

TESTIMONY
for
ORPTAC MEETING
3/15/22 @ 2pm

White, George

From: Alan Link <alanlink@shaw.ca>
Sent: Tuesday, March 15, 2022 3:22 AM
To: White, George
Subject: Proposed property tax zoning changes

CAUTION: Email received from an **EXTERNAL** sender. Please confirm the content is safe prior to opening attachments or links.

To whom it may concern;

The condo we own at the Waikiki Sunset has had an NUC for over 40 years. We have owned it 10 years. Some people are under the impression that the condo makes lots of money from rental income. This condo is in a residential zone and has a full kitchen. This goes against the rules for Resort tax assessment.

This is not true when the city of Honolulu assumes we make lots of money. At the end of the day after paying management fees, condo fees and taxes there is next to nothing left as profit!

During the pandemic the last two years we lost thousands of dollars and had to bring funds in from the mainland to pay the bills.

This condo supports many locals through management fees, repairs, various taxes and cleaning fees.
That's where the bulk of the rental income goes.

Sent from my iPad

White, George

From: Backpackers Hawaii <info@backpackershawaii.com>
Sent: Sunday, March 13, 2022 12:09 PM
To: White, George
Subject: NUC taxes

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Aloha, my name is SharLyn Foo and my family has had NUCs for more than 30 years. We have always paid our constantly rising fees, hotel taxes and property taxes, unlike the countless illegal rentals. There are only 750 certificates on Oahu and I am among the 115 in a residentially zoned area.

In 2019 the tax commission found it to be unconstitutional to classify us as hotels, we thought the matter was closed.

Now new dissuasions and bills are trying to penalize us again by quadrupling property taxes.

We pay for our certificates to be legal. Despite this, we have no protections or rights against illegal vacation rentals. Once again we are being targeted and we would appreciate your assistance when you advise the council.

We are not new and we've been operating within the bounds of the law for many decades. We feel it is appropriate to allow this small group of family businesses to be grandfathered.

Mahalo,

SharLyn Foo

White, George

From: jillpaulin@gmail.com
Sent: Sunday, March 13, 2022 9:48 AM
To: White, George
Subject: Testimony for 3/15/22 ORPTAC
Attachments: Written Testimony for ORPTAC 031522.docx

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Aloha George,

Please find and forward my attached testimony to the Commissioners for Tuesday's meeting.

Thank you,

Jill Paulin

Aloha Commissioners.

As you review Oahu's current Real Property Tax classifications, I'd ask that you consider the following differences between short-term rentals and hotels/ resorts on the islands:

Financial:

Hotels earn 32% of their income from sources other than room rentals. Resorts earn 49% of their income from non-room rentals. (CBRE Hotels' Americas Research) These revenue sources include: food and beverage, resort fees, parking fees, sundry shops, events, conferences, ballroom rentals, travel packages, etc. **This extra 30-50% of income allows hotels & resorts to pay the higher rate of property taxes.** STR's, including B & B's, do not generate any income outside of rental revenue. With an average daily net income of less than \$100/day, **property taxes at the Hotel/ Resort rate would take one-third of the net income of a 1 bedroom/ 1 bath condo at Kuilima.** (taxes calculated based on \$900k value at 1.39% hotel/resort tax rate) This would put most Owners/ Landlords out of business.

Building Rights

Hotel or Resort zoning allows for greater density and building height. Their building codes also allow various revenue-producing structures such as shops and restaurants. Residentially zoned STR's do not have the same building rights.

Please review Section 4 of the Oahu Real Property Tax Commission's report, CC-394 when this same issue came up in 2019. It was acknowledged that Bill 55 (which also sought to lump TVU's with hotels/ resorts) is punitive in that these TVU's do not enjoy the same commercial benefits as hotels. They stated that the business model was entirely different.

A potential solution would be to put all STR's together in the new B & B classification, which currently only applies to a small number of B & B NUC's. This revised "Short Term Rental" classification would fairly tax STR's between the current residential rate and that of the hotels/ resorts. I believe this is the policy on Maui and Kauai.

