June 30, 2014

The Honorable Donna Mercado Kim,
President
and Members of the Senate
Twenty-Seventh State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Seventh State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 30, 2014, the following bill was signed into law:

SB2542 SD1 HD1 CD1 RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND ACT 163 (14)

Sincerely,

NEIL ABERCROMBIE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND.

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

SECTION 1. Recognizing the need to address the shortfall in affordable rental housing units, the legislature raised the allocation of the conveyance tax to the rental housing trust fund to fifty per cent in 2006. However, due to the economic crisis and recession of 2008 through 2010 the allocation to the rental housing trust fund has been reduced to thirty per cent to address the State's budget crisis.

The legislature finds that the State continues to face unique challenges related to affordable housing. The lack of available land, low wage positions coupled with the high cost of living, the high cost of construction, and shortage of public funds are only some of the factors that have contributed to one of the lowest rates of home ownership in the country and a strong need for affordable rental housing.

The legislature further finds that renters in Hawaii face many challenges. A 2011 Center for Housing Policy report noted that Honolulu was tied for being the least affordable city for
renters nationwide. Honolulu was also ranked the third most
expensive city for rentals. The need for affordable housing in
Hawaii also affects moderate-income families. Individualsalling into this gap group of average wage earners face
challenges, as they earn too much to qualify for low-income
housing programs, yet earn too little to afford market rate
housing.

The legislature also finds that according to the 2011
Hawaii Housing Planning Study, the number of new housing units
that will have to be built between 2012 and 2016 to meet new
demand generated by changing demographic and economic conditions
might be as high as fifty thousand. Units that are not built
represent the shortage of units needed to fill the total demand
for housing units. This shortage, known as needed units, is the
difference between total housing demand and expected supply.
The projected number of needed units in the State through 2016
includes over six thousand ownership units and thirteen thousand
rental units for households with less than eighty per cent of
the area median income. During this same five-year period,
about two thousand six hundred affordable for-sale units and
over two thousand one hundred rental units will be needed to
meet the housing requirements of households earning between
eighty per cent and one hundred forty per cent of the area median income; these are households that fall into the gap group of wage earners.

The legislature additionally finds that rising housing costs are associated with increased homelessness or families at risk of becoming homeless. According to the 2012 Homeless Service Utilization Report developed by the Center on the Family at the University of Hawaii at Manoa, a total of 13,980 individuals statewide experienced homelessness and received shelter or outreach services during the 2012 fiscal year. This figure includes those individuals who are at risk of losing their housing.

The legislature finds that Hawaii has a definite, immediate need for affordable housing. Addressing these needs will be a challenge because of the sheer number of units needed to meet demand and the various barriers that can prevent development and preservation of affordable housing. Therefore, the public sector, the private sector, and other interested stakeholders in the community must work together to ensure that Hawaii's residents have access to affordable housing.

The purpose of this Act is to support Hawaii's goal of meeting the projected number of needed affordable housing units
in the State by restoring the allocation of the conveyance tax
to the rental housing trust fund to fifty per cent.

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

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

(1) Ten per cent shall be paid into the land conservation
fund established pursuant to section 173A-5;

(2) Twenty-five per cent from July 1, 2009, until June 30, 2012[and]; thirty per cent from July 1, 2012, until
June 30, 2014; and fifty per cent in each fiscal year
thereafter shall be paid into the rental housing trust
fund established by section 201H-202; and

(3) Twenty per cent from July 1, 2009, until June 30, 2012, and twenty-five per cent in each fiscal year
thereafter shall be paid into the natural area reserve
fund established by section 195-9; provided that the
funds paid into the natural area reserve fund shall be
annually disbursed by the department of land and
natural resources in the following priority:

(A) To natural area partnership and forest
stewardship programs after joint consultation
with the forest stewardship committee and the
natural area reserves system commission;

(B) Projects undertaken in accordance with watershed
management plans pursuant to section 171-58 or
watershed management plans negotiated with
private landowners, and management of the natural
area reserves system pursuant to section 195-3;

and

(C) The youth conservation corps established under
chapter 193."

SECTION 3. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 4. If H.B. No. 2059 or H.B. No. 2101, regular
session of 2014, is passed in any form by the legislature during
the regular session of 2014, whether before, on, or after the
effective date of this Act, the provisions in this Act shall
supersede any amendments made to section 247-7, Hawaii Revised
Statutes, by those measures.
SECTION 5. This Act shall take effect on July 1, 2014.

APPROVED this 30 day of JUN, 2014

[Signature]

GOVERNOR OF THE STATE OF HAWAII