CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAI'I

FILED
DEC 28 2024
PURSUANT TO ROH Sec. 1-2.4

ORDINANCE _____

BILL 62 (2022)

A BILL FOR AN ORDINANCE

RELATING TO REAL PROPERTY TAXATION.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose. The purpose of this ordinance is to address the classification of properties for property taxation purposes, in particular, properties used for residential purposes.

SECTION 2. Chapter 8, Article 7, Revised Ordinances of Honolulu 1990 ("Valuations"), is amended by adding a new section to be appropriately designated by the Revisor of Ordinances and to read as follows:

"**Sec. 8-7. Annual data set—Real property classified as owner-occupied and nonowner-occupied.**

(a) For the purposes of this section, the following definitions apply unless the context clearly indicates or requires a different meaning:

"Condominium parking unit" means a unit that is part of a condominium property regime established pursuant to HRS Chapter 514A or 514B described as a parking stall.

"Condominium storage unit" means a unit that is part of a condominium property regime established pursuant to HRS Chapter 514A or 514B described as a storage space.

"Condominium unit" means a dwelling or lodging unit that is part of a condominium property regime established pursuant to HRS Chapter 514A or 514B.

"High value" means the highest tax assessed value of a parcel in a quartile.

"HRS Chapter 514A" means former HRS Chapter 514A as it read prior to its repeal on January 1, 2019.

"Low value" means the lowest tax assessed value of a parcel in a quartile.

(b) For the purposes of Section 8-11.1(h), the director shall annually prepare from the records of taxable properties a data set of all parcels classified as "owner-occupied" or "nonowner-occupied." For parcels that are subdivided into condominium units, the director shall exclude condominium parking units and condominium storage units from the data set.

(c) The data set must be prepared as follows:

(1) All parcels will be sorted from lowest tax assessed value to highest tax assessed value.

(2) All parcels will be assigned to a quartile. Each quartile must have as equal a number of parcels as is practicable.

(3) The four quartiles must be categorized in ascending order from lowest to highest tax assessed value. The first quartile will be assigned parcels that have been assessed the lowest taxable values for the tax year. The fourth quartile will be assigned parcels that have been assessed the highest taxable values for the tax year.

(d) On or before January 31 preceding each tax year, the director shall prepare the data set and the person preparing the data set summary shall sign and swear to the accuracy of the data set summary. The data set summary must provide the following information for each quartile:

(1) The aggregate number of included parcels;

(2) The low value; and

(3) The high value.

The person preparing the data set summary shall retain the original of the data set and the city clerk shall retain a copy of the data set summary."

SECTION 3. Section 8-7.1, Revised Ordinances of Honolulu 1990, as amended by Ordinance 19-32, is amended to read as follows:

"Sec. 8-7.1 Valuation—Considerations in fixing.

(a) The director [~~of budget and fiscal services~~] shall cause the fair market value of all taxable real property to be determined and annually assessed by the market data and cost approaches to value using appropriate systematic methods suitable for mass valuation of real property for ad valorem taxation purposes, so selected and applied to obtain, as far as possible, uniform and equalized assessments throughout the city.

(b) So far as practicable, records [~~shall~~] must be compiled and kept which [~~shall~~] must show the methods established by or under the authority of the director, for the determination of values.

(c) (1) Real property [~~shall~~] must be classified into the following general classes, upon consideration of its highest and best use, and upon other criteria set forth in this section:

(A) [~~Residential;~~] Owner-occupied;

(B) Hotel and resort;

(C) Commercial;

(D) Industrial;

(E) Agricultural;

(F) Preservation;

(G) Public service;

(H) Vacant agricultural;

(I) [~~Residential A;~~] Nonowner-occupied; and

(J) Bed and breakfast home.

(2) In assigning real property to one of the general classes, the director shall give major consideration to the districting established by the city in its general plan and zoning ordinance, specific class definitions or criteria set forth in this section, and such other factors which influence highest and best use.

Notwithstanding the city's zoning district classification, the director shall assign to the agricultural class any real property classified as tree farm property under HRS Chapter 186.

