

DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov



RICK BLANGIARDI
MAYOR

ANDREW T. KAWANO
DIRECTOR

CARRIE CASTLE
DEPUTY DIRECTOR

March 7, 2022

The Honorable Carol Fukunaga
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Councilmember Fukunaga:

Thank you for your memorandum dated February 24, 2022, regarding an update on the Applications for Real Property Tax Credits for Automatic Sprinkler Systems (Ordinance 18-9) – Special PIT Committee Meeting.

The following are our responses to your questions from the February 24, 2022 meeting:

1. **Where on your department's website can a resident find information about the Automatic Fire Sprinkler Tax Credit or the process to apply for the Automatic Fire Sprinkler Tax credit? Has the department received request for educational outreach or training on the tax credit?**

Response:

The Automatic Fire Sprinkler Tax Credit Application is available on the Treasury Division's Website at <https://www.honolulu.gov/cms-bfs-menu/site-bfs-sitearticles/6416-treasury-division.html> from July 1st through September 30th and every year thereafter. Callers can call our Tax Relief Section at (808) 768-3205 with questions. We have not received educational outreach or training requests on this tax credit.

2. **How will your department determine the number of residents that will be eligible for the Automatic Fire Sprinkle Tax Credit? Does the department plan to utilize the same rationale that was offered during legislative deliberations on Bill 101 (Ordinance 18-9), or would it modify the approach for the revised list of buildings subject to Ordinance 19-4 (Exhibit D, Council Com. 43)?**

Response:

Treasury Division follows Ordinance 18-9 (Bill 101). Applicants must follow the qualification requirements and provide the "Completed Certificate" so that the applications are complete and can be processed for review and approval.

DEPT. COM. 190

PIT

3. **Has Department of Budget and Fiscal Services conducted an analysis to determine what the costs of installation of automatic sprinklers required by Ordinance 19-4 might be for individual high-rise condominium or co-operative unit owners?**

Response:

The purpose of Ordinance 18-9 was to provide a one-time real property tax relief of \$2,000 for eligible property owners following the installation of an automatic sprinkler system on the owner's property in accordance with applicable building and fire codes.

4. **Responses 3 and 4 in the department's February 23, 2022 response states that "significant modifications and staff resources were required to support the Automated Sprinkler Tax Credit program. Any future programming modifications will require significant modifications, staff resources and additional funding.**

- a. **Please provide a summary of the amount of funding and staff resources expended between 2018-present to implement the Automated Sprinkler Tax Credit program.**

Response:

Since 2018 to present, 6 existing Treasury Division staff members have spent over 2,415 hours each to create, implement, and test the set up and programming for this new tax credit program. At an average hourly rate of \$31.25 per staff, we have expended over \$452,800 in salaries alone. Programming costs are estimated at over \$12,000 but is subject to change.

- b. **Does the department plan to propose increased funding for this program in the Administrations FY 23 budget?**

Response:

We continue to monitor the progress high-rise condominium or co-operative unit owners have made with the installation of Automated Fire Sprinkler systems. At inception in 2018, we estimated requiring six additional full time positions to support this Ordinance. Initial staffing and office space costs were estimated at \$686,000. Should we see an increase in condominium or co-operatives unit owners proceeding with the installation of Automatic Fire Sprinkler systems, we will request staff increases in FY 24 budget.

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- c. **What is the department's timetable for increased demand for tax credits under the program if more properties decide to pursue sprinkler installations between 2022 and 2025?**

Response:

Same as previous response.

Should you have any additional questions please call me at 768-3901.

Sincerely,



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Andrew T. Kawano
Director

APPROVED:



Michael D. Formby
Managing Director