



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

COMMITTEE ON BUDGET

Voting Members:
Radiant Cordero, Chair
Matt Weyer, Vice Chair
Esther Kia'aina
Calvin K.Y. Say
Augie Tulba

Item Nos. 7 and 8 – Bill 47 (2024), CD1 and Bill 48 (2024), CD1 on page 13 have been cancelled.

AGENDA

SPECIAL MEETING
CITY COUNCIL CHAMBER
THURSDAY, NOVEMBER 21, 2024
1:00 P.M.

Pursuant to Section 92-3.7, Hawai'i Revised Statutes, this meeting will be conducted as a remote meeting by interactive conference technology, with the following procedures in effect for the meeting:

The meeting will be viewable: (1) by internet live streaming through <https://www.honolulucitycouncil.org/meetings>; (2) by televised live broadcast on 'Ōlelo TV Channel 54; and (3) on the monitor situated outside the Council Chamber. Viewers who experience a loss of viewing signal should try switching to another viewing option.

After the meeting, the meeting will be viewable on demand at <https://www.honolulucitycouncil.org/meetings>. Copies of older meeting videos may be requested by calling the City Clerk's Office at (808) 768-5822, charges may apply.

Some Councilmembers and presenters may be participating in the meeting by interactive conference technology from remote locations.

Remote and in-person oral testimony will be permitted on all items on the agenda when each agenda item is taken up. Each speaker may not have anyone else read their statement and is limited to a one-minute presentation.

Remote Testimony

1. For direct access to submit oral testimony call: +1-253-215-8782, enter ID **83277766255** and Passcode **529450**.
2. To testify by videoconference visit: <https://hnlldoc.ehawaii.gov/hnlldoc/testimony>. Videoconference access information will be provided upon registration. Testifiers are encouraged to register/submit testimony at least 24 hours prior to the meeting.

Persons wishing to testify in-person in the Council Chamber are requested to register by 1:00 p.m. by filling out the registration form in person outside the Council Chamber. Persons who have not registered will be given an opportunity to speak following the oral testimonies of the registered speakers.

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Written testimony may be uploaded at <https://hnlldoc.ehawaii.gov/hnlldoc/testimony> or mailed to Office of the City Clerk, Attention: Information Section, 530 South King Street, Room 100, Honolulu, HI 96813. If submitted, written testimonies, including the testifier's address, email address, and phone number, will be available to the public at <https://hnlldoc.ehawaii.gov>.

Should you have any questions, please call (808) 768-3819 or send an email to darcie.nago@honolulu.gov.

Meeting materials are accessible at <https://hnlldoc.ehawaii.gov/hnlldoc/browse/agendas> by clicking on the appropriate Committee meeting.

If you need an auxiliary aid/service or other accommodation due to a disability or an interpreter for a language other than English, please call the Office of the City Clerk Information Section at (808) 768-5822 between 7:45 a.m. and 4:30 p.m. or send an email to darcie.nago@honolulu.gov as soon as possible or at least three (3) business days before the scheduled meeting. Requests made as early as possible have a greater likelihood of being fulfilled.

FOR ACTION

1. **[RESOLUTION 24-257](#) – REAPPOINTMENT OF REX AKUTAGAWA TO THE RATE COMMISSION.** Confirming the reappointment of Rex Akutagawa to serve on the Rate Commission of the City and County of Honolulu for a term to expire on June 30, 2029.

2. **[RESOLUTION 24-254](#) – TRANSFER OF FUNDS (HPD).** Authorizing a transfer not to exceed \$118,000 in General Fund monies from the Patrol activity (current expenses character of expenditure (“COE”)) to the Patrol activity (equipment COE) to cover equipment procurements for Fiscal Year 2025 to support Community Policing Team projects. (Transmitted by Communication [D-726](#))

