

REPORT OF THE COMMITTEE ON HOUSING, SUSTAINABILITY AND HEALTH

Voting Members:

Matt Weyer, Chair; Esther Kia'āina, Vice Chair;
Tyler Dos Santos-Tam, Val A. Okimoto, Augie Tulba

Committee Meeting Held
August 21, 2024

Honorable Tommy Waters
Chair, City Council
City and County of Honolulu

Mr. Chair:

Your Committee on Housing, Sustainability and Health, which considered Bill 48 (2024) entitled:

"A BILL FOR AN ORDINANCE RELATING TO REAL PROPERTY TAXATION,"

which passed first reading at the August 7, 2024 Council meeting, reports as follows:

The purpose of the bill is to address O'ahu's housing crisis and high cost of rental housing by providing a mechanism to support our local residents through reducing taxation of real property used as a long-term residential rental.

Your Committee considered and approved a CD1 version of the bill that makes the following amendments:

- A. In SECTION 2 of the bill, revises proposed ROH § 8-7.__(b) to shorten the dedication period from 10 years to 4 years for the dedication of real property classified as Residential A as a long-term residential rental for the purpose of having the property classified as Residential.
- B. Makes miscellaneous technical and nonsubstantive amendments.

HONOLULU CITY COUNCIL
Ke Kanihela o ke Kalana o Honolulu
CITY AND COUNTY OF HONOLULU

ADOPTED ON

SEP 4 2024

COMMITTEE REPORT NO. 267

REPORT OF THE COMMITTEE ON HOUSING, SUSTAINABILITY AND HEALTH

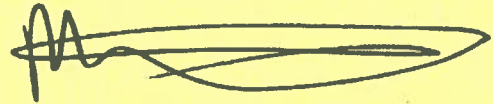
Voting Members:

Matt Weyer, Chair; Esther Kia'āina, Vice Chair;
Tyler Dos Santos-Tam, Val A. Okimoto, Augie Tulba

Committee Meeting Held
August 21, 2024
Page 2

Your Committee on Housing, Sustainability and Health is in accord with the intent and purpose of Bill 48 (2024), as amended herein, and recommends that it pass second reading, be scheduled for a public hearing, and be referred to, and accepted by, the Committee on Budget for further consideration pursuant to its consecutive referral in the form attached hereto as Bill 48 (2024), CD1. (Ayes: Kia'āina, Weyer, Tulba – 3; Ayes with reservation: Okimoto – 1; Noes: None; Absent: Dos Santos-Tam – 1.)

Respectfully submitted,



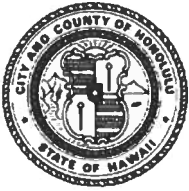
Committee Chair

HONOLULU CITY COUNCIL
Ke Kanihela o ke Kalana o Honolulu
CITY AND COUNTY OF HONOLULU

ADOPTED ON _____

SEP 4 2024

COMMITTEE REPORT NO. 267



HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
CITY AND COUNTY OF HONOLULU

ORDINANCE _____

BILL **48 (2024), CD1**

A BILL FOR AN ORDINANCE

RELATING TO REAL PROPERTY TAXATION.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose. The purpose of this ordinance is to address O'ahu's housing crisis and high cost of rental housing and provide a mechanism to support our local residents through reducing taxation of real property used as a long-term residential rental.

SECTION 2. Chapter 8, Article 7, Revised Ordinances of Honolulu 2021 ("Valuations"), is amended by adding a new section to be appropriately designated by the Revisor of Ordinances and to read as follows:

"§ 8-7. Property dedicated as a long-term residential rental.

(a) For the purposes of this section, the following definitions apply unless the context clearly indicates or requires a different meaning.

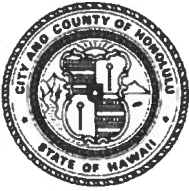
Break in Occupancy. A period of time during which there is no occupant of a dwelling unit or lodging unit due to the expiration or termination of a lease agreement between the owner of the dwelling unit or lodging unit and occupant lessee or the mutual agreement of the owner of the dwelling unit or lodging unit and the occupant of that dwelling unit or lodging unit that the occupant will vacate the dwelling unit or lodging unit. A break in occupancy does not include a period of time during which an owner temporarily relocates an occupant to complete repairs or renovations on the real property or during which a dwelling or lodging unit remains unoccupied while the owner actively advertises or solicits the long-term rental of the unoccupied dwelling unit or lodging unit following the expiration or termination of a lease agreement.

Dwelling Unit. Has the same meaning as defined in § 21-10.1.

Lodging Unit. Has the same meaning as defined in § 21-10.1.

Long-Term Residential Rental. A dwelling unit or lodging unit that is either:

- (1) Under a written lease agreement executed by the owner and an occupant lessee of that dwelling or lodging unit for the use of the dwelling or lodging unit as a residence by the occupant lessee for a lease term of at least 12 consecutive months and for compensation; or



HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
CITY AND COUNTY OF HONOLULU

ORDINANCE _____

BILL **48 (2024), CD1**

A BILL FOR AN ORDINANCE

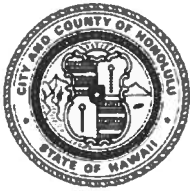
- (2) Continually occupied for compensation, without a break in occupancy, after the expiration of a written lease agreement executed by the owner and an occupant lessee of that dwelling or lodging unit for the use of that dwelling or lodging unit as a residence by the occupant lessee, with a lease term of at least 12 consecutive months, and for compensation.