Mahalo for your time and attention,

Jill Paulin
Haleiwa, HI

White, George

From: breckberg svea <sveabkg@yahoo.com>
Sent: Monday, March 7, 2022 1:32 PM
To: Councilman Tommy Waters; Tupola, Andria; ekianna@honolulu.gov; Tsuneyoshi, Heidi; Say, Calvin; Fukunaga, Carol A; Cordero, Radiant; Elefante, Brandon; Tulba, Augie; White, George
Subject: Requested Correction

CAUTION: Email received from an **EXTERNAL** sender. Please confirm the content is safe prior to opening attachments or links.

Mr. George White--Please forward this e-mail to all the members of the Oahu Real Property Tax Advisory Commission. I apologize to them and all our Council Members about a couple incorrect assessment words I used in my previous 24 February e-mail to you, Subject: Assessment Appeal on Not Renovated Houses. I made that error because of confusing, too short valuation words on the comparable sales analysis report owners can request from the assessment division. It is a computer printout that has only short explanation references under the value column at the left bottom of the one page.

It appeared to have "adjusted price weighted estimate" APWE that was for dollar figures for the five comparables used to calculate your house's new higher property value. That actually should be two different items--adjusted sale price and weighted estimate, the latter not having any figures for the "comparables". What the dollar figures actually are for the assessor calculated "adjusted sale price". It is confusing trying to read the dollar numbers in straight line with the descriptions. In my previous e-mail where I wrote APWE, please substitute adjusted sale price. The important two highest and two lowest dollar amounts of adjusted sale prices are discarded in the assessment division currently required math, which I contend for not renovated residential properties prevents fair market values from being assessed, except perhaps through appeals. Those four discarded amounts are selected by the assessor from the adjusted sales prices of the five "comparables" or your house's market estimate or maybe weighted estimate. I should have asked the assessor to better explain the abbreviated, confusing valuation wording in the left column bottom of the computer printout. I am sorry my research is sometimes a tiny flawed. Aloha, Svea Breckberg

White, George

From: adsaloha2u@gmail.com
Sent: Thursday, March 3, 2022 4:18 PM
To: White, George
Subject: Suggestions for Changing the PT Exemptions

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Aloha, Mr. White,

I'm a retired resident of the C&C and have been concerned about the upcoming property tax increases most of us will see in August for the next tax year. I provided testimony in the Feb 22, 2022 meeting of the ORTPAC. I was heartened by the discussions related to changes in the exemption for resident homeowners (ROH 8-10.4) and I want to expound on what I presented. Please share this with the ORTPAC and/or the Subcommittee on Credits and Exemptions.....

The idea I presented in the meeting was to adopt exemption rates in lieu of fixed exemption amounts. Rates would be a percentage of the assessed value and could be adjusted annually to compensate for rising assessed values. This would also be fairer than fixed exemption amounts which provide more relative relief for owners of lower assessed value properties (a \$100K exemption is significant for a condo valued at \$300K, but relatively negligible for a \$2M property). So, how might this work and where would the rate be set? I'm no expert, but here's some thoughts considering these "facts" or assumptions....

- The median value of a house on Oahu in 2021 was \$1M (from what I read)
- Assessments for 2022 are up 15% from 2021 (my own experience)
- 15% of the media house is a \$150K increase
- The current \$100K exemption amount is 10% of the median house and produces a \$900K taxable value (\$1M - \$100K = \$900K)

The rate should be set to cancel out the inflation in home values. If so, the exemption rate on the median house could be set to equal \$900K.

