

BILL014(23)
Testimony

MISC. COMM. 187

COUNCIL

COUNCIL Meeting

Meeting Date: Apr 19, 2023 @ 10:00 AM

Support: 0

Oppose: 0

I wish to comment: 2

Name: Ted Kefalas	Email: tkefalas@grassrootinstitute.org	Zip: 96813
Representing: Grassroot Institute of Hawaii	Position: I wish to comment	Submitted: Apr 18, 2023 @ 10:50 AM
Name: Choon James	Email: ChoonJamesHawaii@gmail.com	Zip: 96762
Representing: CountryTalkStory.com	Position: I wish to comment	Submitted: Apr 19, 2023 @ 08:23 AM



April 19, 2023

10 a.m.

Honolulu City Council Chambers

To: Honolulu City and County Council

Councilmember Tommy Waters, Chair

Councilmember Esther Kiaʻāina, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: Bill 9, Bill 26 and Bill 31 (2023) — RELATING TO REAL PROPERTY TAXATION

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on [Bill 14 \(2023\)](#), [Bill 26 \(2023\)](#) and [Bill 31 \(2023\)](#), all of which would provide a one-time tax credit to certain property owners.

The Institute believes all of these measures would be useful in offsetting the county's higher property tax bills, based on the most recent property assessments.

We do, however, want to offer specific comments on each proposal.

>> **Bill 14.** The Honolulu Department of Customer Services has estimated that this one-time tax credit of \$300 would provide 151,749 Oahu homeowners approximately \$45.5 million in tax relief.¹

>> **Bill 26.** This legislation would provide qualified homeowners age 65 or older with a one-time tax credit of \$500, instead of the \$300 proposed in Bill 14.

¹ ["Commitments to affordable housing, public safety highlighted as Mayor Blangiardi submits proposed budget for 2024 fiscal year."](#) Honolulu Department of Customer Services, March 2, 2023.

The Institute believes both Bill 14 and Bill 26 would provide effective short-term relief. However, we ask that the Council pair the one-time reforms in either of these measures with permanent changes to ensure that homeowners and other property owners are not robbed of this relief in the future.

Further, unless the Council moves forward with other relief measures that would take effect in fiscal 2024, there would be room to increase the value of the credit in Bill 14 to more than \$300.²

A \$380 credit for all qualified homeowners would effectively zero-out the higher assessments and proposed rates that the Residential property class is likely to face.

>> Bill 31. This bill would create a one-time tax credit of \$300 for any property owner who owns a long-term rental property that is leased out for a period of at least 12 months, provided that the property owner applies for the credit by Sept. 1, 2023.

This measure is intended to extend relief to owners of rental properties, especially properties that are valued at \$1 million or more and fall into the Residential A class.

We support the intent of this measure, but note that it may prove difficult to administer since city administration may need to process thousands of applications in a narrow window of time.

A simpler policy may be to adjust the rates on Residential and Residential A properties for fiscal year 2024 and change the classification of long-term rentals for future tax years, either by exempting long-term rentals from Residential A or by creating a new class specifically for such rentals.

Also, as written, the bill is unclear as to whether owners of multiple long-term rental properties are eligible to receive only one \$300 credit or one \$300 credit for each of the long-term rental properties that they own.

Thank you for the opportunity to testify. Sincerely,

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

² [“Administrative Overview, Fiscal Year 2024 Budget,”](#) Department of Budget and Fiscal Services, Dept. Communication 158, March 6, 2023, p. 9.

REGULAR MEETING
CITY COUNCIL CHAMBER
5TH SESSION
WEDNESDAY, APRIL 19, 2023
10 A.M.

Real Property Taxes Bill 14, 26, 31

Aloha Chair Tommy Waters, Vice-Chair Esther Kia'aina, and city council members:

We need following general parameters be deliberated to truly help the residents of Oahu.

First, we need to decide whether we want to help the residents here or to continue to make decisions that will push more and more residents out of Hawaii. We have all known neighbors who have left. Example:
AMERICAN IDOL https://www.youtube.com/watch?v=S_MAsZsnMk
Iam Tongi from Kahuku revealed to the whole nation in February 2023 that his family was priced out of paradise. He's now living in Washington. He's shown here helping another party sell this t-shirt.



Some parameters to deliberate property taxes:

1. Hawaii has a top median property value of \$1million. Hawaii continues to have one of the highest credit card debts, mortgage debts, but lower salary income compared to states like Washington and CA.
2. The repeated fallacy that Hawaii has one of the cheapest property taxes in the nation cannot be an excuse for politicians and others to impose higher and higher property taxes.
3. County RP taxes appear to be low because it does not pay for school taxes. But whether it's STATE income taxes or county taxes, the sources of taxes are taken from the same pool of residents.
4. Furthermore, other states may have a higher property rate but some states have NO income taxes. Many states have lower-priced homes.
5. Hawaii also has very high home insurance rates, maintenance fees rates, construction costs and materials, food, gas, vehicles, and so on.