(3) When real property is subdivided into condominium units, each unit and its appertaining common interest:

(A) [~~Shall~~] Will be deemed a parcel and assessed separately from other units; and

(B) [~~Shall~~] Will be classified as follows:

(i) If the unit has a single, legally permitted, exclusive actual use, it [~~shall~~] must be classified upon consideration of the unit's actual use into one of the general classes in the same manner as real property; or

(ii) If the unit has multiple, legally permitted uses[~~;~~], it [~~shall~~] must be classified:

(aa) Upon consideration of the unit's highest and best use into one of the general classes in the same manner as real property; or

(bb) [~~Residential,~~] Owner-occupied, only upon approved dedication as provided in Section 8-7.5 when the unit is legally permitted multiple exclusive uses including residential use; or

(iii) If the unit is a condominium parking unit or a condominium storage unit, it [~~shall~~] will be classified as [~~residential,~~] owner-occupied, only upon approved dedication when the unit is used in conjunction with a unit in residential use within the project.

(4) Notwithstanding any provision contained in this subsection, a condominium unit that is used at any time during the assessment year as a time share unit, [~~shall~~] must be classified for the following tax year as hotel and resort unless:

(A) The unit is on property zoned as apartment, apartment mixed use, apartment precinct, or apartment mixed use precinct;

(B) The property on which the unit is located does not include a lobby with a clerk's desk or counter with 24-hour clerk service facilities for registration and keeping of records relating to persons using the property; and

(C) The unit is part of a condominium property regime established pursuant to HRS Chapter 514A, as it read prior to its repeal on January 1, 2019, or HRS Chapter 514B.

If the requirements of paragraphs (A), (B), and (C) are met, the time share unit [~~shall~~] must be classified as [~~residential.~~] owner-occupied. For the purposes of this subdivision, "assessment year" means the one-year period beginning October [~~2nd~~] 2 of the previous calendar year and ending October [~~1st,~~] 1, inclusive, of the calendar year preceding the tax year, and "time sharing" has the same meaning as defined in Section 21-10.1.

(5) "Vacant agricultural" means a parcel, or portion thereof, that would otherwise be classified as agricultural by the director upon major consideration of the districting established by the city in its general plan and zoning ordinance and of such other factors that influence highest and best use, but which parcel, or portion thereof:

(A) Has no residential buildings; and

(B) Is not dedicated for agricultural purposes.

If a portion of a parcel is dedicated as vacant agricultural, the remainder of the parcel that is zoned agricultural must be dedicated for agricultural use.

(6) Notwithstanding any provision contained in this subsection, all real property actually used by a public service company in its public service business [~~shall~~] will be classified as public service. For the purposes of this subsection, "public service company" means a public utility, except [~~airlines, motor carriers, common carriers by water, and contract carriers,~~] an airline, motor carrier, common carrier by water, and contract carrier, where:

(A) "Public utility" includes every person who may own, control, operate, or manage as owner, lessee, trustee, receiver, or otherwise, whether under a franchise, charter, license, articles of association, or otherwise, any plant or equipment, or any part thereof, directly or indirectly for public use, for the transportation of passengers or freight, or the conveyance or transmission of telecommunications messages, or the furnishing of facilities for the transmission of intelligence by electricity by land, water, or air within the [~~state,~~] State, or between points within the [~~state,~~] State, or for the production, conveyance, transmission, delivery, or furnishing of

light, power, heat, cold, water, gas, or oil, or for the storage or warehousing of goods, or the disposal of sewage; provided that the term:

(i) Includes any person insofar as that person owns or operates a private sewer company or sewer facility;

(ii) Includes any telecommunications carrier or telecommunications common carrier;

(iii) Does not include any person insofar as that person owns or operates an aerial transportation enterprise;

(iv) Does not include persons owning or operating taxicabs, as defined in this subsection;

(v) Does not include common carriers transporting only freight on the public highways, unless operating within localities or along routes or between points that the [~~Public Utilities Commission~~] public utilities commission of the State of Hawaii finds to be inadequately serviced without regulation under this chapter;

(vi) Does not include persons engaged in the business of warehousing or storage unless the [~~Public Utilities Commission~~] public utilities commission of the State of Hawaii finds that regulation thereof is necessary in the public interest;

(vii) Does not include:

