# BILL034(23)
# Testimony

**MISC. COMM. 357**

COUNCIL

**COUNCIL  Meeting**
Meeting Date: Jul 12, 2023 @ 10:00 AM
Support: 5
Oppose: 1
I wish to comment: 2

| Name: | Email: | Zip: |
|---|---|---|
| Jill Paulin | jillpaulin@gmail.com | 96712 |
| Representing: | Position: | Submitted: |
| Self | Support | Jul 8, 2023 @ 08:17 AM |

Testimony:
Aloha Council Members,

I support Bill 34. With the average current home price of $1m, current exemption amounts do not make a dent in this large expense for residents. I appreciate your consideration.

Mahalo,

Jill Paulin
Haleiwa, HI

| Name: | Email: | Zip: |
|---|---|---|
| Trey Gordner | trey@gogordner.com | 96706 |
| Representing: | Position: | Submitted: |
| Self | Oppose | Jul 10, 2023 @ 10:48 AM |

Testimony:
My name is Trey Gordner, I am a member of the Ewa Neighborhood Board and hold a master's degree in urban and regional planning. I oppose Bill 34 because it unfairly deflects a large share of property taxes from owners to renters and favors high-income homeowners. The Council should instead repeal the homeowner's exemption and reduce the Residential rate proportionately.

Consider 2 households in 2 identical $1M homes. One rents, the other owns. Under this bill, the homeowner would receive a 25% discount on their property taxes, while the renters must pay the full rate, which is passed through from their landlord. In other words, the renter pays $4 in property taxes for every $3 the owner pays in the same home. This policy is doubly inequitable because the owner's home is an asset worth $1M, while the renter has no equity in their home. It is, in essence, a massive surcharge on those who cannot afford a mortgage.

Aside from unfairly targeting renters, exemptions have another policy design flaw, in that applications must be submitted, verified, and maintained. This administrative burden favors relatively wealthy and well-educated homeowners over lower-income households who may lack the time, bureaucratic savvy, or language skills to repeatedly qualify. It also generates additional overhead expenses for the city.

Repealing the homeowner's exemption and reducing the Residential rate proportionately would eliminate these inequitable outcomes, and better accomplish the goals of the real property tax PIG: to provide tax relief to those who need it (renters and low-income homeowners), and to fairly allocate tax burdens.

In other jurisdictions where I have lived, property tax rates were set at budget time based on updated real estate assessments and the needs of the city. The citizens of Honolulu would be better served if the Council adopted this convention.

| Name: | Email: | Zip: |
|---|---|---|
| SharLyn Foo | bpacker@maui.net | 96712 |
| Representing: | Position: | Submitted: |
| Self | Support | Jul 10, 2023 @ 01:39 PM |

Testimony:
Aloha, I do appreciate and support council members attempt to raise home exemption . Especially for Kapuna and fixed income home owners .However when the median house price on Oahu is over a million dollars, it is not enough. Our area as you know went up 20% . The system of comparable market sales is faulty. It does not really take into consideration individual homes which are often very different in each neighborhood. There has to be a better way . Mahalo SharLyn Foo

| Name: | Email: | Zip: |
|---|---|---|
| LILLIE McAFEE | lilliemcafee@gmail.com | 96792 |

| Representing: | Position: | Submitted: |
|---|---|---|
| Self | Support | Jul 11, 2023 @ 02:43 PM |

Testimony:
I SUPPORT Bill 34--it is getting harder and harder to pay taxes--this will help kapuna.

| Name: | Email: | Zip: |
|---|---|---|
| Mitch Maxwell | btfxhawaii@aol.com | 96707 |
| Representing: | Position: | Submitted: |
| Self | Support | Jul 11, 2023 @ 02:46 PM |

Testimony:
This bill is long overdue! I don't think I need to list a bunch of reasons…just one:
Values for properties all over Oahu have gone way up over the years, so the exemption levels need to be raised!

| Name: | Email: | Zip: |
|---|---|---|
| Ted Kefalas | tkefalas@grassrootinstitute.org | 96813 |
| Representing: | Position: | Submitted: |
| Grassroot Institute of Hawaii | I wish to comment | Jul 11, 2023 @ 03:07 PM |

| Name: | Email: | Zip: |
|---|---|---|
| Don Maxwell | donmaxwell2@gmail.com | 96792 |
| Representing: | Position: | Submitted: |
| Self | Support | Jul 11, 2023 @ 04:52 PM |

Testimony:
Current property tax exemptions are too low, and outdated considering the average price of a home on Oahu. Oahu residents need tax relief.

| Name: | Email: | Zip: |
|---|---|---|
| Choon James | ChoonJamesHawaii@gmail.com | 96762 |
| Representing: | Position: | Submitted: |
| Self | I wish to comment | Jul 12, 2023 @ 12:34 AM |

GRASSROOT INSTITUTE OF HAWAII

July 12, 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 34 (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 34 (2023), which would increase the standard home exemption from $100,000 to $250,000 and the exemption for homeowners age 65 and older from $140,000 to $300,000.