APPRAISAL VALUATION

6. The county property valuations have basic appraisal valuation irregularities. Land APPRECIATES in value. Improvements have shelf life that DEPRECIATES in value. Most of the valuations that we have reviewed show no such consistent basic appraisal valuation. Many improvements show enormous valuation increase that contradicts the actual conditions of the homes and structures. *“ All I did was mow my lawn. I need a new roof, and the kitchen is original. But my property went up \$400,000,00!”*
7. A lot of the valuations do not reflect actual market values. But, obviously higher valuations benefit the city because it produces more revenues.
8. It's bias to think that a \$1 million or \$2 million or a \$3 million or a \$4 million homes is automatically a luxury home and those owners must be rich or affluent. Many of these million dollar homes are owned by

kama'aina who have lived here for generations or decades. They are paper rich but cash poor and laden with escalating costs.

9. Too many of Hawaii property owners are burdened by gentrification. Not many residents want to sell and move out of Hawaii. But many have been forced to do so due to escalating costs of living.
10. These solutions must be long range. Does the city want to push out the middle class?
11. Does the city want to see kama'aina neighborhoods become gentrified to the point of losing the residents who make Hawaii Hawaii?
12. Residential A is a problematic program. I remember testifying before Ann Kobayashi's Budget Committee that \$1million threshold is not a luxury home. Tenants will end up being negatively impacted because landlords cannot bear the taxation burdens alone.
13. Landlords who rent to long-term tenants must be valued because they are providing a housing service to the city. Developers and others in the housing sector received millions of dollars in tax incentives or grants and so on.
14. If the city is serious about stabilizing the housing crisis, it needs to have a paradigm shift. Residents are not Money Trees. Many are working paycheck to paycheck and holding 2-3 jobs.
15. Keep in mind about this irony. With time, the property generally appreciates in valuation, the costs of property taxes, maintenance, insurances, utilities INCREASES. Health and other expenses increases. However, the retirees' earning power DECREASES.
14. Again, it's bias to think that all kupuna are affluent and have a steady stream of income to keep up with the costs of living.
16. Raising the exemption helps a little but when the ratio of the assessment valuation exponentially outpaces the bandage \$300.00 proposal is insufficient.

17. The city needs to shed the mentality that the only option a city has is to raise taxes, fees and more taxes. The city needs to trim the pork and fat in its budget.
18. Some politicians talk about forgoing city services or raising taxes as the only option. But it must be noted that in 2012, the PORTER REPORT for the Honolulu Rapid Transit System warned the city that the city cannot afford to support its core services and the costs of the Rail.

SUGGESTIONS:

Supposedly, the total value of all real property increased to \$343.07 billion from \$305.27 billion, an increase of 12.4%. The city also has COVID funds.

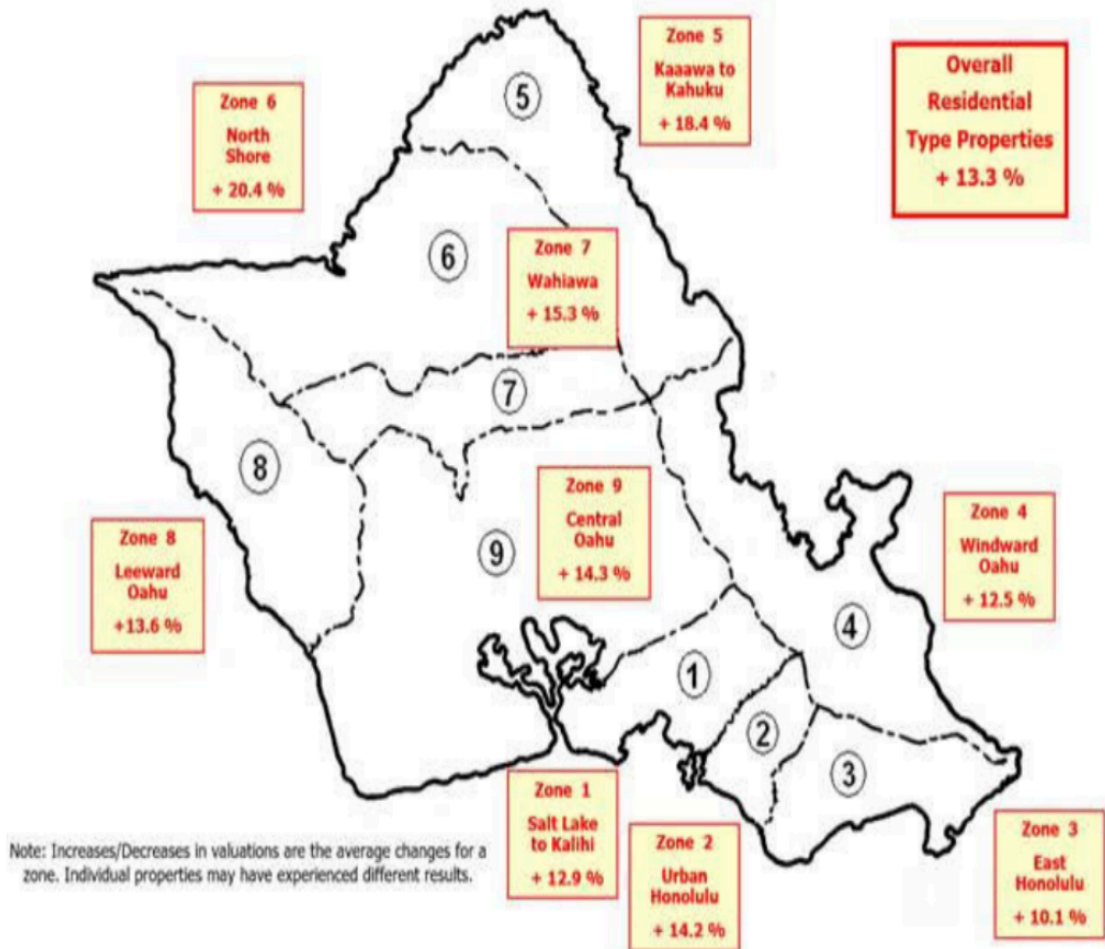
1. **REDUCE** the CLASS (A) Residential rate to \$2.00 for this fiscal year to offset sharp valuation increases this year. Many owners are still recovering from COVID impacts.
2. Resident A owners who can show a long-term one-year lease at affordable rental rates should be exempted from the Residential A rates but at the \$3.50 rate. They are providing a housing service to residents. The city provides millions of dollars of tax and other incentives to developers to create “affordable housing”. Reward these existing landlords who have been providing stable housing service to long-term residents.
3. Property owners who are 65 years and up and have lived in Oahu for twenty years or more should be provided a **property tax cap** with no further property tax increases for the kama’aina ohana. This will stabilize the housing for intergenerational kama’aina households. This benefit becomes unavailable when the property is entirely sold to a non-familial buyer.