3. **[RESOLUTION 24-18](#) – ENVIRONMENTAL TEST WELL MONITORING AND A SUBSURFACE ELECTRICAL LINE.** Approving the new five year Non-Exclusive License Agreement with the United States of America, Department of the Navy, for continued use of land, at no cost, within portions of Kuaahelani Neighborhood Park, identified as TMK: 9-4-005:046 and Anania Drive, Mililani, Hawai'i, for environmental test well monitoring and a subsurface electrical line. (Committee postponed action 4/2/24)

[CD1 TO RESOLUTION 24-18](#) (Approved by the Committee at its April 2, 2024 meeting) – The CD1 (OCS2024-0337/4/9/2024 9:17 AM) makes the following amendments:

- A. Adds a new BE IT FURTHER RESOLVED clause directing the Director of Budget and Fiscal Services to follow the recommendation of the Manager and Chief Engineer of the Board of Water Supply to add three requirements to the License Agreement, as described in Departmental Communication 229 (2024), dated April 2, 2024.

(Although not set forth in the resolution, the recommended requirements stated in Departmental Communication 229 (2024) require the Navy: (1) to provide to the City and the Board of Water Supply ("BWS") a copy of all laboratory reports of testing conducted on all groundwater samples collected from the monitoring well; (2) to provide to the City and the BWS unredacted copies of all past and future reports, studies, groundwater data,

geological bore logs, and laboratory testing reports related to the monitoring well; and (3) to give full access to the monitoring well to the City and the Board of Water Supply to collect samples at any time.)

- B. Makes miscellaneous technical and nonsubstantive amendments.

Related communication:

[D-791](#) Department of Budget and Fiscal Services, submitting a revised draft Non-Exclusive License Agreement.

- 4. **[RESOLUTION 24-192](#) – COMMUNICATION SITE LEASE AGREEMENT WITH STC TWO, LLC.** Approving a communication site lease agreement with STC Two, LLC for its existing telecommunication facility within the Lā'ie Corporation Yard, located at 56-020 Kamehameha Highway, Lā'ie, Hawai'i, 96762, identified as Tax Map Key Number 5-6-006:001. (Transmitted by Communication [D-553](#))

[PROPOSED CD1 TO RESOLUTION 24-192](#) (Submitted by Councilmember Cordero) – The CD1 (OCS2024-0737/8/1/2024 2:26 PM) makes the following amendments:

- A. Amends the title to read APPROVING A COMMUNICATIONS SITE LEASE AGREEMENT WITH STC TWO, LLC FOR ITS EXISTING TELECOMMUNICATIONS FACILITY WITHIN THE LĀ'IE CORPORATION YARD, 56-020 KAMEHAMEHA HIGHWAY, LĀ'IE, O'AHU, HAWAII, TMK: 5-6-006:001.
 - B. Makes miscellaneous technical and nonsubstantive amendments.
- 5. **[BILL 54 \(2024\)](#) – TAXABLE GENERAL IMPROVEMENT BOND FUND.** Creating a fund to receive and expend monies from proceeds of the sale of taxable general obligation bonds of the City and County issued to pay all or part of those appropriations for improvements made in the Capital Budget Ordinance of the City and County and specified therein to be expended from the Taxable General Improvement Bond Fund. (Transmitted by Communication [D-644](#); Bill passed first reading 10/9/24)

6. [BILL 46 \(2024\), CD1](#) – RELATING TO REAL PROPERTY TAXATION. Addressing the taxation of vacant residential properties in the City and County of Honolulu. (Consecutive referral: HSH, BUD; Bill passed second reading and public hearing held 10/9/24)

[PROPOSED CD2 TO BILL 46 \(2024\), CD1](#) (Submitted by Councilmember Say) – The CD2 (OCS2024-0967/11/1/2024 2:27 PM) makes the following amendments:

A. In SECTION 2 of the bill:

1. At proposed § 8-___.2 ("Empty homes tax"):

- a. Adds a new subsection (c) to provide that "Residential property that would be classified as residential A under § 8-7.1(c)(1) and subject to an empty homes tax under this article will be reclassified as residential for tax purposes for the tax year in which the empty homes tax is imposed," and re-letters subsequent subsections;
- b. In re-lettered subsection (d), adds a reference to the exception in subsection (e) to the empty homes tax calculation that provides for a cap; and
- c. Adds a new subsection (e) providing for a cap on the amount of the empty homes tax as follows and re-letters the subsequent subsection:

"The empty homes tax for any residential property may not exceed \$_____."

