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DEPARTMENT OF BUDGET AND FISCAL SERVICES
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CITY AND COUNTY OF HONOLULU

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September 22, 2025

The Honorable Val Okimoto, Chair
and Members
Committee on Budget
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaiʻi 96813

Dear Chair Okimoto and Councilmembers:

SUBJECT: Bill 61 (2025) - Relating to the Real Property Exemption for Central Kakaʻako Industrial Zone Limited Development

The Department of Budget and Fiscal Services ("BFS") has concerns regarding Bill 61 (2025), which proposes to amend the current maximum Floor Area Ratio ("FAR") of 1.5 established under Revised Ordinances of Honolulu 2021 ("ROH") §§ 8-10.31 and 8-10.32 to a range between 1.5 and 3.5, in alignment with Hawaii Administrative Rules § 15-217-57.

This proposal aims to address a rule amendment made by Hawaiʻi Community Development Authority ("HCDA") of § 15-217-57, effective January 13, 2025, which increased the maximum FAR from 1.5 to 3.5. This HCDA rule change inadvertently disqualifies claimants who were previously eligible for the exemption since the current maximum FAR of §§ 8-10.31 and 8-10.32 is 1.5.

This proposed increase of the maximum FAR also expands the exemption eligibility to other properties not initially intended to benefit from this tax relief program. This expansion will lead to an unknown adverse fiscal impact. We suggest a restriction to only applicants filing their biennial re-certification, not allowing new applicants with a maximum FAR in excess of 1.5 prior to the HCDA rule change. This can be accomplished by removing all other amendments to ROH of Bill 61, except Section 3 (b).

DEPT. COM. 726 BUD

BFS also recommends amending the effective retroactive date of February 7, 2024 to January 12, 2025 to avoid other potential legal challenges.

Thank you for the opportunity to provide testimony on this bill. Please contact me at (808) 768-3901 with any questions you may have.

Sincerely,

Andrew T. Kawano
Director

APPROVED:

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