The Institute generally supports the intent of this measure. Compared to Honolulu's current $100,000 exemption — soon to be $120,000[1] — Kauai and Maui each offer home exemptions of a much higher value, at $160,000 and $300,000 respectively.[2]

If the Council is interested in further increasing the value of the home exemption, it should explore the "Boston model," whereby the dollar value of the home exemption is tied to the average assessed value of properties in the Residential tax class.

The Lincoln Institute of Land Policy, a policy research group based in Cambridge, Massachusetts, explains it this way:

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[1] Ben Angarone, "Honolulu Property Owners Would Get Quick Relief With Tax Measures Passed By City Council," Honolulu Civil Beat, July 7, 2023.
[2] Jonathan Helton, "How Hawaii's county lawmakers can provide tax relief to offset higher property assessments," Grassroot Institute of Hawaii, April 2023, p. 9.

"The taxable value of a homeowner's principal residence gets reduced by a flat dollar amount, equivalent to 35% of the average assessed home value in the city that year. In 2021, that meant the first $295,503 of a primary residence's value was exempt from property taxes. So if a Boston resident's condo was assessed at $395,000 that year, the owner would only have to pay property taxes on the last $100,000 or so of the home's value — a discount of roughly 75%."[3]

On Oahu, the average property in the Residential class had a gross value of $934,012.64 in fiscal 2024.[4] The $100,000 exemption was equal to 10.71% of the average assessed value, while a $250,000 exemption would have been equal to 26.77% of the average assessed value.

Indexing the value of the home exemption would ensure that property tax relief automatically increases when the overall value of the Residential tax class increases.

Setting Honolulu's property tax home exemption equal to 20% or 25% of the average assessed value would fulfill this bill's intention and ensure that relief is not whittled away by high home prices in the future.

Thank you for the opportunity to testify.

Sincerely,

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

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[3] Jon Gorey, "This Simple Policy Tool Can Make Property Taxes Fairer and Ease Homeowner Hardship," Lincoln Institute of Land Policy, Dec. 6, 2022.
[4] "City and County of Honolulu Real Property Tax Valuation for Fiscal Year 2023 - 2024," Technical Branch, Real Property Assessment Division, Department of Budget and Fiscal Services, City and County of Honolulu, July 2023.

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**REGULAR MEETING**
**CITY COUNCIL CHAMBER**
**10TH SESSION**
**FRIDAY, JULY 12, 2023**
**10:00 AM**

Bill 34
Bill 42

Aloha Chair Waters, Vice-Chair Kia'aina and City Council members:

It's good that the City Council is paying attention and efforts to these very potent property tax issues in Oahu. We hope these efforts and dialogue will continue in order to fine-tune the system for the benefit of our local folks.

**I hope these shared parameters will be carefully considered in the policy-making to make Oahu a better place:**

1. **Real property assessments will continue to increase but can long-time kama'aina property owners keep up?** It's concerning that the county appears to want to spend "projected" revenues and there is not enough culture of fiscal prudence or any desire to cut the fat off budgets. The city budget continues to increase. Is there any desire to carefully comb through the entire budget and objectively figure out between the needs and the wants? What is most effective and efficient way to spend the fiscal resources? How can we make life easier for our residents?

2. If there are no efforts to cap the property taxes for long-term kama'aina owners who do not wish to sell their properties, gentrification will price local familiess out of paradise. The culture and flavor of Hawaii will change. Hawaii will become a home for the most affluent and a community of essential workers with the middle-class diminished? Is this what we want?

