

BILL048(24)
Testimony

MISC. COMM. 349

COUNCIL

COUNCIL Meeting

Meeting Date: Aug 7, 2024 @ 10:00 AM

Support: 2

Oppose: 0

I wish to comment: 2

Name: Linda Howe	Email: lindamhowe@gmail.com	Zip: 96744
Representing: Self	Position: Support	Submitted: Aug 5, 2024 @ 01:06 PM
Testimony: Thank you for this initial effort to correct a longstanding and serious oversight: not adjusting or indexing the assessment threshold which triggers the higher 'Res. A' tax rate. Future public testimony on the proposed structure and details should provide further guidance to this Council, and I look forward to that opportunity. Mahalo.		
Name: Ted Kefalas	Email: tkefalas@grassrootinstitute.org	Zip: 96813
Representing: Grassroot Institute of Hawaii	Position: I wish to comment	Submitted: Aug 6, 2024 @ 09:08 AM
Name: Michele McCoy	Email: michelem@oha.org	Zip: 96817
Representing: The Office of Hawaiian Affairs	Position: Support	Submitted: Aug 6, 2024 @ 11:42 AM
Name: Choon James	Email: ChoonJamesHawaii@gmail.com	Zip: 96762
Representing: Self	Position: I wish to comment	Submitted: Aug 7, 2024 @ 08:41 AM

Aug. 7, 2024, 9 a.m.

Honolulu Hale

To: Honolulu City Council

Tommy Waters, Chair

Esther Kia'āina, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: Bill 48 (2024) — RELATING TO REAL PROPERTY TAXATION

Aloha Chair Waters, Vice-Chair Kia'āina and other members of the Council,

The Grassroot Institute of Hawaii would like to offer its **comments on — and amendments to —** [Bill 48 \(2024\)](#), which would create a long-term rental dedication for long-term rentals in the Residential A tax class.

Any property dedicated to long-term rental use for a period of 10 years or more would be taxed at the Residential tax class rate — currently \$3.50 per \$1,000 in assessed value — instead of the Residential A rate — \$4 per \$1,000 for the first \$1 million of the property's value and \$11.40 per \$1,000 on any value greater than \$1 million.¹

Using the property tax to incentivize property owners to rent long-term is a good idea that could help with Honolulu's high housing costs. Maui County already does this, and Hawai'i County is considering a similar program.

However, Grassroot is concerned about some of the bill's language pertaining to tax rollbacks.

We suggest the Council consider changing the wording of the tax rollback provision. As written, if a property owner stopped using the property as a long-term rental during the 10-year dedication, the bill would roll back all taxes retroactive to the date at which the property was dedicated.

¹ ["City and County of Honolulu Real Property Tax Valuation for Fiscal Year 2024-2025,"](#) City and County of Honolulu, July 2024.

The owner would have to pay the city the difference between what they paid at the Residential rate and what they would have paid at the Residential A rate. This provision could be punishing for property owners who stop letting long-term.

Provisions should be added to the bill to cancel the rollback in cases where emergencies — such as death of an owner — create legal issues where it is more practical to leave the property vacant for a time. Language should also be added that would allow a property owner to move into the property and use it as a principal residence without fear of a rollback.

The Council should also amend paragraph (i) of the bill, relating to transfer of property. As written, a purchaser would need to pay rollback taxes if they bought a dedicated property and decided not to continue its use as a long-term rental. At the very least, this paragraph should be amended to include an exemption for an individual or family buying the house to use as a principal residence.

Last, we urge the Council to consider revising the 10-year dedication period. A shorter term, perhaps five years, might be more appropriate, since many owners might be wary of committing their property to long-term rental use for 10 years — especially with the rollback language as currently written.

By comparison, Maui's long-term rental exemption operates on a yearly basis, requiring property owners to file for an exemption each year and allowing them not to renew without fear of a tax rollback.²

We thank the Council for introducing this bill and starting a dialogue on what could be a promising reform. We look forward to future conversation about this topic.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

² [“Real Property Tax - Long-Term Rental Classification & Exemption,”](#) Maui County Frequently Asked Questions, accessed Aug. 2, 2024.



BILL 48 Relating to Taxation of Real Property- Reduce Tax for Long Term Rental Property
Honolulu County Council

August 7, 2024

10:00 a.m.

Council Chambers

The Office of Hawaiian Affairs (OHA) will recommend that the Board of Trustees support **Bill 48 (2024)**, which seeks to address O‘ahu’s housing crisis by reducing the taxation of real property used as long-term residential rentals. This measure aligns with OHA’s mission to better the conditions of Native Hawaiians and supports our strategic priority to foster economic stability.