(aa) The business of any carrier by water to the extent that the carrier enters into private contracts for towage, salvage, hauling, or carriage between points within the [~~state~~] State and the carriage is not pursuant to either an established schedule or an undertaking to perform carriage services on behalf of the public generally; and

(bb) The business of any carrier by water, substantially engaged in interstate or foreign commerce, transporting passengers on luxury cruises between

points within the [~~state~~] State or on luxury round-trip cruises returning to the point of departure;

(viii) Does not include any person who:

(aa) Controls, operates, or manages plants or facilities for the production, transmission, or furnishing of power primarily or entirely from non-fossil fuel sources; and

(bb) Provides, sells, or transmits all of that power, except such power as is used in its own internal operations, directly to a public utility for transmission to the public;

(ix) Does not include a telecommunications provider only to the extent determined by the [~~Public Utilities Commission~~] public utilities commission of the State of Hawaii, pursuant to applicable [~~state~~] State law;

(x) [~~Shall~~] Does not include any person who controls, operates, or manages plants or facilities developed pursuant to applicable [~~state~~] State law for conveying, distributing, and transmitting water for irrigation and such other purposes that [~~shall be~~] are held for public use and purpose; and

(xi) [~~Shall~~] Does not include any person who owns, controls, operates, or manages plants or facilities for the reclamation of wastewater; provided that:

(aa) The services of the facility [~~shall~~] must be provided pursuant to a service contract between the person and a [~~state~~] State or [~~county~~] city agency and at least 10 percent of the wastewater processed is used directly by the [~~state~~] State or [~~county which~~] a city agency that has entered into the service contract;

(bb) The primary function of the facility [~~shall~~] must be the processing of secondary treated wastewater that has been produced by a municipal wastewater treatment facility that is owned by a [~~state~~] State or [~~county~~] city agency;

(cc) The facility [~~shall~~] must not make sales of water to residential customers;

(dd) The facility may distribute and sell recycled or reclaimed water to entities not covered by a [~~state~~] State or [~~county~~] city service contract; provided that[~~,~~] in the absence of regulatory oversight and direct competition, the distribution and sale of recycled or reclaimed water [~~shall~~] must be voluntary and its pricing fair and reasonable. For the purposes of this subparagraph, "recycled water" and "reclaimed water" mean treated wastewater that by design is intended or used for a beneficial purpose; and

(ee) The facility [~~shall~~] must not be engaged, either directly or indirectly, in the processing of food wastes;

(B) "Motor carrier" means a common carrier or contract carrier transporting freight or other property on the public highways, other than a public utility or taxicab;

(C) "Contract carrier" means a person other than a public utility or taxicab which, under contracts or agreements, engages in the transportation of persons or property for compensation, by land, water, or air;

(D) "Carrier" means a person who engages in transportation, and does not include a person such as a freight forwarder or tour packager who provides transportation by contracting with others, except to the extent that [~~such~~] the person engages in transportation;

(E) "Taxicab" means [~~and includes~~]:

(i) Any motor vehicle used in the movement of passengers on the public highways under the following circumstances, namely, the passenger hires the vehicle on call or at a fixed stand, [~~with or without baggage~~] for transportation, with or without baggage, and [~~controls~~] directs the vehicle to the passenger's destination; and

(ii) Any motor vehicle having seating accommodations for eight or fewer passengers used in the movement of passengers

on the public highways between a terminal, i.e., a fixed stand, in the city of Honolulu, and a terminal in a geographical district outside the limits of the city of Honolulu, and vice versa, without picking up passengers other than at the terminals or fixed stands; provided that passengers may be unloaded at any point between terminals; and provided further, that this definition relating to motor vehicles operating between terminals [~~shall pertain~~] pertains only to those motor vehicles whose operators or owners were duly licensed under any applicable provision of law or ordinance and doing business between such terminals on January 1, 1957;

(F) "Telecommunications carrier" or "telecommunications common carrier" means any person that owns, operates, manages, or controls any facility used to furnish telecommunications services for profit to the public, or to classes of users as to be effectively available to the public, engaged in the provision of services, such as voice, data, image, graphics, and video services, that make use of all or part of their transmission facilities, switches, broadcast equipment, signaling, or control devices; and

(G) "Telecommunications service" or "telecommunications" means the offering of transmission between or among points specified by a user, of information of the user's choosing, including voice, data, image, graphics, and video without change in the form or content of the information, as sent and received, by means of electromagnetic transmission, or other similarly capable means of transmission, with or without benefit of any closed transmission medium, and does not include cable service as defined under applicable [~~state~~] State law.

