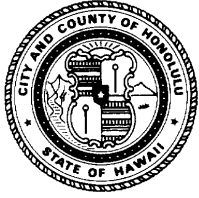


SUMMARY OF PROPOSED COMMITTEE DRAFT:
Bill 58 (2025)
RELATING TO REAL PROPERTY TAX EXEMPTIONS.

The PROPOSED CD1 makes the following amendments:

- A. Replaces the requirement that property owners must allocate the benefits of the low-income rental housing tax exemption exclusively to a rental assistance program for low-income residents of the housing project or to the project's maintenance and preservation with permissive language allowing owners to allocate such benefits at their discretion.
- B. Makes miscellaneous technical and nonsubstantive amendments.



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

ORDINANCE _____
BILL **58 (2025), CD1**
PROPOSED

A BILL FOR AN ORDINANCE

RELATING TO REAL PROPERTY TAX EXEMPTIONS.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose. The purpose of this ordinance is to amend the real property tax exemption for low-income rental housing.

SECTION 2. Section 8-10.17, Revised Ordinances of Honolulu 2021, is amended to read as follows:

"§ 8-10.17 Exemption—Low-income rental housing.

- (a) For the purposes of this section, the following definitions apply unless the context clearly indicates or requires a different meaning.

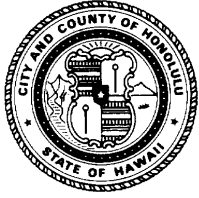
Dwelling Unit. A room or rooms connected together, constituting an independent living unit and containing a single kitchen and at least one bathroom. ~~[A dwelling unit shall]~~ The term does not include a unit used for time sharing or as a transient vacation unit.

Housing Project. A rental housing project where at least 20 percent of the dwelling units are reserved for low-income residents. The housing project must be situated on:

- (1) A single parcel of land;
- (2) Multiple parcels of land that are contiguous; or
- (3) Noncontiguous multiple parcels of land ~~[which]~~ that are separated from each other only by a road or roads.

If the housing project is ~~[comprised]~~ composed of multiple parcels of land, or is ~~[comprised]~~ composed of individual dwelling units, each situated upon a subdivided parcel of land, the regulatory agreement must specifically identify each ~~[such]~~ parcel of land or ~~[dwelling units as comprising the housing project.]~~ each dwelling unit.

Kitchen. A facility in a dwelling unit that exists when there are fixtures, appliances, or devices for all of the following:



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- (1) Heating or cooking of food;
- (2) Washing of utensils used for dining and food preparation or for washing and preparing food, or both; and
- (3) Refrigeration of food.

~~[Low-Income.]~~ **Low-income.** The annual income of a household that does not exceed 80 percent of the area median income for the county as determined by the United States Department of Housing and Urban Development.

Nonprofit or Limited Distribution Mortgagor. A mortgagor who qualifies for and obtains mortgage insurance under § 202, 221(d)(3), or 236 of the National Housing Act, 12 USC Chapter 13, as amended, as a nonprofit or limited distribution mortgagor.

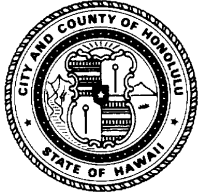
Owner. ~~[Shall include]~~ Includes a lessee of the property whose lease term extends at least as long as the regulated period.

Regulated Period. The period during which a housing project is subject to a regulatory agreement and which may not be less than 15 years.

Regulatory Agreement. An agreement between an owner and the federal government, State government, or a political subdivision of the State government, or agency of the federal government, agency of the State government, or agency of the political subdivision of the State government, embodying provisions regulating rents, charges, profits, dividends, development costs, and methods of operation, in accordance with the laws, policies, or rules of the federal government, State government, or of the political subdivision of the State government, or agency of the federal government, agency of the State government, or agency of the political subdivision of the State government.

~~**[Regulated Period.]** The period during which a housing project is subject to a regulatory agreement, which shall not be less than 15 years.~~

- (b) Real property that is owned and operated by: a nonprofit[, or] or limited distribution mortgagor; or a person, corporation, trust, partnership, or association, ~~[which]~~ and that is used for a housing project that is subject to a regulatory agreement ~~[shall]~~ will be exempt from property taxes for the duration of the regulated period. This exemption ~~[shall]~~ must be incorporated into any and all agreements, including regulatory and loan agreements as applicable.