The 2021 \$1M house will be worth and assessed at \$1.15M with a 15% increase in 2022. To keep the taxable amount at \$900K, the exemption rate would be 21.8% –

$$1.15M \times .218 = 250.7K \quad 1.15M - 250.7K = 899.3K \quad \text{essentially } 900K.$$

Put another way, the taxable rate would be 78.2% $1.15M \times .782 = 899.3$

The taxable rate would be adjusted annually so that assessed value inflation would not drive taxes to extraordinary levels. A taxable rate for seniors could be set lower (70%??); perhaps the historical houses rate could also be included here (50%??).

I'd also like to advocate for renters by recommending that a taxable rate be set for Residential Tiers 1 and 2 properties, which are applied to non-resident home owners. A rate less than 100% would be granted to owners who rent their properties for at least six months at a time at a market rate and who have paid GET on the proceeds. These owners would have to apply for the lower rate, as seniors do now, and show evidence that they paid GET on rental income equal to minimums set by the County Council. (Example: a \$500K property should, conservatively, generate at least \$1K/mo rental income or \$12K/yr; GET = $12K \times .045 = \$540$). A lower taxable rate for Tiers 1 & 2 would damper rental price increases caused by landlords passing on the increase in property taxes to renters. This damper would help achieve the housing affordability goals of the C&C. This may have the added benefit of

encouraging landlords to pay the GET, which many do not. Second houses empty for most of the year and short term rentals would not qualify.

I'm sure that there would be loopholes that have to be filled by added provisions, but others are more expert than I at seeing these and knowing how to counter them.

I hope this helps with some of the details; if nothing else, perhaps it will spawn different, better ideas.

Thanks to all ORTPAC members for taking a serious look at revisions and advising the City Council. Very much appreciated!!

**Doug Rinehart
840-1101**

Audit of the Real Property Assessment Division (RAPD) 2013-02

Background Info:

Org Chart: 115 FTE @ \$5.2M annual budget; (104 Pos/98 filled FY23 Position Summary)*

Administrator/Asst Administrator

4 Divisions:

Assessment Branch (54)*	Tax Maps Branch (19)*	Technical Branch (2)*	Support Svcs Branch (23)*
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ROH Ch. 8 Requirements for property tax valuations, classifications, and exemptions and dedications. RAPD required by law to provide notice of RPT assessment to each known owner on or before Dec. 15th of preceding tax year; publishes a public notice in newspaper; delivers info to owner: TMK, valuation class, net taxable value, billing amount payable in two equal installments.

Property Valuation: RAPD annually determines fair market value (FMV) of all taxable real property by comparing market data and using a cost approach. RAPD maintains records of methods used for property values determinations.

Mass appraisal: a process of valuing a group of properties of a given date using common data, standardized methods and statistical testing. Systematic methods for mass valuation of real property obtained uniformly and equal assessments throughout the county using *computer-aided mass appraisal system, iasWorld*. City's *DocuShare* system stores and maintain property records as required by city ordinances.

Property Classification: Land is classified by law on its highest and best use. Its appraisal is based on its reasonably probable and legal use; its physical use and a use that is financially feasible. RPAD is required to consider districting established by the city's general Plan; zoning ordinances, factors that reflect highest and best use.

Property Exemptions and Dedications: these categories can reduce tax liability. Exemptions (ROH Ch. 8, Art. 10) are based on a predetermined dollar amount or are calculated as a percentage of the gross valuation then converted to a dollar amount. Exemptions can apply to land, building, or both. The most common exemption is for owner occupants over the age of 64.

Ch. 8-10.4H

(d) A taxpayer who is 65 years of age or over on or before June 30th preceding the tax year for which the exemption is claimed and who qualifies for a home exemption under subsection (a) shall be entitled to a home exemption of \$140,000. For the purpose of this subsection, a husband and wife who own property jointly, by the entirety, or in common, on which a home exemption under subsection (a) has been granted shall be entitled to the \$140,000 home exemption under this subsection when at least one of the spouses qualifies for the exemption.

