housing to deliver homes to  
14 beneficiaries of the Hawaiian home lands program; and

15 (2) Leveraging additional public and private capital for  
16 the purposes of paragraph (1)."

17 SECTION 6. Section 163D-17, Hawaii Revised Statutes, is  
18 amended by amending subsection (b) to read as follows:

19 "(b) The corporation shall hold the fund in an account or  
20 accounts separate from other funds. The corporation shall  
21 invest and reinvest the fund and the income thereof to:





1 SECTION 8. This Act does not affect rights and duties that  
2 matured, penalties that were incurred, and proceedings that were  
3 begun before its effective date.

4 SECTION 9. Statutory material to be repealed is bracketed  
5 and stricken. New statutory material is underscored.

6 SECTION 10. This Act shall take effect on July 1, 3000.



**Report Title:**

Department of Land and Natural Resources; Department of Hawaiian Home Lands; Conveyance Tax; Dwelling Unit Revolving Fund; Infrastructure Funding; County-designated Transit-oriented Development; Hawaiian Home Lands Infrastructure and Housing Special Fund; Hawaii Agricultural Development Revolving Fund; Special Land and Development Fund

**Description:**

Restructures the conveyance tax to a marginal rate system for the sale of properties with residential use, adjusts the tax for multifamily properties to reflect value on a per-unit basis, and applies a cost-of-living adjustment to conveyance tax rates. Allocates revenues from conveyance tax collections. Allocates a portion of conveyance tax collections to the Dwelling Unit Revolving Fund to fund infrastructure programs in areas that meet minimum standards of transit-supportive density. Allocates a portion of conveyance tax revenues to the Hawaii Agricultural Development Revolving Fund, Special Land and Development Fund, and Hawaiian Home Lands Infrastructure and Housing Special Fund. Establishes and appropriates funds out of the Hawaiian Home Lands Infrastructure and Housing Special Fund. Authorizes the Hawaii Agricultural Development Revolving Fund to be used to acquire land. Effective 7/1/3000. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