2. At proposed § 8-___.4 ("Exemptions"):

- a. Letters the list of exemptions as a new subsection (a);
- b. In new subsection (a), adds a new subdivision 16 providing an exemption for residential properties owned, in whole or in part, by a resident of the State, provided that if the property also has a home exemption under § 8-10.3, the owner of the residential property may not claim an exemption under this article for any other property.

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- c. Adds a new subsection (b) to provide that "a dwelling unit on residential property that is an empty home but is the principal residence of a renter or other permitted occupant of the property pursuant to a written lease or rental agreement on the effective date of this ordinance qualifies for an exemption from the empty homes tax for the remaining term of the lease or rental agreement; provided that the exemption terminates at the end of the term of the lease or rental agreement without the addition of any lease extensions following the effective date of this ordinance."
- B. In SECTION 3, adds an instruction to the Revisor of Ordinances to insert the effective date in ROH Section 8-___.4(b).
- C. Makes miscellaneous technical and nonsubstantive amendments.

[PROPOSED CD2 TO BILL 46 \(2024\), CD1](#) (Submitted by Councilmember Weyer)
– The CD2 (OCS2024-0995/11/14/2024 1:56 PM) makes the following amendments:

- A. In SECTION 2 of the bill:
 - 1. Clarifies that a "Principal Residence" includes a residential property that is leased or rented to a traveling nurse contracted to work or an active member of the armed forces of the United States stationed in the State; and
 - 2. Amends proposed ROH Section 8-___.3(b) to require that:
 - a. At least 20 percent of revenues from the empty homes tax shall be used to increase the City's supply of affordable housing for persons earning 140 percent or less of the area median income as determined by the United States Department of Housing and Urban Development annually for the Honolulu Metropolitan Statistical area, as adjusted for household size; and
 - b. At least 10 percent of revenues from the empty homes tax shall be used to address homelessness.
- B. Makes miscellaneous technical and nonsubstantive amendments

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[PROPOSED CD2 TO BILL 46 \(2024\), CD1](#) (Submitted by Councilmember Kia'aina) – The CD2 (OCS2024-1011/11/15/2024 12:38 PM) makes the following amendments:

A. In SECTION 2 of the bill:

1. Amends proposed ROH Section 8-____.3 to require that:
 - a. At least 20 percent of revenues from the empty homes tax shall be used to increase the City's supply of affordable housing; and
 - b. Revenues not used pursuant to subsection (a) must be deposited into the general fund.
2. Amends proposed ROH Section 8-____.4 as follows:
 - a. Revises exemption (1) to include, along with a dwelling unit that is a principal residence, a dwelling unit that is physically occupied by one or more of the owners of the property for at least an aggregate total of six months in the tax year; and
 - b. Adds a new exemption (16) for properties that are the second dwelling owned by the owner of a principal residence for which the homeowner has a home exemption under ROH Section 8-10.3, that the homeowner continues to hold throughout the tax year; and limits the exemption to only one second dwelling in relation to the principal residence.

B. Makes miscellaneous technical and nonsubstantive amendments.

[PROPOSED CD2 TO BILL 46 \(2024\), CD1](#) (Submitted by Council Chair Waters) – The CD2 (OCS2024-1009/11/15/2024 2:52 PM) makes the following amendments:

- A. In SECTION 1 of the bill, describes the new "residential E" real property tax classification (instead of an empty homes tax), including residential properties that are vacant or not likely to be long-term residences, to be taxed at a rate intended to help address the City's lack of affordable housing crisis that arises from inadequate housing supply and inadequate funding to address these problems.