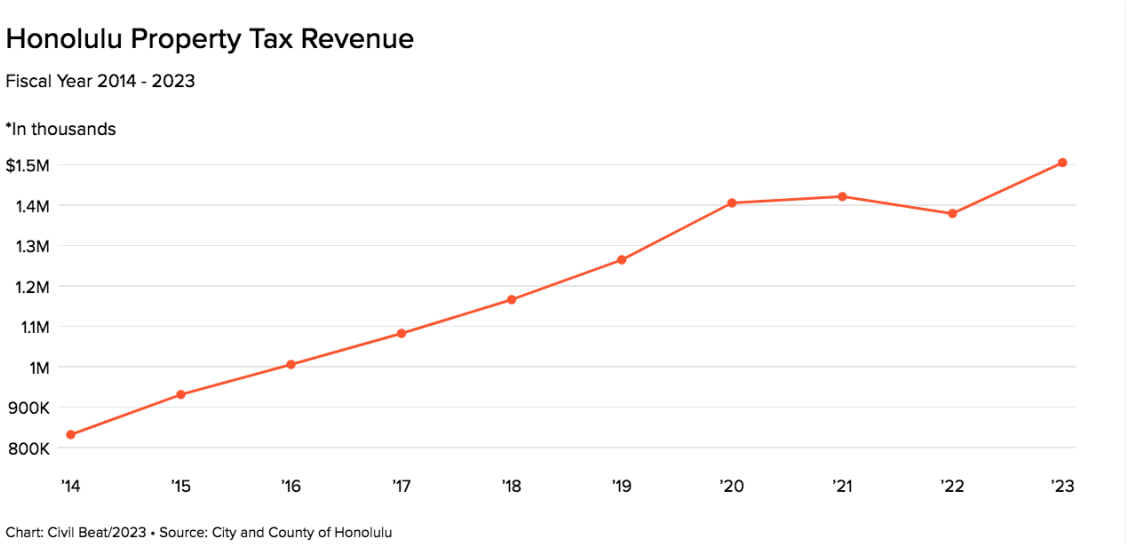



Chart: Civil Beat/2023 • Source: City and County of Honolulu

*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.*

3. It's no secret that Honolulu is primarily financed by real property taxes. If there continues to be uncontrolled bad fiscal decisions, it's the residents who have the bear the brunt of these fiscal blackholes. Does government have to keep expanding that requires more operation costs and so on?

4. An example is the **Honolulu Rail** now known as "Skyline". It's very obvious that the math does not pencil out in this project. This project has escalated from $2.7 BILLION in 2006 to about $11 BILLION today. There was an OPENING DAY on June 30, 2023 with lots of pomp and fanfare despite the fact that the project is incomplete. The first 3 days of Free fare and natural novelty has brought out curious riders. But on the 4th day, the patronage of this product has already shown a marked decrease in the projected **fare-box revenues**.

   This can only mean one thing – the rail will be eating up increasingly bigger and bigger portions of the city's year budget. The pressure will be to squeeze as much property taxes from rsidents as much as possible. Is this financially sustainable for the citizenry?

   **The budget for Honolulu Rail this 2023-24 year is about $126 Million**.
   County TAT transfer to HART - $39,809,000
   Rail O&M – I think $73.4 million (pg 14 of Bill 11)
   City "skin" - $12 million (not sure where this is at)

All the "exemptions" to help property taxes are pittance compared to these Rail costs.

5. The Honolulu City and County needs to decide whether it wants to help long time local residents remain in Oahu or to incrementally price them out of paradise. Property values will definitely go up. It's certainly profitable for the County tax collectors. But, what good is it for a property owner who have no intention of leaving Hawaii and no intention of selling but keeping it in the ohana. Our local kama'aina families are the glue that holds Hawaii together in the communities that preserve the unique culture and lifestyle.

6. There are **marked differences** between **apartment, condominium, townhomes** and **single family dwellings**. It's clear that apartment and condos have much less property tax assessments and thus less RPTaxes.

   Because of these valuations, providing a say, "$20,000.00 more exemption is much more significant for apartment owners than single family owners whose RPT assessments have gone up from $200,000 to $1.5 Million this year. Obviously a $20,000 extra exemption is more valuable for apartment owners in the $400,000 value assessment range. Kauai and Maui counties are more pragmatic by offering both offering home exemptions much higher than Honolulu's in the $160,000 and $300,000, respectively. $20,000 more in exemptions is pittance.

   We're not against the $80,000 threshold for owners but we're saying that **the middle class in Oahu is disappearing too.** There has been irrational appreciation in Oahu as well. For example: North shore properties actually increase as much as 54% this year, not the often-quoted 20% increases.

7. I continue to have concerns with certain categories including the historical home exemptions. A single family home valued at $3M has to pay many more thousands of dollars than a home under such exemption that used to pay $100, then $300 and now probably $1,000.00 Generally those with historical exemptions are also much more affluent than ordinary owners who are caught in inevitable property appreciation. There's a fundamental inequity there.

I look forward to seeing more dialogue on these very important issues.

Mahalo,

Choon James
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808 293 8888