

BILL048(24)
Testimony

MISC. COMM. 525

BUDGET (BUD)

BUDGET (BUD) Meeting

Meeting Date: Nov 21, 2024 @ 01:00 PM

Support: 16

Oppose: 1

I wish to comment: 2

Name: Charles Stark	Email: starklaw@sonic.net	Zip: 95403-1095
Representing: Self	Position: Support	Submitted: Nov 16, 2024 @ 03:31 PM
Testimony: Residential-A rates are causing higher rents for our residents. I support encouraging property owners to offer long-term housing.		
Name: Angela Lopes	Email: kealakauihoni71@gmail.com	Zip: 96795
Representing: Self	Position: Support	Submitted: Nov 16, 2024 @ 04:37 PM
Testimony: Residential-A rates are causing higher rents for our residents. I support encouraging property owners to offer long-term housing.		
Name: Gary Radzat	Email: gradzat@gmail.com	Zip: 96731
Representing: Self	Position: I wish to comment	Submitted: Nov 17, 2024 @ 05:52 AM
Testimony: My wife and I are in our 80's and have lived on Oahu for almost 30 years. We found that if we vacation rent our home for a 30 day period, just a couple of times a year, we can afford the increases in our property taxes and the high cost of living on island. We travel to visit our children and grandchildren during those times. When we rent out our house, we employ a manager, housecleaner, and gardener and our renters enjoys the restaurants, stores and outings on Oahu allowing us to support the economy of our island. Along with that, we pay a lot to the state in the form of our TAT & GET taxes. With the cost of living always rising, renting our home allows us to stay living on island for the 10 months that we are here.		
Name: Dave Whitegon	Email: seajoycego@gmail.com	Zip: 92651
Representing: Self	Position: Support	Submitted: Nov 17, 2024 @ 09:52 AM
Testimony: Residential -A rates are cauings higher rents for our residents. I support encouraging property owners to offer long-term housing.		
Name: Philomene Verlaan	Email: tcipav@yahoo.com	Zip: 96816

Representing: Self	Position: Support	Submitted: Nov 17, 2024 @ 10:31 AM
Testimony: Residential-A rates are causing higher rents for our residents. I support encouraging property owners to offer long-term housing through a 4-year long-term rental dedication, whereby properties would be taxed at the Residential rate rather than Residential-A rates.		
Name: Robert Griffith	Email: lagosbob@yahoo.com	Zip: 96815
Representing: Self	Position: Support	Submitted: Nov 17, 2024 @ 10:56 AM
Testimony: Residential-A rates are causing higher rents for our residents. I support encouraging property owners to offer long-term housing. Robert Griffith 2140 Kuhio Ave #2402 Honolulu 96815		
Name: Linda Howe	Email: lindamhowe@gmail.com	Zip: 96744
Representing: Self	Position: Support	Submitted: Nov 18, 2024 @ 03:16 AM
Testimony: (This may be a duplicate as I am unsure if my comments were successfully submitted earlier today.) In my opinion, the only reason this Bill 48 is necessary is because the Council, in 2016, failed to establish a mechanism to adjust the Res A threshold/trigger of \$1MM for inevitable inflation/increasing property values. Had that been done, tens of thousands of Oahu properties under long-term rental would not have been 'inflated' into the Res A category, a category intended to highly tax short-term, 'luxury' rentals. The high cost of rental housing -- depended upon by residents, not visitors -- is certainly due, in part, to the doubling or so of property taxes for homes in the Res A category as property values have increased way faster than the historical pattern might have predicted. A simple solution would be to adjust that Res A threshold upward based on real property value inflation since 2016 AND, going forward, to adjust it further on a regular basis.		

However, if the documented dedication of rentals to long-term use is a 'must-do' requirement for real property tax relief for this Council, then I am supportive of the Bill without Waters' amendment.

Mahalo for your efforts to address the currently-unfair taxation of homes in long-term rental, and for the opportunity to comment.

Name: Tanya Baker	Email: daughteroftheking936@gmail.com	Zip: 96782
Representing: Self	Position: Support	Submitted: Nov 18, 2024 @ 10:21 AM

Testimony:

I support this bill. This will lower the cost of living for homeowners and increase the supply of rentals that are available to Hawaii residents. However, this should be statewide not just at the county level. Thank you so much for your time, Tanya Baker.