(e) (1) In lieu of the \$140,000 home exemption provided in subsection (d), a low-income taxpayer who:

(A) Is 75 years of age or over on or before June 30th preceding the tax year for which the exemption is claimed; (B) Qualifies for a home exemption under subsection (a);

(C) Applies for the exemption as required in subdivision (2); and

(D) Has household income that meets the definition of "low-income" in Section 8-10.20(a), shall be entitled to one of the following home exemption amounts for that tax year:

Age of Taxpayer Home Exemption Amount

75 years of age or over but not 80 years of age or over \$140,000

80 years of age or over but not 85 years of age or over \$160,000 85 years of age or over but not 90 years of age or over \$180,000

90 years of age or over \$200,000

(2) The claim for exemption, allowed at the applicant's attainment of 75, 80, or 85 years, shall continue for a maximum period of five years, after which period of time the home exemption amount shall revert to \$140,000 except the claim for exemption at 90 years of age shall extend for the life of the applicant.

Professional Standards and Best Practices: To maintain a reliable and accurate assessment system; which requires complete, accurate, and updated property data and characteristics. If property data and characteristics are not update or kept current, the classifications, valuation, assessment systems and property data become unreliable, inaccurate and need to be completely redone. (Assessment Standard of the International Assn of Assessing Officers)

Scope and Methodology: conduct a performance audit of RPAD, evaluating its processes related to classification, reclassification, valuation, and assessment of RP for taxation purposes.

Sub objectives:

- Review/assess operational and management practices to develop the annual certified assessment roll;
- Assess data management practices in classification/assessment process;
- Assess use and operations of the *iasWorld* information system to manage and process assessment data;
- Recommend improving processes for classifying and assessing real property taxes.

During June-November 2012, approximately 1,100 parcels were reviewed; 950 site inspections for characteristics, verifying data and compliance with exemption/dedication/land use requirements.

Sampling:

Reclassified properties from residential to commercial/industrial;
Registered properties from State DOH adult residential care homes (ARCH);
Registered list of skilled nursing and intermediate care facilities;
List of kuleana lands
List of historic residential and commercial properties dedicated for preservation;
Properties in major resort areas of Waikiki, Turtle Bay and Ko'olina.

Findings:

- Inconsistent classifications per site visits
- Database not maintained and updated
- Quality assurance testing not performed
 - As a result, tax assessments were inconsistent and inequitable
- Dedicated property exemptions violations (due to not monitoring and enforcing compliance)
 - As a result, highest best use not reflected

Recommendations:

- RAPD develop/enforce policies and procedures to conform to professional standards and best practices:
- Use uniform methods/ techniques to classify, value, assess RP
- Ensure properties are assigned/classified based on highest/best and/or current use.
- Ensure missed use properties are property classified, valued, prorated and assessed
- Properly classify, value, prorate, assess real properties used as ARCHs, skilled nursing, intermediate care facilities as residential

Managing Director through the Budget and Fiscal Services require that RAPD

- compete processing and documenting real properties granted tax adjustment or compromises*
- Develop accurate reliable list of properties affected by its reclassifications and reverse tax adjustments or compromises that were granted to non-qualified real property owners*
- Correct and collect all tax property assessment due from unqualified real property owners who were granted tax adjustments or tax compromises. *

*per City Council Resolutions

Follow up on Recommendations from Rpt No 13-02 (Oct. 2014)

Of 28 active recommendations, 28 are not started.

Follow up on Recommendations from Rpt No 13-02 (Dec. 2019)

Completed status of **Historic Properties** (non-compliant owners to pay full taxes and penalties upon being warned) and **Nursing homes** (considered dwellings & lodgings under Land Use Ordinance.)

White, George

From: Kawashima, Melvia
Sent: Thursday, March 3, 2022 2:30 PM
To: 'a.beppu@aol.com'
Cc: Say, Calvin; White, George
Subject: Oahu Real Property Tax questions Correspondence

Aloha Anita-

Thank you for your February 27, 2022 correspondence about questions related to Oahu's real property tax structure, currently under review by the Oahu Real Property Tax Advisory Commission. We appreciate your interest and your good queries, of which are best responded by George White, who provides legal and administrative services to the commission.