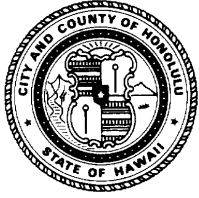
HONOLULU CITY COUNCIL
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- (1) If the qualifying housing project is [~~comprised~~] composed of multiple parcels of land, each parcel [~~comprising~~] composing the housing project [~~shall~~] will be exempt from property taxes.
 - (2) If the housing project fails to meet the requirements under this section at any time during the regulated period, the exemption [~~shall~~] will be canceled and the housing project [~~shall~~] will be subject to taxes and penalties as determined in § 8-10.18(c).
 - (3) If any portion of the housing project that qualifies for an exemption under this section is transferred during the regulated period, the exemption [~~shall~~] will be canceled and the entire housing project, including the portion retained, if any, and the portion transferred, [~~shall~~] will be subject to [~~the~~] taxes and penalties pursuant to § 8-10.18(c)(3). The taxes and penalties [~~shall~~] will not apply to any portion of the housing project for which a new claim is filed for an exemption for low-income rental housing as described in this section within 30 days of the recordation or filing of the sale or transfer with the registrar of the bureau of conveyances or the assistant registrar of the land court, whichever applies, and the exemption is granted by the director.
 - (4) If the entire housing project is sold or otherwise transferred during the regulated period, a new claim for exemption must be filed within 30 days of the recordation or filing of such sale or transfer with the registrar of the bureau of conveyances or the assistant registrar of the land court, whichever applies. Failure to file a new claim for exemption or meet the qualifications under this section [~~shall~~] will result in the cancellation of the exemption and taxes and penalties imposed pursuant to § 8-10.18(c).
- (c) The owner of the housing project may allocate the benefits of any tax exemption granted under this section exclusively to a rental assistance program for persons of low-income who reside in the housing project or to the maintenance and preservation of the housing project.
- [(e)] (d) The exemption provided in this section [~~shall~~] will not apply to any portion of the property that is used for commercial or other purposes, and not for the primary use of the tenants of the housing project.
- [(d)] (e) Where a housing project is situated upon a single parcel of land, if any portion of the property is ineligible for the property tax exemption under this section:



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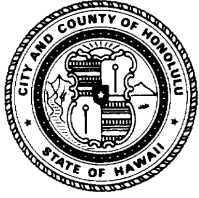
BILL **58 (2025), CD1**

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- (1) The remaining eligible portion [~~shall~~] will not be deprived of the exemption;
- (2) The ineligibility of a portion of the property for exemption under this section [~~shall~~] will not disqualify that portion from exemption under any other law; and
- (3) The tax [~~shall~~] will be assessed upon so much of the value of the building and land thereunder as the proportion of the nonexempt floor area bears to the total floor area of the building.

~~[(e)]~~ (f) Exemptions claimed under this section [~~shall~~] disqualify the same property from receiving an exemption under HRS § 53-38."

SECTION 3. Ordinance material to be repealed is bracketed and stricken. New material is underscored. When revising, compiling, or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the Revisor of Ordinances need not include the brackets, the material that has been bracketed and stricken, or the underscoring.



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SECTION 4. This ordinance takes effect on July 1, 2027.

INTRODUCED BY:

Val Okimoto

DATE OF INTRODUCTION:

August 8, 2025
Honolulu, Hawai'i

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____ day of _____, 20 ____.

RICK BLANGIARDI, Mayor
City and County of Honolulu

Report Title:

Real Property Tax ("RPT"); RPT; Real Property; Exemptions; Low-income; Rental Housing; Housing Project; Rental Assistance; Rental Assistance Program

Description:

Amends the real property tax exemption for low-income rental housing to allow property owners to allocate the benefits of the tax exemption exclusively to a rental assistance program for persons who are low-income and reside in the housing project or to the maintenance and preservation of the housing project. Takes effect on July 1, 2027.

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