(d) Whenever land has been divided into lots or parcels as provided by law, each [~~such~~] lot or parcel [~~shall~~] must be separately assessed.

(e) When a parcel of land that has been classified as agricultural is improved with a single-family dwelling and has been granted a home exemption for the tax year, that portion of the parcel that is used for residential purposes [~~shall~~] will be classified as [~~residential.~~] owner-occupied. This classification [~~shall:~~] will:

(1) Apply only to that portion used for residential purposes;

(2) Not exceed 5,000 square feet of land and the buildings and improvements on that land; and

(3) Remain in effect only [~~so long as~~] if the property qualifies for a home exemption.

(f) When a parcel of land that has been classified as preservation is improved with a single-family dwelling and has been granted a home exemption for the tax year, that portion of the parcel [~~which~~] that is used for residential purposes [~~shall~~] will be classified as [~~residential.~~] owner-occupied. This classification [~~shall:~~] will:

(1) Apply only to that portion used for residential purposes;

(2) Not exceed 5,000 square feet of land and the buildings and improvements on that land; and

(3) Remain in effect only [~~so long as~~] if the property qualifies for a home exemption.

(g) (1) In determining the value of buildings, consideration [~~shall~~] must be given to any additions, alterations, remodeling, modifications, or other new construction, improvement, or repair work undertaken upon or made to existing buildings as the same may result in a higher assessable valuation of said buildings; provided[~~, however,~~] that any increase in value resulting from any additions, alterations, modifications, or other new construction, improvement, or repair work to buildings undertaken or made by the owner occupant thereof pursuant to the requirements of any urban redevelopment, rehabilitation, or conservation project under [~~the provisions of~~] Part II of HRS Chapter 53, [~~shall~~] must not increase the assessable valuation of any building for a period of seven years from the date of certification as hereinafter provided.

(2) It is further provided that the owner occupant shall file with the director, in the manner and at the place [~~which~~] the director may designate, a statement of the details of the improvements certified in the following manner:

(A) In the case of additions, alterations, modifications, or other new construction, improvement, or repair work to a building that is undertaken pursuant to any urban redevelopment, rehabilitation, or conservation project as hereinabove mentioned, the statement [~~shall~~] must be certified by the mayor or any governmental official

designated by the mayor and approved by the council, that the additions, alterations, modifications, or other new construction, improvement, or repair work to the buildings were made and satisfactorily comply with the particular urban development, [~~rehabilitations,~~] rehabilitation, or conservation act provision; or

(B) In the case of maintenance or repairs to a residential building undertaken pursuant to any health, safety, sanitation, or other governmental code provision, the statement [~~shall~~] must be certified by the mayor or any governmental official designated by the mayor and approved by the council, that:

(i) The building was inspected by them and found to be substandard when the owner or occupant made the claim; and

(ii) The maintenance or repairs to the buildings were made and satisfactorily comply with the particular code provision.

(h) (1) Notwithstanding [~~the provisions of~~] subsection (c)(2), properties operating as transient vacation units in accordance with Section 21-4.110-1, and which have a valid nonconforming use certificate, [~~shall~~] must be classified based on their underlying zoning.

(2) Real property operating as transient vacation units as otherwise permitted under Chapter 21 must be classified as hotel and resort.

(3) For the purposes of this subsection, "transient vacation unit" [~~means~~] has the same meaning as defined in Section 21-10.1.