4. Owner-occupant Property owners who are 65 years and up and have lived in Oahu for twenty years or more are exempted from the \$6.50 property tax rate for Bed and Breakfast. Not every one will do it but those who do it probably need that income to support themselves. Keep in mind that most retirees appreciate their own privacy in their homes. It takes much effort to be a host.

All this can be done if there is a political will to put our Residents First. The city can trim its pork and fat from its budget. We have observed the Honolulu city budget sessions for over a decade.

Mahalo,
Choon James
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Percentage Change In Taxable Gross Valuations For 2023 Residential Type Properties by Zone (includes new parcels, additions/alterations to existing parcels)



Homeowners in areas like Oahu's North Shore and towns like Kahuku face property assessments of 20% or more, which are driving up their tax bills even as tax rates remain flat.

Some of our property increased by 30% - 50% when our improvements are in need of major renovations and upkeep.

Honolulu Property Tax Revenue

Fiscal Year 2014 - 2023

*In thousands

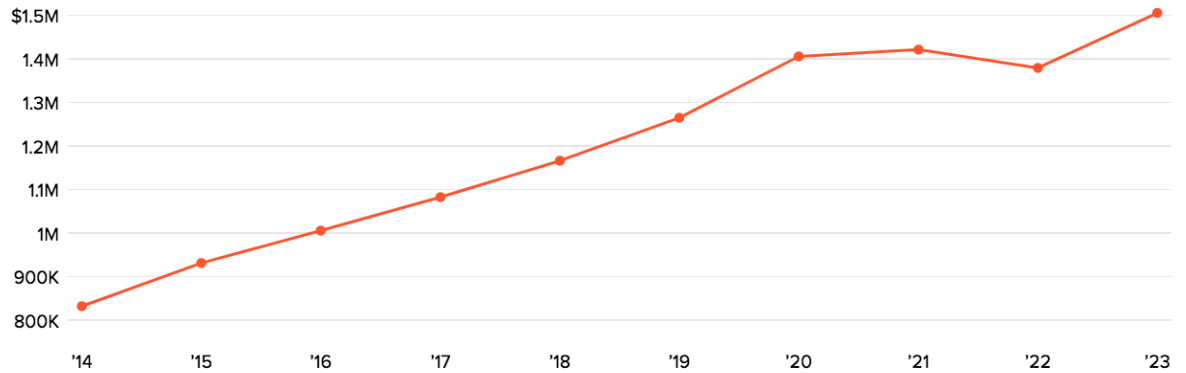


Chart: Civil Beat/2023 • Source: City and County of Honolulu

Despite rates remaining stable, increases in property assessments have driven property tax collections in Honolulu up more than 80% in the past decade, rising from just over \$800 million in 2014 to over \$1.5 billion in fiscal 2023. Skyrocketing assessments suggest the increases in 2024 will exceed those of recent years.

<https://www.civilbeat.org/2023/01/honolulu-homeowners-are-shocked-at-new-property-tax-bills-heres-something-that-could-help>

Property valuation can only go up. There may be cyclical dip trends but it always goes up. We are already numb to hearing about million dollar shacks.