Thank you for your reference to the 2013 City Auditor's Report, which we reviewed and found to be relevant almost ten years later!

The findings and recommendations of [Audit of the Real Property Assessment Division; October 2013](#) remain applicable today and provide guidance and focus as we look for improved processes and fairness in this important program. Property taxes provide the major source of revenues for our multiple needed city services.

Please let us know if we can further assist you.

Best Regards-

Melvia Kawashima
Community Liaison
Office of Councilmember Calvin K.Y. Say
City and County of Honolulu, District 5
PHONE: (808) 768-5057 / EMAIL: melvia.kawashima@honolulu.gov
530 South King Street, Honolulu, Hawaii 96813

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3350 Sierra Drive, Apt. 405
Honolulu, HI 96816
February 27, 2022

✓ Mr. George White
Oahu Real Property Tax Advisory Commission
Honolulu Hale, Suite 207
530 S. King Street
Honolulu, HI 96813

Councilman Calvin K. Y. Say
Honolulu Hale, Suite 202
530 S. King Street
Honolulu, HI 96813

Dear Gentlemen:

I understand under consideration is a proposal to raise the minimum real property tax rate to \$1000. I hope the Commission and the Council will consider an alternative proposal as well as consider questions about how the exemptions are granted and such.

I reviewed the 2020 Historic Residential Dedication List (HRDL) and noted 372 properties were listed. Of the 372, only 12.6% (47) of the property owners appeared to have paid taxes approximating the assessed valuation of the property. The majority of the property owners paid \$300 (a few a little more than \$300 but all under \$1000).

In addition, I examined a sample of the HRDL and noted 63 of the properties have multiple structures (many identified as single family or multi-family). About 2/3 of these were property owners were only paying \$300 a year in tax. If any of the buildings were rented out, does this mean a commercial venture (rental property) is being underwritten by the rest of the taxpayers?

Section 8-10.22 (d) of the Revised Ordinances of Honolulu states, in part: "(d) The director shall review the petition and determine what portion or portions of this residential real property shall be exempted from real property taxes."

Do all of the properties with multiple buildings qualify? Were reviews of the property conducted to ensure that the entire property qualified for the exemption?

It should be noted that some of these properties were sold for millions of dollars. If owners can afford to pay millions for the properties, how or why should they enjoy discounts on the taxes? The average property owner who lives in a non-historic home does not enjoy such a discount.

Rather than increasing the minimum real property tax to \$1000 for a historic home, all real properties should be assessed under the same guidelines. Owners of real property qualified to be on the HRDL could then apply for and be granted a discount as an enticement to maintain the historic features of the property. For example, a 15% discount could be offered.

When one compares the HRDL and the 2022 HCDL one can see the inequity in how HRDL properties have been assessed. At least the HCDL does a full assessed valuation of the commercial property then provides a partial exemption (generally about 50%).

[There is one exception noted. The commercial property a 827 Fort Street Mall had an assessed valuation of \$9,730,500. The exemption granted was for \$9,730,500 leaving a taxable value of zero. It is difficult to imagine how the entire valuation could be exempted.]

Here are examples of some of the HRDL properties with multiple structures (all listed as single family or multi-family, presumably dwellings). [source: www.gpublic.net]

a) 2105 Kamehameha Avenue: Full property exemption of \$2,337,600; Minimum \$300 taxes paid in 2020 and in 2021.