(i) [~~"Residential A"~~] "Nonowner-occupied" [~~shall mean~~] means a parcel, or portion thereof, which:

(1) Is improved with no more than two [~~single-family~~] single-family dwelling units; and

(A) [~~Has an assessed value of $1,000,000 or more;~~] Is used as a residence, but is not classified as "owner-occupied";

(B) Does not have a home exemption; [~~and~~]

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(C) Is zoned R-3.5, R-5, R-7.5, R-10, or R-20 or is dedicated for residential use; and

(D) Excludes real property:

(i) Classified as hotel and resort, commercial, industrial, agricultural, preservation, public service, vacant agricultural, and bed and breakfast home; or

(ii) Defined as an "ohana dwelling unit," "ohana dwelling," or "ohana unit" in Section 21-10.1;

(2) Is vacant land zoned R-3.5, R-5, R-7.5, R-10, or R-20 [~~and has an assessed value of $1,000,000 or more~~]; or

(3) Is a condominium unit [~~with an assessed valuation of $1,000,000 or more~~] [~~and~~] that does not have a home exemption[~~.~~] and is not classified as resort, commercial, industrial, agricultural, preservation, public service, vacant agricultural, or bed and breakfast home.

[~~Residential A~~] Nonowner-occupied excludes any parcel, or portion thereof, improved with military housing located on or outside of a military base.

(j) For the purposes of this [~~subsection,~~] section, "bed and breakfast home" has the same meaning as defined in Section 21-10.1.

(1) Notwithstanding [~~the provisions of~~] subsection (c)(2), properties operating as bed and breakfast homes in accordance with Section 21-4.110-2, and which have a valid nonconforming use certificate, [~~shall~~] must be classified based on their underlying zoning.

(2) Real property operating as a bed and breakfast home as otherwise permitted under Chapter 21 must be classified as bed and breakfast home.

(k) For the purposes of this section, "owner-occupied" means a parcel, or portion thereof, that:

(1) Has been granted a home exemption under Section 8-10.4 for each dwelling unit on the parcel, is classified as "owner-occupied" under subsection (e) or (f), is dedicated for residential use, low-income rental

housing, or historic residential use, or is exclusively used for an apartment building; and

(2) Excludes real property classified as hotel and resort, commercial, industrial, agricultural, preservation, public service, vacant agricultural, and bed and breakfast home.

For the purposes of this subsection, "apartment building" means a multi-family dwelling that is situated on a single parcel, which parcel is not subdivided into condominium units."

SECTION 4. Section 8-7.5, Revised Ordinances of Honolulu 1990, is amended to read as follows:

"**Sec. 8-7.5 Certain property dedicated for residential use.**

(a) As used in this section:

"Apartment building" means a multi-family dwelling that is situated on a single parcel, which parcel is not subdivided into condominium units.

"Condominium unit" is a dwelling or lodging unit that is part of a condominium property regime established pursuant to HRS Chapter 514A [~~and/or 514B.~~], as it read prior to its repeal on January 1, 2019, or HRS Chapter 514B.

"Condominium parking unit" is a unit that is a part of a condominium property regime established pursuant to HRS Chapter 514A [~~and/or 514B~~], as it read prior to its repeal on January 1, 2019, or HRS Chapter 514B, described as a parking stall.

"Condominium storage unit" is a unit that is a part of a condominium property regime established pursuant to HRS Chapter 514A [~~and/or 514B~~], as it read prior to its repeal on January 1, 2019, or HRS Chapter 514B, described as a storage space.

"Detached dwelling" [~~is~~] has the same meaning as defined in Section 21-10.1.

"Dwelling unit" [~~is~~] has the same meaning as defined in Section 21-10.1.

"Lodging unit" [~~is~~] has the same meaning as defined in Section 21-10.1.

"Multi-family dwelling" means a building containing three or more dwelling or lodging units, as defined in Section 21-10.1, [~~which~~] that is not a hotel.

"Owner" means a person who is the fee simple owner of real property, or who is the lessee of real property whose lease term extends at least five years from the date of the petition.

"Residential use" means the actual use of a dwelling unit or lodging unit as a residence:

(1) [~~by~~] By occupants for compensation for periods of 30 or more consecutive days;

(2) [~~by~~] By the unit owner personally; or

(3) [~~by~~] By the unit owner's guest(s) without compensation.

For the purposes of this definition, compensation includes[~~,~~] but is not limited to[~~,~~] monetary payment, services, or labor of employees. Residential use specifically excludes the use of the unit as a transient vacation unit or for time sharing. For the purposes of this dedication, residential use [~~shall include~~] includes the use of the unit as a group living facility, a boarding facility, or as special needs housing for the elderly.

