

BILL048(24)
Testimony

MISC. COMM. 397

COUNCIL

COUNCIL Meeting

Meeting Date: Sep 4, 2024 @ 10:00 AM

Support: 1

Oppose: 0

I wish to comment: 1

Name: Ted Kefalas	Email: tkefalas@grassrootinstitute.org	Zip: 96813
Representing: Grassroot Institute of Hawaii	Position: I wish to comment	Submitted: Sep 3, 2024 @ 07:36 AM

Name: Choon James	Email: ChoonJamesHawaii@gmail.com	Zip: 96762
Representing: Self	Position: Support	Submitted: Sep 4, 2024 @ 09:43 AM

Testimony:

Aloha!

I'm happy to see Bill 48 happening.

We need to recognize that landlords are providing a "housing service" to the public. Many of these landlords have provided long-term rentals to our local residents at reasonable rates. (They have not profited from more lucrative vacation rentals operations.)This long-term rental environment stabilize neighborhoods.These landlords are part of the solution to the housing needs and should be encouraged and incentivized.

When "Residential A" with higher property tax rates came about, it created gentrification on local renters. Renters suffered higher rents because landlords ended up increasing rents to absorb the escalating rents. This create more stress on the housing situation.

Choon James
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Sept. 4, 2024, 10 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 CD1 (2024) — RELATING TO REAL PROPERTY TAXATION

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

The Grassroot Institute of Hawaii offers **comments on — and amendments to —** [Bill 48 CD1 \(2024\)](#), 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 at least four years would be taxed at the Residential tax class rate, currently \$3.50 per \$1,000 in assessed value, instead of the Residential A rate, which is \$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. Each county in the state already has some variant of a tax break for certain long-term rental properties.

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 four-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 the death of an owner — could create legal issues in which 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.

Finally, the dedication proposed by Bill 48 (2024) is similar to the existing residential dedication period described in Revised Ordinances of Honolulu 8-7.5.² There are 2,967 properties participating in this program for 2024.³

Expanding the existing dedication might be a simpler change and could be easier to administer than creating a new dedication with new requirements and paperwork.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

² "[§ 8-7.5 Certain property dedicated for residential use.](#)," Revised Ordinances of Honolulu, accessed Sept. 3, 2024.

³ "[2024 Residential Dedication List](#)," Honolulu City and County, as of Dec. 15, 2023.