- B. Deletes SECTION 2 of the bill and replaces it with a new SECTION 2 that:
1. Revises ROH § 8-7.1(c) to add a new subdivision (c)(8) to establish a new residential E real property tax class comprised of:
 - [A] parcel, or portion thereof, that otherwise would be classified as residential or residential A based upon its highest and best use, or is dedicated for residential use under § 8-7.5, including any property improved with a dwelling unit, condominium unit, apartment building, or duplex unit used for residential use, except the following:
 - (A) Property that has a home exemption under § 8-10.3;
 - (B) Property that is an accessory dwelling unit or an ohana unit. "Accessory dwelling unit" and "ohana unit" have the same meanings as defined in § 21-10.1;
 - (C) Property that is the principal residence of one or more of the owners of the property for at least six months in the tax year;
 - (D) Property that is the principal residence of a renter or other permitted occupant of the property for at least six months in the tax year. Multiple rental or occupancy periods may be aggregated for the calculation of the six-month period;
 - (E) Property that is subject to a probate court proceeding or the title to the property is the subject of pending litigation that is active or resolved before a court of competent jurisdiction during a tax year or during the following tax year;
 - (F) Property that is owned by a person who occupied the property as their principal residence and who died during the tax year, which caused the residential property to be transferred by will, intestate succession, or operation of law to a new owner or during the five tax years following the tax year of the death;
 - (G) Property that is owned, rented, or occupied by a person who is undergoing medical care, including but not limited to residing in an assisted living facility, or providing medical care as a caregiver, which requires the owner, renter, or permitted occupant to reside in a place other than the property for longer than six months during the tax year;

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- (H) Property that is legally occupied by a person who is:
 - (i) On active duty with the armed forces of the United States; and
 - (ii) Deployed outside of the city on orders of the armed forces;

- (I) Property that is determined to be a "substandard building" as defined in § 16A-2.1, and for which there is a pending application for a building permit for major construction, repair, or renovation to the property that would resolve the conditions that render the property a "substandard building" and any building permits remain open or the property is otherwise lawfully occupiable for a portion or all of the tax year;

- (J) Property that has an open building permit for major construction, repair, or renovation to the property that reasonably requires the occupant to reside in a different dwelling unit during construction and the building permit remains open or the property is otherwise lawfully occupiable for a portion or all of the tax year;

- (K) Property that is:
 - (i) The subject of active efforts during the prior tax year to sell or rent the property (as evidenced by active advertising of the property, a listing in the multiple listing service, and related evidence of active sale or rental efforts); or
 - (ii) 100 percent of the legal interest in the property was sold or 100 percent of the ownership was transferred during the tax year and ownership of the property was not transferred more than once during the five tax-years prior to the sale;

- (L) The property is a part of a State-licensed residential home for senior citizens, persons with medical or mental disabilities, or is a State-licensed halfway house;

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- (M) The property is owned or operated by a nonprofit organization, and the property is used to provide temporary housing for individuals as part of the organization's mission (e.g., a group living facility for victims of domestic abuse, homeless persons, mentally ill persons, or disabled persons);
- (N) The property is owned by a nonprofit organization and the property was used during the tax year for operations of the nonprofit organization;
- (O) The property is owned or controlled by the federal government, the State government, a political subdivision of the State government, or the city;
- (P) The property:
 - (i) Is owned by a person who receives the majority of the person's income from a Honolulu source or, in the case of a person receiving retirement or public benefit payments, including social security, pension, or disability benefit payments, such payments must be received at an address in the city; and
 - (ii) Is owned by the same owner who owned the property before 2024;
- (Q) The property is a second dwelling that is owned by:
 - (i) The same person that owned the property before 2024; and
 - (ii) The owner of a principal residence for which the homeowner has a home exemption under § 8-10.3.

This exemption applies to only one second dwelling in relation to the principal residence;
- (R) The property is owned by one or more descendants of a person who owned the property at least 25 years ago; or

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(S) The property:

(i) Is owned jointly by members of two or more families;

(ii) Is not owned by a corporation;

(iii) Is owned by at least one person from each family who receives the majority of the person's income from a Honolulu source or, in the case of a person receiving retirement or public benefits, including social security, pension, or disability payments received at a Honolulu address; and

(iv) Was owned by the same owners before 2024.