- 4 bedroom, 1 bath single family
- 4 bedroom, 2 bath two-family
- 1 bedroom, 1 bath multi-family

b) 2447 Makiki Heights Drive: Full property exemption of \$5,366,500; Minimum \$300 taxes paid in 2010 through 2021 (except 2012, 2016, 2017)

- 4 bedroom, 5 bath single family
- 2 bedroom, ½ bath single family

Fee Conveyance: 2015 \$4,800,000

c) 58 Robinson Lane: Fully property exemption: \$2,974,100; Minimum \$100 taxes paid in 2001 – 2009; Minimum \$300 taxes paid in 2010-2021

- 6 bedroom, 1 bath single family
- 5 bedroom, 1 bath single family
- 3 bedroom, 1 bath single family

Fee Conveyance: 1995 \$2,845,000

d) 3554 Trousseau Street: Full property exemption: \$1,632,300; Minimum \$300 paid each year in 2011 – 2021

- 3 bedroom, 1 bath single family
- 4 bedroom, 1 bath single family
- 3 bedroom, 1 bath single family
- 3 bedroom, 1 bath single family

I know the Office of the City Auditor issued a 2010 report re the Audit of the Real Property Assessment Division. I believe another audit is being conducted or was conducted fairly recently. I do not know if some of these issues were raised during the recent audit. I hope the Commission will be able to examine some of my concerns.

Thank you for your attention.

Sincerely,



Anita Beppu
a.beppu@aol.com

White, George

From: breckberg svea <sveabkg@yahoo.com>
Sent: Tuesday, February 22, 2022 6:34 PM
To: White, George
Subject: Subject: Assessment Appeal on Not Renovated Houses

CAUTION: Email received from an **EXTERNAL** sender. Please confirm the content is safe prior to opening attachments or links.

Mr. George White--I would greatly appreciate your forwarding a copy of what I am sending you below to all the members of the Oahu Real Property Tax Advisory Commission. I have appreciatively listened on You-Tube to some of your commission's discussions. It is unfortunate no one got an announcement into the Star-Advertiser until this past Sunday about our sending you public input on raising the home exemption available to owner-occupants. Obviously every intelligent Hawaii home owner-occupant wants an increase in the amount of their home exemption, tied to either inflation or better the median home price increases, given the ridiculously huge increases in their assessed property value. However, as you said, that change will be only a partially pacifying public relations band aid that does not reform the many serious problems with Honolulu's current residential assessment system. I write below about some of the problems I have discovered with fairly brief research. I recommend your commission look into those re needed changes in the assessment of not renovated houses, townhouses and apartments--often owned by seniors. Current procedures are not in compliance with the ROH section 8-7.1(a) valuation requirement for assessing fair market value of not renovated residential properties, which are overwhelmingly being compared with heavily renovated sold not somewhat similar nearby properties.

Since I wrote to Tommy Waters on 29 January my general assessment evaluation below, I just last week realized what is the worst unfair "killer" in the mathematical process for assessors deciding on our new higher assessed property value. Their management decided long ago on a math system that requires (as an almost last math calculation step) throwing out the two highest and two lowest dollar amount of the five assessor selected comparables' adjusted price weighted estimates. Or sometimes one of the discarded two low amounts could be the market estimate by the assessor of your property. This is a problem if you have a not renovated house and there are not at least three not renovated houses which your house has as its five "comparables" selected by the assessor from the sold possible comparable houses. This exclusion discarding 2 and 2 assessment system supposedly kills your chance to win an assessment appeal. Often, frequently usually, all five of the selected "comparables" got high sold prices for being heavily, expensively renovated. When that happens the assessors ironically can not fairly comply with the ROH section 8-7.1(a) valuation requirement for fair market value of the assessed not renovated houses because they have this unfair management requirement to throw out the two lowest comparables' adjusted price weighted estimates. This same problem is supposedly relevant for whatever substitute unrenovated house an appellant is able to find (if any is even possible in their larger geographic area) that is actually more comparable.