Name: Cynthia Rubinstein	Email: cynthiabeachfront@gmail.com	Zip: 96734
Representing: Self	Position: Support	Submitted: Nov 18, 2024 @ 10:22 AM

Testimony:

This is, in my opinion as a Property Manager on the island for 45 years, the Single Most Important Bill concerning Affordable Housing. Our Entire Rental Market has been massively affected by the existence of the Residential A Property Tax bracket. Every home that does not have home exemption, which is our Entire Rental Market, has been taxed over double what those in the normal Residential (those with home exemptions) tax category. Because of this, rents have had to be raised yearly, creating insanely high rental rates across the island and have so obviously pushed our own residents out as they have been Priced Out Of Paradise. In this sense, it has actually been the City of Honolulu, who has created this inflated rental market and therefore, beyond appropriate that the City be the ones to fix this. The sad part is that it has taken this long, as the need to inflate these rents has, in my opinion, gone on too long, and it's doubtful that rents will go down now, but at the very least, the need to increase yearly should cease. PLEASE PLEASE PLEASE Pass This Bill to Stop the Hemorrhaging and at the very least, give the opportunity to, hopefully, be able to bring these high rental rates down. It would be wonderful to see the City be the hero, rather than the Villain..... With Aloha, Cynthia

Name: Levi Brooker	Email: levibrooker@gmail.com	Zip: 96707
Representing: Self	Position: Support	Submitted: Nov 18, 2024 @ 02:35 PM

Testimony:

Mahalo

Name: Patricia Rolland	Email: pkr@rolland.biz	Zip: 96791
Representing: Self	Position: Support	Submitted: Nov 19, 2024 @ 10:37 AM
Testimony: Patricia Rolland 67-225 Kiapoko St. Apt. A Waialua, HI 96791 Regarding: Bill 48 (24) November 19, 2024 To the Budget Committee, Because Residential-A rates are causing higher rents for our residents, I support encouraging property owners to offer long-term housing. I therefore support Bill 48 (24). Thank you for your consideration in this most important matter. Patricia Rolland		
Name: Denise Freund	Email: denise@alawaihouse.com	Zip: 96821
Representing: Self	Position: Support	Submitted: Nov 19, 2024 @ 02:07 PM
Name: Claudia Parker	Email: cparker@parkerlawgroup.com	Zip: 96789
Representing: Self	Position: Support	Submitted: Nov 19, 2024 @ 02:44 PM
Testimony: I support this bill because it recognizes that with a median sales price of over \$1 million on Oahu for single family residences, the Res A category has been continually subject to exponential increases in property taxes, which of course, gets passed on to the tenants. My husband is a co-trustee of his mother's trust that owns a home bought by his grandmother in Mokuleia in the 1920's. Due to the influx of wealthy mainland purchasers in the area, the property values have also increased exponentially, despite the fact that my husband and the other co-trustee of his mother's trust do not		

intend to sell, and in fact are entrusted to hold and maintain, this property for the next generation. Each year, the property taxes on this Res A property, which has been rented out on a long term basis since the 1960's, go up to match the latest purchase or sale in the area that the City and County considers comparable, despite the fact that the subject property is not for sale. Each year, my husband has to fight this valuation with the City and County and has won twice in getting the FMV down (but it is always more than the previous year). Each year, my husband has had to raise the rent on the house to keep up (and even at that, the trust is not making a profit, it is barely treading water). Accordingly, I support this Bill which would help keep rents to long term tenants from increasing yearly due to the increase in Res A property taxes. However, I would like for there to be clarification that an "Owner" also includes a trustee of a family trust.

Name:

James Parker

Email:

Jamiecparker@aol.com

Zip:

96791

Representing:

Self

Position:

Support

Submitted:

Nov 19, 2024 @ 07:07 PM

Testimony:

I support this bill because it recognizes that with a median sales price of over \$1 million on Oahu for single family residences, the Res A category has been continually subject to exponential increases in property taxes, which of course, gets passed on to the tenants.

I am a co-trustee of his mother's trust that owns a home bought by grandmother in Mokuleia in the 1924. Due to the influx of wealthy mainland purchasers in the area, the property values have also increased exponentially, despite the fact that my I and the other co-trustee of my mother's trust do not intend to sell, and in fact are entrusted not to sell it, but to hold and maintain, this property for the next generation. Each year, the property taxes on this Res A property, which has been rented out, without interruption on a long-term basis since the year 1960, go up to match the latest purchase or sale in the area that the City and County considers comparable, despite the fact that the subject property is not for sale and is intended never to be sold. Each year, I have to fight to fight this valuation with the City and County and have won twice in getting the FMV down (but it is always more than the previous year). Each year, I have had to raise the rent on the house to keep up (and even at that, the trust is not making a profit, it is barely treading water). Accordingly, I support this Bill which would help keep rents to long term tenants from increasing yearly due to the increase in Res A property taxes. However, I would like for there to be clarification that an "Owner" also includes a trustee of a family trust.