(b) The owner of a parcel may dedicate the parcel for residential use and have the property classified as [~~residential~~] owner-occupied and assessed at its value in residential use[~~,~~]; provided that the property:

(1) Is within an apartment, apartment mixed use, resort, business, business mixed use, industrial, or industrial mixed use district; or if it is in the Waikiki special district, is zoned apartment mixed use subprecinct, resort mixed use precinct, or resort-commercial precinct; or is in a transit-oriented development zone pursuant to Section 21-9.100;

(2) Is used exclusively for residential use, except that a portion of the property may be used for nonprofit purposes pursuant to Section 8-10.10; and

(3) Either:

(A) The parcel is improved with one or more detached dwellings[~~, as defined in Section 21-10.1 or~~], with one or more apartment buildings [~~or~~], with both dwellings and apartment buildings, or is a condominium unit that is legally permitted multiple uses including residential use and is actually and exclusively used as a residence[~~,~~]; or

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[~~(4)~~] (B) [~~A~~] The parcel is a condominium parking unit or a condominium storage unit that is used in conjunction with a unit in residential use within the project.

(c) The owner of real property who wishes to dedicate [~~such~~] the property for residential use and have the property assessed at its value in residential use according to subsection (b) [~~shall~~] must petition the director and declare in [~~such~~] the petition that if the petition is approved, the owner [~~shall~~] will meet the applicable requirements of subsection (b) pertaining to the property.

(d) The approval of the petition by the director to dedicate [~~shall constitute~~] constitutes a forfeiture on the part of the owner of any right to change the use of [~~such person's~~] the dedicated property for a minimum period of five years, automatically renewable thereafter for additional periods of five years, subject to cancellation by either the owner or the director. Cancellation of the dedication by the owner must be in writing and submitted to the director by September [~~1st~~] 1 only within the [~~5th~~] fifth year of the [~~date of the~~] dedication, or of the latest five-year renewal period. Upon sale or transfer of the dedicated property, the dedication [~~shall continue~~] continues for the remainder of the [~~five-year~~] five-year dedication or latest five-year renewal period, subject to all restrictions and penalties. Upon expiration of the fifth year, the dedication will not automatically renew and will be canceled by the director[~~,~~] unless the purchaser or transferee applies for a new dedication.

For the [~~purpose~~] purposes of this dedication, there is no change in use if the owner demolishes and constructs or reconstructs one or more detached dwellings or multi-family dwellings[~~,~~] on the dedicated property; provided that [~~such~~] the construction or reconstruction is permitted pursuant to Chapter 21, [~~Revised Ordinances of Honolulu 1990, as amended,~~] the replacement structure or structures are completed no less than 24 months after the building permit is issued, and at least the same number of dwelling or lodging units as those demolished are [~~developed.~~] constructed or reconstructed. The five-year dedication will be suspended during this period of demolition and construction or reconstruction, and the parcel and any improvements thereon will continue to be classified and assessed at their value in residential use during the suspension.

(e) (1) Failure of the owner to observe the restrictions on the use of [~~such~~] the [~~person's~~] owner's property [~~shall cancel~~] will be deemed a breach of the dedication and cancel the dedication retroactive to the tax year preceding the tax year in which the breach [~~of the dedication occurs,~~] occurred, and all differences in the amount of taxes that were paid and those that would have been due from assessment in the higher use [~~shall~~] will be payable

to the city with a 10 percent per year penalty retroactive to the tax year preceding the tax year in which the breach of the dedication [~~occurs.~~] occurred. Any assessment under Chapter 36, levied upon a special improvement district noted in Appendix 36-A, that would have been due but for the dedication [~~shall~~] will also be due and payable along with applicable penalties and interest, retroactive to the tax year preceding the tax year in which the breach of the dedication [~~occurs.~~] occurred. Failure to observe the restrictions on the use means failure for a period of over 12 consecutive months to use the property in the manner requested in the petition or the overt act of changing the use for any period. Nothing in this subsection [~~shall preclude~~] precludes the [~~county~~] city from pursuing any other remedy to enforce the covenant on the use of the property.

(2) The additional taxes and penalties[~~,~~] due and owing as a result of the owner's failure to observe the restrictions on use of the property or any other breach of the dedication [~~shall be~~] are a paramount lien upon the property as provided for by this chapter. Any special assessment under Chapter 36, due and owing as a result of failure to observe the restrictions on use or any other breach of the dedication [~~shall be~~], is a lien against the land and improvements of the parcel of land in accordance with [~~ROH~~] Section 36-3.5.

