# BILL034(24)
# Testimony

**MISC. COMM. 484**

*BUDGET (BUD)

***BUDGET (BUD)  Meeting**

Meeting Date: Sep 23, 2025 @ 09:00 AM

Support: 1

Oppose: 1

I wish to comment: 1

| Name: | Email: | Zip: |
|---|---|---|
| Linda Howe | lindamhowe@gmail.com | 96744 |
| Representing: | Position: | Submitted: |
| Self | Oppose | Sep 22, 2025 @ 07:56 AM |

| Name: | Email: | Zip: |
|---|---|---|
| Ted Kefalas | tkefalas@grassrootinstitute.org | 96813 |
| Representing: | Position: | Submitted: |
| Grassroot Institute of Hawaii | I wish to comment | Sep 22, 2025 @ 11:59 AM |

| Name: | Email: | Zip: |
|---|---|---|
| Suzanne Young | suzanne.young@hicentral.com | 96816 |
| Representing: | Position: | Submitted: |
| Honolulu Board of REALTORS | Support | Sep 22, 2025 @ 09:38 PM |

Testimony of Linda Howe
City and County of Honolulu Council
Budget Committee Meeting, September 23, 2025
Regarding Bill 34 (24)
**IN Opposition with comments**

Thank you for the opportunity to testify today *in support of the **intent*** of the Bill 34 (CD 1) and I offer these comments to identify the issue which triggers my opposition to CD 1 as written.

The 2016 ordinance establishing the Residential A category was a stop-gap effort to tax short term visitor rentals, perhaps intending to exclude long-term rentals by virtue of the seemingly high threshold of One Million Dollars! For context, that year, the median sales price for single family homes (SFH) on Oahu was roughly $650,000.

Unfortunately for long-term renters and landlords, the 2016 ordinance did not include any mechanism for adjustments of the Res A threshold and, today, the median SFH value has risen above One Million Dollars!

Because a substantial portion of Oahu's residential properties are rentals (i.e. non-owner-occupied), even if they are in long-term rental, if the property value has inflated into the higher Res A tax category, renters and owners are burdened by more than doubled taxes!

**It is so clear that the un-indexed Res A property tax threshold has increased Honolulu's cost of living**.

But, let's be honest: the City & County's budget has become addicted to Res A tax burden creep, as that now-low threshold has become a CASH COW for the City & County, paid for by both short-term and long-term renters – without distinction. This is so wrong.

As drafted, Bill 34 still does not include any mechanism for adjustments for increasing property valuations. **Please don't make the same mistake.**

In conclusion, while Bill 34, CD1 is laudable for its effort to more highly tax the super-wealthy owners of high-value, non-owner-occupant properties, even if the threshold is increased, unless Bill 34 includes an automatic threshold adjustment mechanism, this cycle of unfair taxation on rental properties, paid for by Oahu's long-term renters, will be doomed to 'Repeat.'

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Removing barriers to Hawaii's prosperity

Sept. 23, 2025, 9 a.m.
Honolulu Hale

**To: Honolulu City Council Committee on Budget**
**Val Okimoto, Chair**
**Scott Nishimoto, Vice Chair**

**From: Grassroot Institute of Hawaii**
**Ted Kefalas, Director of Strategic Campaigns**

RE: Bill 34 (2024) — RELATING TO REAL PROPERTY TAXATION

Aloha Chair Okimoto, Vice Chair Nishimoto and other members of the Committee,

The Grassroot Institute of Hawaii offers **comments** on — and proposes **two amendments** to — Bill 34 (2024), which would adjust the tiers for the residential A, bed and breakfast and transient vacation property tax classes.

Grassroot would prefer that the Council not create additional tiers for each tax class. However, if the Council does decide to create new tiers, Grassroot believes it is critical that any tiers adopted by the Council be adjusted annually to reflect changes in property tax assessments.

Right now, the residential A tax classification includes all residential properties valued at more than $1 million and that do not have a homeowner exemption. These properties are taxed at $4 per $1,000 for the first $1 million of their value and $11.40 per $1,000 for any value in excess of $1 million.

Bill 34 (2024) would increase the threshold for the residential A tax classification to $1.3 million and add another tier and a separate tax rate for any portion of a property's taxable value that exceeds $3.5 million.

The bill also would add tiers to the bed and breakfast class, with separate tax rates applying to the portions of a property valued up to $1.3 million, between $1.3 million and $3.5 million, and more than $3.5 million.

The transient vacation tax class currently has a tier that starts at $800,000, with separate tax rates applying to the portions of a property's taxable value below and above that threshold. This measure would apply the same tiers to the transient vacation tax class as the bed and breakfast tax class — tiers of $900,000 and $2 million.