There should be an allowed deviation from the normal throwing out of the two high and two low math valuations when the assessor and/or the appeal board of review is dealing with unfair five highly renovated supposedly "comparable" apple houses versus your not renovated orange house. Our assessors also tell us their many reasons for claiming why they do not think a house outside your immediate neighborhood that sold not renovated should be considered even as a substitute comparable. The assessors claim they have no authority and they must disregard whatever you come up with as a not renovated substitute comparable house as one of the two required low values. That only not renovated true comparable house a diligent appellant can find becomes one of the two

low values that the assessors must be throw out in their required assessment math calculations. Discarding two highs and two lows makes sense if you are assessing a group of houses that is in a uniform similar subdivision of fairly identical, newly built houses. After decades of depreciation and many different degrees of renovation of those houses, this discarding two highs and two lows no longer is logical when comparing apples and oranges, not renovated versus all the supposed "comparables" being highly renovated. That is the poor unfair assessment situation too many of our seniors are dealing with, since they remain in the same home for decades and do not have the money, time, skill or energy to renovate their houses.

There should be a requirement on appeal for the appellant to need to find only one not renovated house (sold during the applicable one year period) of true comparability, not requiring three such houses. Then the math should be that your final comparability market value is based on that other house's sold price adjusted to 1 October and with the CDU difference, if any, between the two calculated. That math calculation is the only way to reach fair market value for the unsold not renovated house whose excessive new property value was properly appealed. Your commission has much larger problems than just trying to decide on the increased amount of our owner-occupants' home exemptions. That small improvement change will not pacify many homeowners for long who are hopefully smart enough to realize some of the many more major problems with the current Honolulu residential assessment system as performed by our current assessors who like to call themselves appraisers.

----- Forwarded Message -----

From: breckberg svea <sveabkg@yahoo.com>

To: Councilman Tommy Waters <twaters@honolulu.gov>

Sent: Saturday, January 29, 2022, 12:10:15 PM HST

Subject: Fw: Assessment Appeal on [92-1268 Hoike Place](#) in Makakilo

Councilman Tommy Waters, head of Honolulu County City Council

I am a 76 year old retired US Air Force civil servant in Makakilo who makes time to lobby for our many negatively impacted disadvantaged senior citizens. We have Honolulu unfair apples versus oranges real property assessment comparison problems. I was happy to see on TV Friday, 28 January that at least one person (you) in our county government recognizes there are problems with our residential real property assessment system. I have recently studied this and can help you better understand why taxpayers owning older, unrenovated, mostly unimproved homes are dissatisfied with their houses, townhouses or apartments being assessed yearly with inflated property values. This is caused by unfair, simplistic equivalent assessment comparison frequently to five very renovated, remodeled newly sold homes in their neighborhood. There are serious value calculation flaws plus management and operational deficiencies with our county assessment system as currently working. I have tried to explain some of those to our assessment division administrator, Steven Takara, but he seemed defensive and twisted my suggested improvement words. He claims the Honolulu residential assessment method used complies with the ROH section 8-7.1 (a) valuation requirement for the "fair market value of all taxable real property to be determined and assessed by the market data and cost approaches to value..." For Honolulu only commercial real property assessments are based on cost approach to value. For Honolulu all residential property assessments are done using the "effective sales comparison approach to value" with a too simplified multiple regression analysis (MRA) statistical technique. The only book in Hawaii's library system that explains different assessment systems is the thick 444 pages reference book at the King Street branch, Improving Real Property Assessment, 1978 by the International Association of Assessing Officers. Few of our residents have read this very insufficient assessment public information that does not explain what Hawaii is doing.