James Parker as Co Trustee

Name:

Michlle Yao

Email:

yyao2008@gmail.com

Zip:

96821

Representing:

Self

Position:

Support

Submitted:

Nov 19, 2024 @ 10:16 PM

Testimony:

Thank you Council members for coming up with this bill. This bill is long over due. The residential A put so many properties that would have been affordable housing options for locals out of reach due to the high property taxes. If this

bill passes, it will greatly benefit renters, and will encourage more and more property owners to rent long term to local residents as they no longer have to shoulder a high tax burden.

Mahalo!

Name:

Natalie Iwasa

Email:

iwasajunk@mail.com

Zip:

96825

Representing:

Self

Position:

Oppose

Submitted:

Nov 19, 2024 @ 10:28 PM

Name:

Ted Kefalas

Email:

tkefalas@grassrootinstitute.org

Zip:

96813

Representing:

Grassroot Institute of Hawaii

Position:

I wish to comment

Submitted:

Nov 20, 2024 @ 10:30 AM

Name:

Elizabeth McArdle Solomon

Email:

e-m-s@comcast.net

Zip:

94108

Representing:

Self

Position:

Support

Submitted:

Nov 20, 2024 @ 12:09 PM

Testimony:

Residential-A rates are causing higher rents for our residents. I support encouraging property owners to offer long-term housing.

Name:

Robert Gould

Email:

bob.gould@stanfordalumni.org

Zip:

96744-2664

Representing:

Self

Position:

Support

Submitted:

Nov 20, 2024 @ 03:35 PM

Testimony:

I think this bill (as opposed to Bill 46) is the proper way to go to encourage rentals. It is a carrot rather than a stick, and while it will decrease tax revenue, it is likely to increase rentals without encouraging lawsuits. Bill 46 is designed to fail and will cost money in the long run without increasing rentals much, in my opinion.

11/19/2024

Aloha Budget Committee & Housing Committee,

RE: Bill 48 (24)

I am writing in support of Bill 48 (24) which will motivate property owners to offer much needed long-term rental housing and be taxed at a lowered rate.

Thank you for your time.

Denise Freund

**Long term renter in Kuliouou Valley
and**

**General Manager, Ala Wai House LLC
263 Kaiulani Ave/2411 Ala Wai Blvd
denise@alawaihouse.com**

TO: Members of the Committee on Budget

FROM: Natalie Iwasa, CPA, CFE
808-395-3233

DATE: Thursday, November 21, 2024

SUBJECT: Bill 48, CD1 Real Property Taxation, Long-Term Rental Dedication – **OPPOSED**

Aloha Chair Cordero and Councilmembers,

Thank you for allowing testimony on Bill 48, CD1, which would create a new dedication of long-term residential rental for a period of four years. I oppose this bill, mainly because tax revenue “lost” under this bill would likely be replaced by the vacant homes tax, which I absolutely oppose.

Following are other concerns I have with respect to this bill.

- The definition of long-term residential rental does not include properties that are leased between a property manager and tenant.
- Evidence of long-term residential rental is “any . . . as the director may deem pertinent.” The city has gone overboard in requesting evidence on other issues, e.g., the real property tax credit, and will likely do so with this as well.
- If leases are to be required as evidence for this dedication, the landlord should be required to obtain permission from the tenant(s) before releasing the lease to the city.
- A purchaser of the home who intends on living in it is penalized with retroactive taxes to the date of dedication as well as a 10% penalty on the payments that would have been due. This is **extremely unfair and disincentivizes home ownership**.
- The bill requires the rental to be for compensation, so if parents want to rent out a home to their child’s family free-of-charge, it’s not covered.

A better solution would be to get rid of the Residential A classification altogether. Barring that, an increase in the threshold to at least \$1.5 million (\$2 million would be better) would help soften the blow of the higher tax.

The city should also eliminate exemptions on labor unions, credit unions, business leagues and others. These exemptions cost us millions of dollars in lost tax revenue annually.

Nov. 21, 2024, 1 p.m.

Honolulu Hale

To: Honolulu City Council Committee on Budget

Radiant Cordero, Chair

Matt Weyer, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

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

Aloha Chair Cordero, Vice-Chair Weyer and other members of the Committee,

The Grassroot Institute of Hawaii would like to offer **comments** on [Bill 48 \(2024\)](#), [CD1](#), 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

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.

Grassroot agrees that using the property tax to incentivize property owners to rent long-term 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.

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

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.

However, if this draft of the bill is to move forward, Grassroot is concerned about some of the bill's language pertaining to tax rollbacks.

We suggest the Committee 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.

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 for what many might consider legitimate reasons.

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 before the four years had ended 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.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii