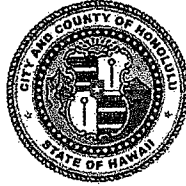


RICK BLANGIARDI
MAYOR



ANDREW T. KAWANO
DIRECTOR

CARRIE CASTLE
DEPUTY DIRECTOR

March 14, 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 22, 2022, regarding the City Financial Assistance Solutions relating to Ordinances 19-4 and 21-3 (Fire safety upgrade requirements). Please see our responses to your questions below:

1. **Bill 44**, Relating to Fire Safety Improvements, was introduced in November 2021 to initiate discussions regarding the establishment of a financial assistance and grants program to help unit owners/condo associations comply with the fire safety ordinances.

It was based on the January 29, 2018 testimony of the Mayor's Office (*Mayor's Message 12, copy attached*) submitted in response to three Council proposals for (a) tax credits, (b) waivers of building permit and related fees for installation of fire sprinklers/fire safety upgrades and (c) loan funds for safety improvements for low-income property owners.

- Does Department of Budget and Fiscal Services and the Administration support the establishment of a financial assistance and grants program to achieve the purposes stated in the January 29, 2018 testimony?

Response:

In working with HFD, they provided the following data:

The total number of residential condominium units that are included within the inventory of 323 residential high-rise properties subject to the Ordinance 19-4 requirements is 38,747.

HFD received average cost estimates from 5 of the 9 Licensed Design Professionals whom represent the majority of the Life Safety Evaluations (LSE) to date for the following:

- Average Cost per Building to Sprinkler - \$2,867,188
- Average Cost per Building to Comply with LSE Recommendations - \$795,839
- Average Cost per Unit to Sprinkler - \$21,623
- Average Cost per Unit to Comply with LSE Recommendations - \$5,959

The grand total estimated cost of compliance based on these estimates is \$2.2 billion. The cost to the City to provide some level of support with financial assistance to help offset these costs would be substantial.

- Does Department of Budget and Fiscal Services and the Administration support any of the following types of financial incentives discussed in my February 7, 2022 memo to Director Kawano?

Response:

Ordinance 18-9, Section 8-14.3 was established to provide an incentive for owners of units in high-rise buildings erected before 1993 to install automatic sprinkler systems. The Automatic Sprinkler Tax Credit Program provides for a \$2,000 property tax credit to unit owners in an existing residential high-rise that installs sprinkler system protection, either throughout the entire building or throughout all common areas. The program has been implemented and is currently available. We believe that the program is fair and reasonable and reiterate that its objective was to encourage and incentivize owners to install sprinkler systems to be compliant with law and not to significantly subsidize the cost of the program. During the period from 2018-2022, we received two applications which were incomplete. Applications are accepted July 1st through September 30th of each year.

2. Budget Committee Chair Say also submitted questions to the Administration during 2021 seeking information relating to the use of CDBG funds for grants for sprinkler installations:

Committee on Budget – Departmental Briefing Follow-up Questions (Council Communications 129, March 22, 2021 – page 10 of 37 pages, General Topic: Loan Programs, Question: "...New Initiatives include loans to cover the construction of Accessory Dwelling Units permitted by a 2015 ordinance; and assistance to eligible families to pay for fire sprinkler retrofits in high rise structures. Status updates on these programs, how many residents use this program? What are some bottlenecks faced by this program and how is the City addressing these bottlenecks?"

- What was your department's response to the March 20, 2021 question regarding status updates on assistance to eligible families to pay for fire sprinkler retrofits in high rise structures?

Response: Currently the rehabilitation loan portfolio includes 127 loans for \$7.1 million and the down payment loan portfolio includes 128 loans for \$3.06 million. Loan demand dropped dramatically due to COVID-19 concerns; however, six down payment loans have closed and several more are anticipated in the fiscal year ending June 30, 2021. Long standing bottlenecks for the rehabilitation loan program include customer inability to find interested general contractors, delays in required historic preservation review of proposed renovation projects and delays in the building permit approval.

There have been no applications for Accessory Dwelling Units (ADU) and no interest from Marco Polo owners affected by the City's updated fire sprinkler requirements.

3. The Council's Stakeholder Advisory Group Recommendations for the use of CARES Act monies also endorsed the use of CARES Act funds or other means of financial assistance of sprinklers (*Council Communications 21-289 – page 55 out of 69 pages*)

"Assist apartment owner associations in an effort to bring aging condominiums to current fire protection, electrical and plumbing codes (ORS Action No. 11): "Again, the City might consider incentivizing these necessary conversions with property tax credits, or assist residents by adding the cost to their property tax bill and then allowing them to amortize it over a 20-year period."

- Does Department of Budget and Fiscal Services and the Administration support the establishment of financial incentives that could include property tax credits with amortization over a 20-year period?

Response:

See BFS's responses for Question No. 1.

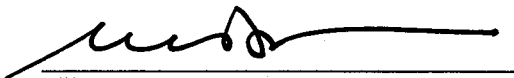
If you have any questions, please call me at 768-3901.

Sincerely,



Andrew T. Kawano
Director

APPROVED:



Michael D. Formby
Managing Director