# BILL034(24)
# Testimony

**MISC. COMM. 265**

COUNCIL

**COUNCIL  Meeting**

Meeting Date: Jun 5, 2024 @ 10:00 AM

Support: 0

Oppose: 0

I wish to comment: 3

| Name: | Email: | Zip: |
|---|---|---|
| Natalie Iwasa | iwasajunk@mail.com | 96825 |
| Representing: | Position: | Submitted: |
| Self | I wish to comment | Jun 3, 2024 @ 11:32 PM |
| | | |
| Name: | Email: | Zip: |
| Choon James | ChoonJamesHawaii@gmail.com | 96762 |
| Representing: | Position: | Submitted: |
| Self | I wish to comment | Jun 5, 2024 @ 08:35 AM |
| | | |
| Name: | Email: | Zip: |
| Suzanne Young | anakama@wik.com | 96813 |
| Representing: | Position: | Submitted: |
| Honolulu Board of REALTORS | I wish to comment | Jun 5, 2024 @ 09:03 AM |

TO: Members of the Honolulu City Council

FROM: Natalie Iwasa, CPA, CFE
808-395-3233

DATE: Wednesday, June 5, 2024

SUBJECT: Bill 34, Real Property Taxes – **COMMENTS**

Aloha Chair Waters and Councilmembers,

Thank you for allowing testimony on Bill 34, which would increase Residential A threshold from $1 million to $1.3 million and create three tax tiers for Residential A, transient vacation units and bed and breakfasts.

I support the increase in the threshold for the Residential A classification but ask that it be tied to an index with annual adjustments instead. In the nine years since Residential A went into effect, the total number of parcels has risen from 7,655 to 29,862 for the current fiscal year which is **a 290% increase**. During that same timeframe, total parcels only increased by about 7%. If a fixed amount is used, in a few years we will have the same problem we do now, i.e., more homes will be sucked into the Residential A classification. Rather than set a static threshold, please tie it to an index to be adjusted annually.

The bill also creates three tiers of tax rates, which makes the system more complex. During the committee meeting, please discuss the cost of implementing and maintaining three tiers.

# ORDER OF BUSINESS

REGULAR MEETING
CITY COUNCIL CHAMBER
22ND SESSION
WEDNESDAY, JUNE 5, 2024
10 A.M.

# COMMENTS

BILL034(24) RELATING TO REAL PROPERTY TAXATION.

Aloha Chair Waters and City Council members:

I appreciate efforts to address these property tax issues.

When Mayor Kirk Caldwell first introduced the new **Residential A** classification through Bill 42 (2013), everybody knew the city was looking under every nook and cranny to find more money to pay for the Honolulu Rail. He had promised property taxes would not be increased.

The Residential threshold then was $1 Million in 2014.

The search for more revenues unfortunately will continue. Property taxes are the low-hanging fruit.

One of the significant negative consequences for Residential A is the impact on renters.

We have seen landlords raised rents that have not for years. Not only have their property taxes jumped, so have their utilities, insurances, repairs, and so on. A 3- bedroom home that rented for $2,000 in 2014 a month is now easily $3,500 a month. Income has not kept up for many. In fact, for the kupuna group, their salaries have decreased.

We know the threshold of $1.3 Million for Residential A is arbitrary. But, an old Hicks Home property in Oahu is now easily over $1M.

Many are already in the $1.3 M and over. It could be a simple rental home that happens to be a waterfront.

The **fundamental premise** in these discussions is we need to recognize that landlords are providing a housing service by providing a home for renters.

I know of many local landlords who provide low rents with no increases for years. They've been forced to increase rents because of the significant increase in property taxes.

It's the tenants who bear the burden of higher taxes.

While we are aware that there are opportunities to apply for certain exemptions, those requisites are quite onerous.

May I suggest that we simply make it more friendly. If a landlord can show a continuous long-term rental contract (3 years?) at an affordable rate, Residential A should not apply to them.

We are actually seeing homes assessed HIGHER than market value. This is a new trend. It's good for the city but it's a burden for our residents.

Landlords who provide affordable rents to our long-term residents should be recognized and supported because they are part of the solution to affordable housing. They should not be penalized for escalating Residential A property taxes.

We look forward to continuing this dialogue.

Mahalo,

Choon James
808 293 9111
ChoonJamesHawaii@gmail.com

Honolulu Board of REALTORS®
EST. 1922
1136 12th Avenue, Suite 200 • Honolulu, HI 96816-3796 • TEL: 808.732.3000 • FAX: 808.732.8732 • www.hicentral.com

*2024 Board of Directors*

***President***
**Fran Gendrano, R**
ABR, AHWD, CRS, GRI

***President-Elect***
**Trevor W. Benn, R**
AHWD, GRI, SFR, e-PRO

***Secretary***
**Aaron Tangonan, RA**
CRS

***Immediate Past President***
**Fran Villarmia-Kahawai, R**
CRB, CRS, GRI, MRP

***Directors***
**Paula K. Bruno, R**
CIPS, CRS, GRI, C2EX

**Shaila Campbell, R**
CRB, CRS

**Barbie Y. Hee, R**
ABR, AHWD, CRB, CRS, GRI, SFR, SRES, e-PRO

**Joshua Horita, R**
AHWD, BPOR, SFR

**Lurline R. Johnson, R**
ABR, AHWD, CRB, CRS, GRI

**Grace M. Koreyasu, R**
CRS

**Leonie Lam, R**
CRB, MRP

**Earl W. Lee, R**

**Sunny F. Lee-Oshiro, RA**
CRS

**Denise L. Miyahira, R**
CRS

**Olivia Schubert Moschell, R**
SRES

**Sean Wingate, RA**

**Jon M. Yamasato, R**

***Chief Executive Officer***
**Suzanne Young**

REALTOR® EQUAL HOUSING OPPORTUNITY

REALTOR® is a registered collective membership mark that may be used only by real estate professionals who are members of the NATIONAL ASSOCIATION OF REALTORS® and subscribe to its strict Code of Ethics.

Testimony by Suzanne Young, CEO
Honolulu Board of REALTORS®

Comments on Bill 34 (2024) – Relating to Real Property Taxation
Honolulu City Council
Wednesday, June 5, 2024
Honolulu Hale

Aloha Chair Waters, Vice Chair Kia‘āina and Council Members,

The Honolulu Board of Realtors (HBR), representing over 6,700 members, appreciates this opportunity to submit comments on Bill 34, which proposes three tiers for Residential A, Transient Vacation and Bed and Breakfast home, based on the valuation of the property.

While we generally support increasing the assessed value of Tier 1 from $1M to $1.3M or more, we need to know the rates before taking a position. We commend Chair Waters and the Council for lowering the Residential A rate last year. We understand Vice Chair Kia‘āina is proposing an FD1 to Bill 11 that adds at least $1M to hire a contractor to analyze and make recommendation on amendments to the City’s Real Property Tax Ordinances and that a Permitted Interaction Group may also be considered.

HBR is committed to collaborative solutions. We have a wealth of data and insights on the local housing market and stand ready to actively participate in discussions with the City and County of Honolulu and others on real property tax issues and potential reform.