The history of land tenure in Hawai‘i, marked by the illegal overthrow of the Hawaiian Kingdom and subsequent Westernization of property laws, has led to significant dispossession of Native Hawaiian lands. This bill can serve as a partial remedy by providing a pathway for Native Hawaiian landowners to retain their properties and use them in ways that benefit the community. By reducing the financial pressures that often force the sale, conversions to short term rental or commercial development of ancestral lands, **Bill 48 supports the preservation of these lands for future generations.**

The high cost of rental housing on O‘ahu disproportionately impacts Native Hawaiians, many of whom struggle to find affordable, stable housing. By reducing property taxes for owners who dedicate their properties as long-term residential rentals, this bill will incentivize the availability of more affordable rental units. This, in turn, can help mitigate the housing burden on Native Hawaiian families, ensuring they have access to secure and reasonably priced housing options. Furthermore, stable, long-term rental agreements provide much-needed security for tenants, preventing the constant upheaval associated with frequent relocations. For Native Hawaiian families, this stability is crucial for maintaining connections to their communities, cultural practices, and support networks. By supporting long-term residential rentals, this bill helps preserve social fabric of all communities, especially Native Hawaiian communities, who have been impacted significantly by the proliferation of short term rentals in residential areas.

While there may be concerns regarding potential reductions in city revenue, it is important to consider the broader economic benefits of a stable housing market. **Increased housing stability can lead to better health outcomes, higher educational attainment, and greater economic productivity among residents.** Furthermore, the bill includes provisions to ensure that the dedication of property for long-term rentals is carefully monitored and enforced, minimizing potential misuse and ensuring that the benefits are realized as intended.

In conclusion, OHA believes that **Bill 48 (2024)** is a vital step toward addressing the housing crisis on O‘ahu and supporting the well-being of Native Hawaiian families. Accordingly, OHA respectfully urges the Council of the County of Honolulu to **PASS** Bill

48. Mahalo nui for the opportunity to testify.

ORDER OF BUSINESS
REGULAR MEETING
CITY COUNCIL CHAMBER
24TH SESSION
WEDNESDAY, AUGUST 7, 2024
10 A.M.

To: Chair Tommy Waters & City Council Members

From: Choon James

Date: August 7, 2024

COMMENTS

Bill 48

Relating to real property taxation. (Addressing O‘ahu’s housing crisis and high cost of rental housing and providing a mechanism to support our local residents through reducing taxation of real property used as a long-term residential rental.)

Aloha,

Bill 48 is an important effort to help mitigate housing costs in Oahu.

It’s important for legislators to understand and appreciate landlords who rent long-term to local residents as providing a “**housing service**”.

Not every tenant wishes to take on the responsibilities and obligations of a property owner or may not be ready for homeownership.

The long-term landlords who have chosen to rent their properties for usually much lesser rental income (than short-term rentals) should be incentivized and encouraged. This will not only provide a long-term rental inventory for Oahu but also support both landlords and renters in their mutual relationships.

I would also like to add that on the top of Page 4 relating to “rollbacks”. Perhaps, it’s already addressed elsewhere but there are my comments:

(i) Transfer or Sale of Property. In the event of a sale or other transfer of property dedicated for use as a long-term residential rental, the owner of the property so dedicated shall notify the director of the change in ownership. The new owner may qualify for a continued dedication, provided that the new owner:

- (1) Applies for a continuation of the dedication within 30 days of closing of the sale or other transfer of the real property; and*
- (2) (Understands and ensures that the property continues to fulfill the requirements under subsection (b).*

In the event the new owner is not granted a continued dedication, the dedication will be canceled and [the new owner will be subject to the rollback tax under subsection \(h\).](#)

If the landlord sells the property, and a new buyer is an owner-occupant, the new owner-occupant or the past owner **should not** be subject to the rollback tax. This is fair and reasonable because life happens.

The housing service was provided by the past owner and they or the new owner should not be punished through a rollback tax due to a transfer of title or status.

On a related housing issue, it's also important that we provide a **property tax cap for our kupuna** who have lived in their homes for 20 years or more. Our kama'aina families are the glue that hold our communities together. Many of them are middle class and may be paper-rich by the property assessment values. But they have no intentions of selling their family homes.

Many are worried and struggling with escalating property taxes and other costs on their fixed income and rising costs of living. They have concerns that their generational household may be priced out of paradise by default.

It makes no sense to focus on affordable housing on one end and on the other end, price out our long-time families due to the city's escalating property taxes. These same priced-out families would probably go into the rental market to compete for housing.

I look forward to more meaningful dialogue on these important issues.

Sincerely,

Choon James
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ChoonJamesHawaii@gmail.com