Such continued occupancy for compensation includes but is not limited to a holdover occupancy or a periodic occupancy resulting in a month-to-month occupancy until proper notice of termination is provided by either the owner or the occupant that was previously under the expired written lease agreement.

For the purposes of this definition, "long-term residential rental" specifically excludes a dwelling unit or lodging unit used for time sharing or as a transient vacation unit, as those terms are defined in § 21-10.1.

Owner. A person who:

- (1) Is the fee simple owner of the real property on which a dwelling unit or lodging unit is situated; or
- (2) Holds a leasehold interest in a dwelling unit or lodging unit situated on the real property where the lease:
- (i) Is for a term of 10 years or more for residential purposes; and
 - (ii) Requires the holder of the leasehold interest to pay all real property taxes during the term of the lease.
- (b) An owner of real property classified as Residential A and used as a long-term residential rental may make a 4-year dedication of the property as a long-term residential rental and have the property classified as Residential; provided that the property is exclusively used during the dedication period as a long-term residential rental.
- (c) Any owner desiring to dedicate the owner's property as a long-term residential rental shall petition the director, describing the property to be dedicated, providing evidence that the property is currently exclusively used as a long-term residential rental, and declaring that such use will continue throughout the dedicated tax years, and the owner shall meet the requirements of subsection (b) pertaining to the property.



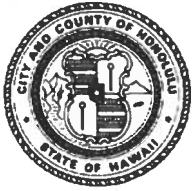
HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
CITY AND COUNTY OF HONOLULU

ORDINANCE _____

BILL 48 (2024), CD1

A BILL FOR AN ORDINANCE

- (d) The director shall prescribe the form of the petition. The petition for the following tax year must be filed with the director by September 1 of any calendar year. The notice of assessment will serve as notification of approval or disapproval of the petition for dedication. If the petition is approved, the assessment notice will provide that the property is being assessed as Residential and the assessment based upon the use requested in the dedication will be effective on October 1 of the same calendar year and apply to the following tax year.
- (e) The director shall make a finding whether the property is and will be maintained and used as a long-term residential rental. That finding will be based on any evidence required from the owner as the director may deem pertinent.
- (f) The director's approval of the petition will constitute a forfeiture on the part of the owner of any right to change the use of the owner's real property as a long-term residential rental for the dedication period. The dedication period may be renewed in the same manner as the initial petition.
- (g) The owner may appeal any disapproved petition in the same manner as in the case of an appeal from an assessment.
- (h) (1) Failure of the owner to observe the restrictions on the use of such person's real property will cancel the exemption retroactive to the date of the initial dedication, and all differences between the amount of taxes that were paid and the amount that would have been due from assessment without the dedication will be payable with a 10 percent per year penalty from the respective dates that these payments would have been due.
- For the purposes of this subsection, "failure to observe the restrictions on the use" means any failure of 7 consecutive days or more during a tax year falling within the period of dedication to use the real property in the manner certified in the petition or the overt act of changing the use for any period. Nothing in this subsection precludes the city from pursuing any other remedy to enforce the covenant on the use of the real property.
- (2) The additional taxes and penalties, due and owing as a result of failure to observe the restrictions on the use or any other breach of the dedication, will be a paramount lien upon the property as provided for by this chapter.



HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
CITY AND COUNTY OF HONOLULU

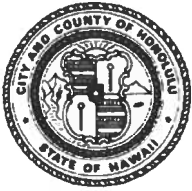
ORDINANCE _____

BILL **48 (2024), CD1**

A BILL FOR AN ORDINANCE

- (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).
- (j) Report. The director shall provide the council with an annual report within one month of each anniversary of the effective date of this ordinance. The report must provide an update on the following information as applicable:
- (1) The number of dedication applications filed;
 - (2) The number of dedication applications approved;
 - (3) The number, if any, of dedications that failed to comply with the dedication terms and were therefore canceled; and
 - (4) The estimated taxes forgone under and the city's cost of administering this dedication program.
- (k) Rules. The director may adopt rules pursuant to HRS Chapter 91 for the implementation, administration, and enforcement of this section."

SECTION 3. New ordinance material is underscored. When revising, compiling, or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the Revisor of Ordinances need not include the underscoring. The Revisor of Ordinances shall, pursuant to the Revisor's authority under Section 1-16.3(b)(1), Revised Ordinances of Honolulu 2021, replace the phrase "effective date of this ordinance" with its actual effective date. The Revisor of Ordinances shall, pursuant to the Revisor's authority under SECTION 2 of Ordinance 23-7, update the Reporting Requirements Table to include the reporting requirements enacted by SECTION 2 of this ordinance.



HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
CITY AND COUNTY OF HONOLULU

ORDINANCE _____

BILL **48 (2024), CD1**

A BILL FOR AN ORDINANCE

SECTION 4. This ordinance takes effect upon its approval and applies to the tax years beginning July 1, 2026 and thereafter.

INTRODUCED BY:

Tommy Waters

Esther Kia'aina

DATE OF INTRODUCTION:

August 1, 2024

Honolulu, Hawai'i

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____ day of _____, 20 ____.

RICK BLANGIARDI, Mayor
City and County of Honolulu

Report Title:

Real Property Taxation; Long-Term Residential Rental; Residential A Property; Dedication of Real Property; Department of Budget and Fiscal Services ("BFS"); Rulemaking Authority

Description:

Authorizes owners of real property classified as Residential A to dedicate their property for use as a long-term residential rental and have such property classified as Residential during the dedication period. Provides the BFS Director with rulemaking authority. Applies to the tax years beginning July 1, 2026 and thereafter.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.