(f) The director shall prescribe the form of the petition. The petition [~~shall~~] must be filed with the director by September [~~1st~~] 1 of any calendar year. The notice of assessment [~~shall serve~~] serves as notification of approval or disapproval of the petition for dedication. If the petition is approved, the assessment based upon the use requested in the dedication [~~shall~~] will be effective as of October [~~1st~~] 1 of the same calendar year.

(g) The owner may appeal any disapproved petition as in the case of an appeal from an assessment."

SECTION 5. Section 8-7.6, Revised Ordinances of Honolulu 1990 ("Property dedicated for low-income rental housing"), is amended by amending subsection (b) to read as follows:

"(b) An owner of real property classified as [~~Residential A~~] nonowner-occupied and used as low-income rental housing may make a five-year dedication of the property for low-income rental housing use and have the property classified as [~~Residential~~] owner-occupied, provided that:

(1) The property was purchased by the owner for less than $1,000,000;

(2) The property is exclusively used during the dedication period as a rental home or apartment unit with a lease period of at least one year; and

(3) The rental home or apartment unit is rented at a rate that meets the requirements of low-income rental housing as defined in subsection (a)."

SECTION 6. Section 8-10.37, Revised Ordinances of Honolulu 1990 ("Exemption—During construction work for and marketing of affordable dwelling units or affordable rental housing projects"), is amended by amending subsection (a) to read as follows:

"(a) As used in this section:

"Qualifying construction work" means:

(1) Work to construct new buildings or portions thereof, or to construct additions or substantial rehabilitations, as defined in Section 38-1.2, to existing buildings; provided that the new or existing building is located on land that is classified in accordance with Section 8-7.1 as [~~residential, residential A,~~] owner-occupied, nonowner-occupied, hotel and resort, or commercial; or

(2) Work to construct an affordable rental housing project pursuant to Chapter 42."

SECTION 7. Section 8-11.1, Revised Ordinances of Honolulu 1990, is amended to read as follows:

"**Sec. 8-11.1 Real property tax—Determination of rates.**

(a) Unless a different meaning is clearly indicated by the context, as used in this section:

"Base tax year" means the tax year immediately prior to the budgeted tax year.

"Budgeted tax year" means the tax year beginning July 1 from which real property tax revenues are to help finance the proposed legislative and executive budgets.

"Class of property" means a class of real property established in accordance with Section 8-7.1(c).

"Estimated uncontrollable cost adjustment" means a factor representing costs that the city is mandated or obligated to pay.

"Initial tax rate" means the preliminary tax rate for a class of property as determined in Section 8-11.1(b).

"Net taxable real property" means the fair market value of property determined pursuant to this chapter that the director certifies as the tax base as provided by ordinance less exemptions as provided by ordinance and, in all cases where appeals from the director's assessment are then unsettled, less 50 percent of the value in dispute.

"Tax rate" means the dollar amount of tax levied under this chapter per [~~$1,000.00~~] $1,000 of net taxable real property, computed to the nearest cent.

(b) The council shall annually set the tax rate or rates in accordance with this subsection for the classes of real property established in accordance with subsection 8-7.1(c). A resolution setting the tax rate or rates must be adopted by the council during the same meeting at which the applicable legislative and executive budget bills are passed on third reading. The tax rate or rates must be set according to the following procedures. The procedures provide for initial tax rates for the net taxable real property within each class of property to be established by the director. The initial tax rates are established in a way that the average real property tax liability within each class of property does not change in the budgeted tax year compared to the base tax except for the estimated uncontrollable cost adjustment only.