Our public does not understand how their always increasing assessed property value and tax keeps rising by so much. They know their not renovated, not improved house keeps physically depreciating and needing repairs with old age. They know they can not sell their unrenovated house for its alleged inflated assessed value, absolutely not for the even more inflated real estate websites' estimated sale price. The assessment division has not published even a simple information sheet explaining how their assessment mathematical calculations are done. Their attitude is that it is too complicated for the public to understand, which sadly may be true for a large percent of our population. The main property value differentiation mathematically between five sold "comparable" renovated houses and your unsold, never physically assessor seen unrenovated house are the individual assessor CDU (condition, desirability and utility) decisions. Those decisions the assessors base on their ability to evaluate the CDU of the five "comparables" from the Internet real estate sales pictures, which vary significantly in quantity. There are eight CDU levels of excellent, very good, good, average, fair, poor, very poor and unsound. The problems for the struggling assessors in Honolulu, especially the relatively new ones with less than four years experience here, is that assessment division management has never written for them any decent definitions of those eight CDU levels. It is particularly needed to differentiate between different degrees of kitchen renovations using materials that vary considerably in appearance, quality and expense. No wonder there is confusion and decision differences between assessors (much less no explanatory advice to the public) on whether a sold house's renovated CDU is excellent, very good, good or average. I advised Mayor Blangiardi on the Rick Hamada Wednesday call in radio show that he should ask assessment management to at long last write definitions for those eight CDU levels, since they make the most significant difference in property value between renovated and not renovated depreciating houses, townhouses and apartments. Mayor Blangiardi a week later said assessments is not a high priority for him.

Currently there are many steps each assessor is expected to do without any written guidance from assessment division management or review by a supervisor. No wonder our assessors make mistakes. Fortunately for those assessors, most people are unwilling to go through the deliberately difficult, time consuming, not much tax money saved annually appeal process. They give up when they learn how complicated that is. The second worse flaw in our assessment system is the minimal (too small) individual assessor decided monetary difference between each of the CDU levels in a particular neighborhood. This estimate drastically under prices the actual cost of the different degrees of renovation and improvements to both buildings and yards. I think our assessors are putting the money difference between each CDU level at only about 33%-50% of what the real improvement costs are for materials and labor even by "flippers." Most of our people do not even know they have a right to get a copy of the comparable sales analysis report for their property showing their dollar figures for market estimate and adjusted price weighted estimate, plus those for the five "comparable" properties sold during the established previous one year in the same "neighborhood." There is no attempt make by the assessors to look beyond the nearest "neighborhood" for an unrenovated "comparable" to yours. That burden falls on you. This is a serious problem if your house is not heavily, expensively renovated at all since construction and all the five sold "comparable" houses in your immediate area used for your assessment were highly renovated to increase their sold price. That is why the current system is so unfair to older homeowners who live for many years consecutively in the same never renovated house.

The appeal system is additionally rigged against such homeowners by requiring them (not the assessors) to find and mathematically "prove" a lower unrenovated sold price "comparable" house outside their area that is at least 10% lower sold price (time adjusted to 1 October) than their assessor determined inflated new property value. Given our very high sold prices, 10% is a huge dollar amount. Most sellers now renovate at least the kitchen, baths and flooring before they sell, based partially on real estate agent pushy recommendations that is needed to make maximum profit for both of them. Flippers buy the "as is" houses and make their maximum profit above their discounted costs. It is not just Hawaii's terrible supply and demand housing imbalance that is driving

up sold prices. Our assessors have to estimate the inflation over time price creep market value increase for each neighborhood. That is another point for assessor errors in deciding on each area's market values, which in turn can warp the five "comparables" adjusted price weighted estimates. The average taxpayer gives up trying to understand how the assessors' mathematical property valuation errors occur.

Please ask our assessment division management to stop telling assessors to ignore the added property value to sold renovated "comparable" residential properties of such expensive additions as many solar PV panels, their back up batteries, swimming pools, private fenced yards for townhouses, new upgraded windows and other items not considered in comparing renovated versus not renovated residential properties. The excuse from management has apparently been those items are "too difficult" to comparatively value for CDU inclusion. Our not renovated houses are not getting any property value reduction for not having those expensive sold price additions when one to all five of the assessor used sold "comparable" houses got a higher sold price because of those items. Thank you for reading this explanation. I have forwarded to you my house's assessment appeal below so you can read why we have assessment system problems. I have previously sent you a few e-mails because I am a hurricane protection advocate and an advocate this past year for faster federal rental and homeowners American Rescue Plan Act funds distribution that our county could be better spending. Aloha, Svea Breckberg