For purposes of this subdivision, "Honolulu source" means a business or an employer with a physical place of business in the city.

2. Revises ROH § 8-7.1(c) to add a new subdivision (c)(9) to clarify that "a property that would otherwise be excepted from the residential E classification pursuant to subsection (c)(8) will nevertheless be subject to the residential E classification if the property is owned by a person who also owns a property having a home exemption under § 8-10.3 and a second residential property that is excepted from the residential E classification."

C. Adds a new SECTION 3 to amend ROH Section 8-7.1 by adding a new subsection (h) to:

1. Provide that "[a]t least 20 percent of revenues collected from taxpayers for real property taxes assessed and payable for residential E properties under this article shall be used to support affordable housing initiatives within the purview of the office of housing";

2. Require the director to, not later than December 31, 2025, adopt administrative rules to implement, administer, and enforce the residential E tax classification;

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3. Require the department to, not later than March 1, 2026, develop and implement an outreach program to educate the public regarding the residential E tax classification; and
4. Require the department to, not later than 45 days following the end of each fiscal year, report to the Council annually regarding the implementation, education program, and tax collection of residential E classification.

D. Adds a new SECTION 4 that states:

This ordinance shall not apply to any property: 1) classified as residential or residential A, or dedicated for residential use under Section 8-7.5, Revised Ordinances of Honolulu 2021, on the effective date of this ordinance; and 2) is subject to a lease or rental agreement on the effective date of this ordinance. Such properties shall be subject to this ordinance on the termination date of the lease or rental agreement without regard to optional extensions thereof.

E. Adds a new SECTION 5 to provide that "[i]f any provision of this ordinance, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the ordinance that can be given effect without the invalid provision or application, and to this end, the provisions of this ordinance are severable."

F. Adds a new SECTION 6 with instructions to the Revisor of Ordinances.

Renumbers the prior SECTION 3 and subsequent SECTIONS.

G. Revises renumbered SECTION 8 to provide that the ordinance applies to tax years beginning July 1, 2027 and thereafter.

H. Makes miscellaneous technical and nonsubstantive amendments.

Related communication:

[CR-304](#) Committee on Housing, Sustainability and Health, recommending that Bill 46 (2024), CD1 be referred to and accepted by the Committee on Budget for further consideration pursuant to its consecutive referral.

Item No. 7 has been cancelled.

7. **[BILL 47 \(2024\), CD1](#) – RELATING TO REAL PROPERTY TAXATION.** Addressing the taxation of real property. (Consecutive referral: HSH, BUD; Bill passed second reading and public hearing held 9/4/24)

Related communication:

[CR-266](#) Committee on Housing, Sustainability and Health, recommending that Bill 47 (2024), CD1 be referred to and accepted by the Committee on Budget for further consideration pursuant to its consecutive referral.

Item No. 8 has been cancelled.

8. **[BILL 48 \(2024\), CD1](#) – 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. (Consecutive referral: HSH, BUD; Bill passed second reading and public hearing held 9/4/24)

Related communication:

[CR-267](#) Committee on Housing, Sustainability and Health, recommending that Bill 48 (2024), CD1 be referred to and accepted by the Committee on Budget for further consideration pursuant to its consecutive referral.

9. **[BILL 59 \(2023\), CD1](#) – RELATING TO INCENTIVES FOR FILM STUDIO FACILITIES.** Providing incentives for eligible film studio facilities. (Bill passed second reading and public hearing held 1/24/24; Committee postponed action 2/6/24)

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EXECUTIVE SESSION

If the need arises with respect to any item on this agenda, then pursuant to Hawai'i Revised Statutes Sections 92-4 and 92-5(a)(4), the Committee may consult in a closed meeting with its attorneys in executive session on questions and issues pertaining to the Council's powers, duties, privileges, immunities and/or liabilities relating to that item.

RADIANT CORDERO, Chair
Committee on Budget