(1) The director shall establish the initial tax rates for all taxable classes of property using the following method:

(A) The director shall establish the estimated change in the operating uncontrollable costs of the city, expressed as a percentage of the base tax year's total net tax liability of all classes;

(B) The director shall determine the average tax liability for each class of property for the base tax year as follows: sum the net tax liability for the base tax year of all parcels within the class, then divide the result by the total number of tax parcels in the class;

(C) The director shall then determine the average tax liability for each class of property for the budgeted tax year as follows: adjust the

figure determined under paragraph (B) by the estimated uncontrollable cost adjustment;

(D) The director shall then determine the amount to be raised by the initial tax rate for each class of property for the budgeted tax year as follows: multiply the figure determined under paragraph (C) for each class of property by the total number of tax parcels in the class for the budgeted tax year; and

(E) The director shall then determine the initial tax rate per [~~$1,000.00~~] $1,000 of net taxable real property in each class of property for the budgeted tax year as follows: divide the figure determined under paragraph (D) for each class of property by the assessed valuation of net taxable real property within each class of property for the budgeted tax year, then multiply the result by 1,000, then round the result to the nearest cent.

(2) The mayor may propose to the council that the initial tax rates be adopted or be increased or decreased for any class of property. The tax rates proposed by the mayor must be set forth in the form of a resolution transmitted to the council at the same time that other revenue measures for the budgeted tax year are transmitted.

(3) Upon receipt of the mayor's proposed tax rate resolution, the council may adopt the initial tax rates, adopt the mayor's proposed tax rates, or propose new rates.

(c) (1) The council shall advertise its intention to set the tax rate or rates and the date, time, and place of a public hearing in accordance with law. The date of the public hearing must be not less than 10 days after the advertisement is first published and must set forth the proposed tax rate or rates to be considered by the council.

(2) After the public hearing provided for in subdivision (1) [~~of this subsection~~], the council shall readvertise and reconvene to adopt a resolution setting the tax rate or rates for the tax year for which property tax revenues are to be raised. The advertisement must state the rate or rates proposed to be set and the date, time, and place of the meeting scheduled for setting the rate or rates. The date, time, and place of the meeting must also be announced at the public hearing required by subdivision (1) [~~of this subsection~~].

(3) If, after adopting an increase or decrease in the tax rates as provided by subdivisions (1) and (2) [~~of this subsection~~], the council determines that it requires a further increase or decrease in tax rates, the council shall readvertise and follow the requirements of subdivisions (1) and (2) [~~of this subsection~~].

(d) The council shall notify the director of the tax rate or rates set for a tax year before the commencement of that tax year. Upon receipt of the notification, the director shall use the rate or rates in the levying of property taxes as provided by this chapter.

(e) The director shall, on or before February [~~1st~~] 1 preceding the tax year, furnish the council with a calculation certified by the director as being as nearly accurate as possible of the net taxable real property within the city, separately stated for each class established in accordance with subsection 8-7.1(c) plus such additional data relating to the property tax base as may be necessary. The director shall include the amount of all tax credits granted under Article 13 for the current tax year and the amount of all tax credit denials appealed during the current tax year as part of the information required by this subsection.

(f) Insofar as the validity of any tax rate is concerned, the provisions of subsection (e) [~~of this section~~] as to dates are directory; provided[~~,~~] that all other provisions of this section are mandatory.

(g) Notwithstanding any provision to the contrary, a minimum real property tax of [~~$300.00~~] $300 a year is levied upon each individual parcel of real property taxable under this chapter, except for properties exempt under Section 8-10.27 and except as provided in Section 8-10.28(b)(2).

(h) Notwithstanding any provision to the contrary, rates for property classified as [~~residential A~~] owner-occupied or nonowner-occupied must be assigned to [~~two~~] four tiers of tax rates based on the valuation of the property. The tiers are as follows:

[~~(1) Residential A Tier 1 tax rate: applied to the net taxable value of the property up to $1,000,000; and~~

~~(2) Residential A Tier 2 tax rate: applied to the net taxable value of the property in excess of $1,000,000.~~]

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAI'I

ORDINANCE _____

BILL 62 (2022)

A BILL FOR AN ORDINANCE

SECTION 9. This ordinance takes effect upon its approval and applies to the tax years beginning July 1, 2025 and thereafter.

INTRODUCED BY:

Radiant Cabral

DATE OF INTRODUCTION:

DEC 28 2022

Honolulu, Hawai'i

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

FILED
DEC 28 2024
PURSUANT TO ROH Sec. 1-2.4

Deputy Corporation Counsel

APPROVED this _____ day of _____, 20 _____.

RICK BLANGIARDI, Mayor
City and County of Honolulu