

DEPARTMENT OF BUDGET AND FISCAL SERVICES
KA 'OIHANA MĀLAMA MO'OHELU A KĀLĀ
CITY AND COUNTY OF HONOLULU

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August 20, 2024

The Honorable Matt Weyer, Chair
and Members
Committee on Housing, Sustainability and Health
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawai'i 96813

Dear Chair Weyer and Councilmembers:

SUBJECT: Bill 47 (2024) - Relating to Real Property Dedicated as Aina Kupuna

The Department of Budget and Fiscal Services (BFS) has concerns about Bill 47 (2024) which seeks to dedicate certain eligible City and County of Honolulu ("City") real property to be exempt from real property taxes. Our concerns are as follows:

- This proposal will result in financial uncertainty to provide vital City services as the amount of eligible petitioners and adverse fiscal impact are unknown.
- The complexity of the program's requirements create an administrative burden that is outside of BFS' capacity to validate and enforce, such as:
 - Staff are not experts in determining the history of legal ownership and property descendants to be program eligible.
 - Staff may encounter difficulty in ensuring at least one owner or a member of various boards or a shareholder is a resident of the city for the duration of the dedication.
- In paragraph (d)(1) of page 3, language relating to penalties and interest from the 2026-2027 tax year is not needed since the effective date is the beginning of said tax year. Additionally, penalties and interest should be fairly applied to unpaid balances of this program. BFS recommends the removal of this paragraph.

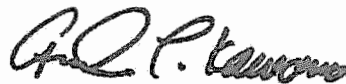
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- The longevity of property ownership and the location may be challenging to justify a full exemption. Successful petitioners will avoid appropriate tax obligations but benefit from city services creating further inequities in the rate structure.

We respectfully urge Councilmembers to consider and evaluate the concerns that are raised in the foregoing paragraphs before moving Bill 47 (2024) forward.

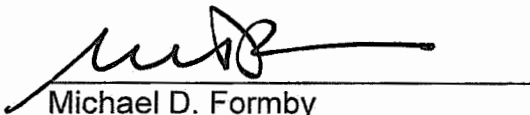
Thank you for the opportunity to provide testimony on this bill. Please contact me at phone (808) 768-3901, if you have any questions.

Sincerely,



Andrew T. Kawano
Director

APPROVED:



Michael D. Formby
Managing Director