BILL063(25)
Testimony

MISC. COMM. 537

*BUDGET (BUD)

***BUDGET (BUD) Meeting**

Meeting Date: Oct 14, 2025 @ 09:00 AM

Support: 0

Oppose: 0

I wish to comment: 5

Name:	Email:	Zip:
Linda Howe	lindamhowe@gmail.com	96744
Representing:	Position:	Submitted:
Self	I wish to comment	Oct 13, 2025 @ 12:56 AM

Testimony:

[Hope this is not a duplicate...previous submission 'hung'.]

Thank you for continuing the work to move this important measure forward.

Hopefully, the CD2 you have been crafting will address the objections and concerns identified by many constituents...e.g. the onerous 5 year term, the many restrictions and triggers for payback and penalties, the unknown 'certification' requirements, etc.

Mahalo,

Linda Howe

Name:	Email:	Zip:
Ted Kefalas	tkefalas@grassrootinstitute.org	96813
Representing:	Position:	Submitted:
Grassroot Institute of Hawaii	I wish to comment	Oct 13, 2025 @ 09:11 AM

Name:	Email:	Zip:
Natalie Iwasa	iwasajunk@mail.com	96825
Representing:	Position:	Submitted:
Self	I wish to comment	Oct 14, 2025 @ 05:25 AM

Name:	Email:	Zip:
Suzanne Young	diopilo.hardison@hicentral.com	96817
Representing:	Position:	Submitted:
Honolulu Board of REALTORS®	I wish to comment	Oct 14, 2025 @ 08:12 AM

Name:	Email:	Zip:
Suzanne Young	diopilo.hardison@hicentral.com	96817
Representing:	Position:	Submitted:
Honolulu Board of REALTORS®	I wish to comment	Oct 14, 2025 @ 08:26 AM

GRASSROOT INSTITUTE OF HAWAII

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Removing barriers to Hawaii's prosperity

Oct. 14, 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 63 (2025) — RELATING TO PROPERTY TAXATION

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

The Grassroot Institute of Hawaii offers **comments** on — and **two amendments** to — Bill 63 (2025), which would amend eligibility for the city's property tax dedication for low-income rental properties.

Currently, owners of affordable rentals that would be taxed at the Residential A tax rate can dedicate their properties to affordable rental use for five years and see them taxed at the Residential property tax rate.

The difference between these tax rates is significant. In fiscal 2025, a duplex valued at $1.8 million would face a tax bill of $13,120 if taxed at the Residential A rate and a bill of $6,300 if taxed at the Residential rate.[1]

Bill 63 (2025) would expand allowable rental rates from what is considered affordable for those making 80% of the area median income to what is considered affordable for those making 100% of the area median income.

It would also change owner and tenant eligibility for the dedication and create rules for what happens when properties are sold or transferred during the five-year dedication period.

Grassroot would like to see the purchase price threshold be abolished, and suggests that the Council adjust some of the rules for what tax penalties are imposed when properties are sold during the five-year dedication period.

The current dedication ordinance states that properties are eligible only if they were purchased for less than $1 million and are now in the Residential A class. Bill 63 (2025) would delete the $1 million figure and tie the value to

[1] "Real Property Tax Rates for Tax Year July 1, 2024 to June 30, 2025," City and County of Honolulu, accessed July 3, 2025.

whatever the Residential A threshold is. Pending the approval of Bill 34 (2024), this threshold will increase to $1.3 million.

However, Grassroot sees no reason why someone who buys a higher-valued property should be prevented from dedicating it as an affordable rental.

The city has an acute shortage of properties affordable to those making 100% or less of the area median income. The 2024 Hawaii Housing Planning Study estimated that Oahu alone needs more than 20,000 new units affordable to those making less than 120% of the area median income, with a need of close to 9,000 units affordable to those making between 60% and 120% of AMI.[2]

Thus, Grassroot requests the Committee remove the purchase price threshold entirely.

Grassroot would also urge the Committee to revise the language relating to rollback taxes when properties are sold or transferred during the five-year dedication period.

Currently, Bill 63 (2025) has language that allows for an exemption from rollback taxes when owners die and their heirs agree to continue using the properties as affordable rentals. The heirs would have 30 days after the death of the owners to file this paperwork.

A 30-day deadline could present problems when there are multiple heirs who must be contacted and must agree to continuing the property's dedication. The proposed following language could cover such unforeseen circumstances:

> The dedication will continue if the new owner petitions the director for a continuation of the dedication within 30 days after the transfer of title; provided that the director may extend this deadline at the request of one or more of the new owners for due cause for a period not to exceed 180 days.

