BILL062(22)
Testimony

MISC. COMM. 30

COUNCIL

COUNCIL Meeting

Meeting Date: Jan 25, 2023 @ 10:00 AM

Support: 0

Oppose: 0

I wish to comment: 2

Name: Natalie Iwasa	Email: iwasajunk@mail.com	Zip: 96825
Representing: Self	Position: I wish to comment	Submitted: Jan 23, 2023 @ 11:26 PM

Name: Jim Tree	Email: ssitree@aol.com	Zip: 96707
Representing: Self	Position: I wish to comment	Submitted: Jan 24, 2023 @ 04:18 PM

Testimony:

In 2022 when the tax classifications were being discussed there was much discussion for adding a new tax classification for Transient Vacation Units (TVUs). I no longer see that classification in Bill 61 or Bill 62. I would urge the City Council to reinstate TVUs as a classification. TVUs should be on a level playing field with hotels. With all the fees and regulations that apply to TVUs (from Ordiance 22-7) that don't apply to hotels, TVUs are at a competitive disadvantage. Small business owners that are running legal TVUs should not have extra burdens on them that hotels don't have. Last year the City Council discussed leveling the playing field by creating the new TVU tax classification with lower property taxes than hotels pay so as to help make up for the disparity caused by Bill 41/Ordinance 22-7. In this current Bill Sec 8-7.1(6)(h)(2) requires TVUs to be in the hotel and resort classification.

Second, I would like to comment on Sec. 8-7.5 dealing with Residential Dedication. This provision allows an owner of a condominium in the resort district where, they have legal short-term rentals, to opt out of short-term rentals by dedicating their property for a Residential Dedication and pay the Residential (occupied) or Residential A (non occupied) tax rate. This program has been going on in the City and County for many years, and the City's website shows there are about 4,000 condos in residential dedication. This Residential Dedication program promotes affordable housing and gives a break to owners who are willing to forgo short-term rentals in return for long-term rentals and residential living. They can then pass these savings on by offering lower long-term rents. If this program is taken away, the incentive to provide locals with long-term rentals and use these condos for locals as residential living will also disappear, and many of these properties will turn to short-term rentals for tourists. This will decrease supply for local owners, making housing prices for locals escalate. New provisions in Bill 61 and 62 add language to Sec. 8-7.1 (6)(i),(k) dealing with nonowner- occupied and owner occupied properties that create a new exclusion for hotel and resort properties. Properties that are hotel or resort properties are excluded from these tax classifications. This creates a potential conflict between Sec. 8-7.5(b)(1) that specifically allows Residential Dedication of condos in the Resort District. Currently the City and County allows Residential Dedication for condos in a condo hotel where the owner agrees to not rent short-term. This Residential Dedication frees up about 4,000 units for long-term rentals and promotes affordable housing on Oahu. Please delete the exclusions in Sec. 8-7.1(6)(i),(k) that prohibit condos in a hotel or resort to be ineligible for nonowner and owner occupied tax classifications. To do otherwise goes against this Council's objective of making more affordable housing available for residents.

TO: Members of the Honolulu City Council

FROM: Natalie Iwasa, CPA, CFE

DATE: Wednesday, January 25, 2023

SUBJECT: Bill 62 (2022), Real Property Taxes Classifications for Owner-occupied and Nonowner-occupied Properties – **COMMENTS**

Aloha Chair Waters and Councilmembers

Thank you for this opportunity to provide testimony on Bill 62 (2022), which would change the "Residential" and "Residential A" classifications to "Owner-occupied" and "Nonowner-occupied" classifications, respectively. The bill also implements four tiered tax rates for both the owner-occupied and nonowner-occupied classifications. The tiers would be based on the quartile in which the property's valuation falls. The bill would take effect tax years beginning July 1, 2025.

The idea of four-tiered rates for residential properties was supported and recommended by the 2022 Oahu Real Property Tax Advisory Commission. (See Section II of their report at https://www4.honolulu.gov/docushare/dsweb/Get/Document-303437/CC-224(22).pdf.)

As a practical matter, it's not clear to me the administrative effort that would be required annually to determine which tier a particular property belongs in. It would seem the tier would need to be determined by the time assessment notices go out, which would not give the administration much time to gather the underlying data.

While the RPT system's timeline has been discussed in the past, it certainly deserves more discussion in light of this bill.

I support the removal of a threshold related to nonowner-occupied homes. The $1 million that was used for Residential A was too low, and created excessively high taxes for landlords who provide housing to renters.