

DEPARTMENT OF BUDGET AND FISCAL SERVICES

KA 'OIHANA MĀLAMA MO'OHELU A KĀLĀ

CITY AND COUNTY OF HONOLULU

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May 15, 2025

The Honorable Tommy Waters
Chair and Presiding Officer
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Chair Waters and Councilmembers:

SUBJECT: Resolution for Council Approval of a Tax Compromise for Real
Property Leased and Operated by Kupu

The Revised Ordinances of Honolulu, as amended in 2021 ("ROH"), § 8-1.3(12), requires the City Council's approval for any tax compromise exceeding \$500.00. The Department of Budget and Fiscal Services ("BFS") requests your approval to compromise the penalties and interest owed on real property taxes by the taxpayer/lessee, Kupu.

Kupu, which began leasing the property from the Hawai'i Community Development Authority ("HCDA") in 2017, did not initially qualify for a charitable use exemption under ROH § 8-10.9 because its lease had not been recorded. Kupu became eligible for this exemption starting in the tax year 2020 once the lease was recorded on September 30, 2019. The lease recording also allowed the City to discover the previously unknown lease, causing Kupu to become taxable from the commencement of the lease in 2017. The City changed the assessment list(s) under ROH § 8-1.17 as an omitted parcel, as was the situation with Kupu.

The subject parcel is owned by the City and County of Honolulu and is located at Kewalo Basin, Honolulu, Hawaii 96813, and is further identified as TMK: 2-1-058-136-0000 (the "Project"). The Project includes an 8,400-square-foot office building and now meets all requirements for receiving the charitable use exemption.

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This request for compromise is made in accordance with City Council Resolution 25-____, which addresses the compromise of penalties and interest for properties that operated as non-profit organizations and were previously ineligible for a charitable exemption due to the absence of a recorded lease, but subsequently qualified for relief from real property taxes. Kupu will pay all accrued principal real property taxes totaling \$121,311.28 within 30 days of the resolution's adoption. We believe this request aligns with the public policy underlying City Council Resolution 25-____ and highlights the significance of charitable organizations within the City and County of Honolulu.

The total penalties and interest for Kupu as of August 31, 2025, are \$95,684.48. We recommend your approval of a compromise of this amount as per City Council Resolution 25-____.

Any tax payment made prior to the approval of this compromise offer shall be deemed a regular tax payment and shall not reduce the tax compromise amount stated herein.

Please call me at (808) 768-3901 if you have any questions.

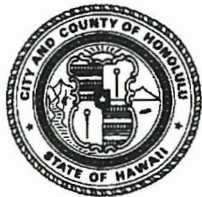
Sincerely,


Andrew T. Kawano
Director

Attachment

APPROVED:


Michael D. Formby, Managing Director
Office of the Managing Director



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

No. _____

RESOLUTION

RELATING TO REAL PROPERTY TAX COMPROMISES

WHEREAS, this resolution, requesting a compromise of \$95,684.48 in penalties and interest, meets all the criteria laid out under Council Resolution 25-____; and

WHEREAS, in 2017, the Hawaii Community Development Authority ("HCDA") leased to Kupu, a Hawai'i non-profit organization, real property located at Kewalo Basin, Honolulu, Hawai'i 96813, identified as TMK: 2-1-058-136-0000, but the lease was not recorded; and

WHEREAS, in 2020, after HCDA transferred the parcel to the City, the City discovered that the property should have been taxable under ROH § 8-1.17 from the beginning of the lease term. Taxes due from the beginning of the lease term for tax years 2017, 2018, and 2019 were \$119,811.28, plus accrued penalties and interest; and

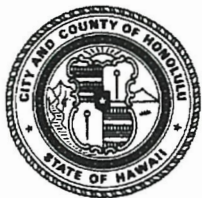
WHEREAS, for the tax year 2020, Kupu recorded its lease and then applied for, and was granted, a full non-profit exemption for charitable purposes, thereby reducing its tax liability to the minimum tax of \$300 per tax year; and

WHEREAS, Kupu held a determination from the Internal Revenue Service of tax-exempt status and used the subject parcel for qualifying non-profit purposes from 2017 forward; and

WHEREAS, Kupu made payments in 2021 totaling \$1,338.18, which were applied to the 2017 interest, and has agreed to pay the remaining total principal amount of taxes due, totaling \$121,311.28 for the tax year beginning 2017 to date, within 30 days of the adoption of this resolution; and

WHEREAS, recognizing the importance of empowering youth to serve their communities through character-building, service-learning, and environmental stewardship opportunities, the City Council finds that Kupu should be granted a one-time compromise for outstanding penalties and interest owed for the tax years beginning July 1, 2017, through August 31, 2025; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that it approves a one-time compromise of the penalties and interest owed by Kupu on the Kewalo Basin parcel, which total \$95,684.48 such that the penalties and interest are compromised to \$0.00; and



HONOLULU CITY COUNCIL
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RESOLUTION

BE IT FURTHER RESOLVED that copies of this Resolution shall be transmitted to the Mayor, the Managing Director, the Director of the Department of Budget and Fiscal Services, and Kupu at 55 Merchant Street, Suite 3100, Honolulu, Hawai'i 96813.

INTRODUCED BY:

DATE OF INTRODUCTION:

Honolulu, Hawai'i

Councilmembers

Report Title: Resolution Relating to Real Property Tax Compromises; Hawaii Community Development Authority; Kupu; Kewalo Basin.

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