Grassroot's two proposed amendments — removing the purchase price limitation and adding language to update the rollback provision — would improve the program for anyone wanting to participate.

Grassroot would welcome further dialogue about how to make Hawaii housing more affordable for everyone.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

[2] "Hawaii Housing Planning Study 2024," prepared by SMS Research and Marketing Services, Inc., FSR Consulting LLC and Ward Research, Inc. for the Hawaii Department of Business, Economic Development and Tourism, Table 39A, p. 123.

TO: Members of the Committee on Budget

FROM: Natalie Iwasa
808-395-3233

DATE: Tuesday, October 14, 2025

SUBJECT: Discussion Bill 63 Real Property Taxation, Long-Term Rental Dedication – **CLARIFICATION AND REQUESTED AMENDMENT**

Aloha Chair Okimoto and Councilmembers,

Thank you for allowing testimony on Bill 63, which would revise long-term low-income residential rental dedications of property for real property tax purposes.

During the full council hearing on October 1, I testified about the Residential A threshold thinking the bill would limit the qualified affordable properties to those under the threshold. I had misread the bill.

The limit in the bill is with respect to the initial purchase price of the home, which cannot be above the Residential A threshold. There are homes that have been purchased above the Residential A threshold that are or could be rented at lower rental rates. **This restriction should be removed from the bill.**

It's not clear to me whether the CD1 will be discussed today. I do have other concerns with this bill that I will bring up during second reading if the bill is not amended today.

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Testimony by Suzanne Young, CEO
Honolulu Board of REALTORS®

Bill 63 (2025)
Relating to Real Property Taxation

Committee on Budget
Tuesday, October 14, 2025 at 9:00 A.M.
City Council Chambers

Aloha Chair Okimoto, Vice Chair Nishimoto, and Members of the Committee,

The Honolulu Board of Realtors® (HBR), representing its City Affairs Committee and over 6,000 members offers comments on Bill 63 (2025), Relating to Real Property Taxation.

HBR is supportive of the bill's intent to facilitate increased housing opportunities for Oahu residents, particularly through the provision of affordable long-term rentals.

We recognize that many working-class families, including those earning around 80% of the Area Median Income (AMI), continue to face challenges in accessing housing assistance. While the bill raises the AMI eligibility threshold for tenants, we request that the Budget Committee consider shortening the proposed 5 year dedication period for property owners. Bill 63 (2025) does not consider circumstances where unit owners' family returns and the owners want the family member to rent it, or if a life changing situation causes them to sell the property.

The long-term dedication is punitively with the retroactive rollback penalty that does not offer exceptions. Furthermore, penalties and the mandatory 45-day lease provision requires property owners who lose a tenant need reasonable time to secure a new lease without risking substantial rollback penalties. Adjusting enforcement timelines and penalty structures would help maintain owner engagement and ensure fairness.

Finally, if the goal is to incentive long-term renters, we should consider a broader range of lessee in workforce and gap group profession that earn up to 140% AMI.

We welcome the opportunity to work with the committee and bill introducer to refine Bill 63 in ways that encourage property owner participation.

Thank you for considering our input as this bill moves forward.

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HBR supports the bill's intent to increase housing opportunities for O'ahu residents, particularly through the provision of affordable long-term rentals.

We recognize that many working-class families, including those earning around 80% of the Area Median Income (AMI), continue to face challenges in accessing housing assistance. While the bill raises the AMI eligibility threshold for tenants, we respectfully request that the Budget Committee consider shortening the proposed five-year dedication period for property owners. Bill 63 (2025) does not account for situations where a unit owner's family member may need to rent the property, or where life-changing circumstances may require the owner to sell.

The long-term dedication period is punitive, especially with the retroactive rollback penalty, which currently offers no exceptions. Additionally, the mandatory 45-day lease provision may unfairly penalize property owners who lose a tenant and need reasonable time to secure a new lease. Adjusting enforcement timelines and penalty structures would help maintain owner participation and ensure fairness.

Finally, if the goal is to incentivize long-term rentals, we suggest considering a broader range of lessees in workforce and gap group professions, including those earning up to 140% AMI.

We welcome the opportunity to work with the Committee and the bill's introducer to refine Bill 63 in ways that encourage property owner participation.

Thank you for considering our input as this bill moves forward.