The history of the residential A tax class shows why adjusting tiers to assessed values is critical. First implemented in fiscal year 2016, the class originally applied to just 8,557 properties. That year, the average gross assessed value of homes in the residential and residential A classes was $658,200.[1] Meanwhile, at that time, the median sales price in Honolulu for single-family homes was $735,000 and for condos $390,000.[2]

Today, there are 30,146 such properties in the residential A class, with the average gross assessed value for the residential and residential A classes is $1.013 million.[3] As of February 2025, the median sales price for single-family home prices was $1.185 million, an all-time high.[4]

If the residential A threshold had kept up with changes in assessed values, it would have been $1.539 million in fiscal 2016 — about 54% higher than it is now.

These ever-increasing sales prices and assessments could be the result of inflation or Hawaii's housing shortage — or both — but the practical effect is that Oahu property owners are constantly being moved into higher-taxed tiers, which not only punishes the property owners but also Oahu tenants.

When a property moves from the residential class to the residential A class, the owner faces a significant increase in tax payments, and these higher tax bills put upward pressure on rents.

As to our first amendment, Grassroot recommends the committee include language that automatically adjusts the value of these thresholds to changes in assessed values. This wording or something similar could be included at the end of Section 3 of the bill:

> (k) Notwithstanding any provision to the contrary, the tiers established in subjection (h) shall be annually adjusted. Before February 1 of each year, the department shall calculate the new tiers by dividing the gross assessed value of the residential and residential A classifications by the number of parcels in the classifications, comparing the result to the average gross value of parcels in these classifications for the previous year, and multiplying the rate of change by the old tiers. The result, rounded to the nearest $100, shall be the new tier for the classification for the next fiscal year.

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[1] "Number Of Records By Land Use Class For Tax Year 2015 - 2016," and "City and County of Honolulu Real Property Tax Valuation for Fiscal Year 2015 - 2016," Technical Branch, Real Property Assessment Division, Department of Budget and Fiscal Services, City and County of Honolulu.
[2] "Median & Average Sales Prices," Honolulu Board of REALTORS, accessed Aug. 15, 2025.
[3] "Number Of Records By Land Use Class For Tax Year 2025 - 2026," and "City and County of Honolulu Real Property Tax Valuation for Fiscal Year 2025 - 2026," Technical Branch, Real Property Assessment Division, Department of Budget and Fiscal Services, City and County of Honolulu, July 2025.
[4] Stephanie Salmons, "Median home prices on O'ahu hit new high," Aloha State Daily, March 10, 2025.

(l) Notwithstanding any provision to the contrary, the tiers established in subsection (i) and subsection (j) shall be annually adjusted. Before February 1 of each year, the department shall calculate the new tiers by dividing the gross taxable value of the classification by the number of parcels in the classification, comparing the result to the average gross value of parcels in the classification for the previous year, and multiplying the rate of change by the old tiers. The result, rounded to the nearest $100, shall be the new tier for the classification for the next fiscal year.

An example of this calculation would be as follows: If the residential A tier were set at $1.3 million and the average gross assessed value of properties in the residential and residential A classes increased by 5%, the tier for the next year would be $1.365 million.

As to our second amendment, Grassroot strongly supports setting the first residential A tier at $1.5 million, instead of $1.3 million — in line with the 54% increase outlined earlier.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

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Testimony by Suzanne Young, CEO
Honolulu Board of REALTORS®

Bill 34 (2024)
Relating to Real Property Taxation

Honolulu City Council Committee on Budget
Val Okimoto, Chair
Scott Nishimoto, Vice Chair

City Council Chamber
Tuesday, September 23, 2025
9:00 A.M.

Aloha Chair Okimoto, Vice Chair Nishimoto, and members of the Budget Committee:

Thank you for the opportunity to testify on Bill 34 (2024), Relating to Property Taxes. On behalf of the Honolulu Board of REALTORS® (HBR), our more than 6,800 members, and HBR's City Affairs Committee, I would like to express our strong support for this measure.
HBR believes the proposed amendments in Bill 34 (2024) (CD1) represent a much-needed update to property classification thresholds reflecting today's housing market conditions.

When Residential A was introduced in 2014, it was designed to target high-value, non-owner-occupied residences. At that time, the median single-family home price on O'ahu was less than $700,000. Since then, home values have risen sharply, with the median single-family home price now exceeding $1 million. As a result, many modest, multi-generational properties have become classified as Residential A. Bill 34 (2024) (CD1) helps realign the policy, ensuring that only high-value properties without a homeowner exemption are classified as Residential A, consistent with the original intent.

HBR respectfully urges the Council to review Residential A thresholds periodically—every 3 to 5 years—or tie future adjustments to local real estate market indicators. Useful benchmarks could include UHERO's Home Price Index or the DBEDT's median home sale data. Aligning tax classifications with these data sources will help ensure that policies remain equitable, current, and responsive to market conditions.

HBR also believes that owners whose properties are classified as Residential A for the first time, should be given an additional opportunity to file for a homeowner exemption once they receive their real property tax assessment in December. During our recent outreach efforts, we learned that many homeowners do not understand the exemptions available.

We appreciate the Committee's time and thoughtful consideration in addressing these important issues. HBR remains committed to working collaboratively with the City Council and the Committee on Budget to ensure that property tax policies continue to support the needs of our local communities.

Mahalo.