BILL063(25)
Testimony

MISC. COMM. 598

*BUDGET (BUD)

***BUDGET (BUD) Meeting**

Meeting Date: Nov 18, 2025 @ 09:00 AM

Support: 2

Oppose: 0

I wish to comment: 1

Name:	Email:	Zip:
Ted Kefalas	tkefalas@grassrootinstitute.org	96813
Representing:	Position:	Submitted:
Grassroot Institute of Hawaii	I wish to comment	Nov 17, 2025 @ 10:00 AM

Name:	Email:	Zip:
Ross Isokane	isokane@gmail.com	96813
Representing:	Position:	Submitted:
Self	Support	Nov 17, 2025 @ 05:06 PM

Testimony:

I support Bill 63 (2025) and its goals to incentivize the long-term rental of more housing units to residents.

I believe a corresponding increase to the future Residential A rates (based on the new tiers) will help to complement this bill and enhance the incentive to rent otherwise vacant units on a long-term basis (which is direly needed to help our residents with the affordability crunch).

Name:	Email:	Zip:
Suzanne Young	diopilo.hardison@hicentral.com	96816
Representing:	Position:	Submitted:
Honolulu Board of REALTORS	Support	Nov 18, 2025 @ 07:45 AM

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Removing barriers to Hawaii's prosperity

Nov. 18, 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** Bill 63 (2025), CD1, 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 be 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 appreciates that the CD1 amendment removed the purchase price threshold and adjusted the rules surrounding how rollback taxes apply to dedicated property when the property is sold or transferred in the event of the owner's death.

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

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. But this rule prevents owners who bought properties purchased for more than $1 million from receiving a tax break for using them as affordable rentals.

And 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]

Likewise, some language in the first draft of Bill 63 (2025) would have complicated the sale or transfer of dedicated property by requiring that the owner of the property pay rollback taxes equal to the amount they saved as a result of enrolling their property in the dedication program.

Now, the CD1 draft of the bill specifies that rollback taxes would apply only to the two years prior to when the property is transferred, and there would be no rollback taxes when the new owner agrees to continue using the property as a dedicated affordable rental.

Grassroot thanks the Committee for making these amendments and 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.

Honolulu Board of REALTORS®
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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, November 18, 2025, at 9:00 A.M.
City Council Chamber

Aloha Chair Okimoto, Vice Chair Nishimoto, and Members of the Honolulu City Council Committee on Budget,

Mahalo for the opportunity to testify. On behalf of the Honolulu Board of REALTORS® and our more than 6,800 members, we express our support for Bill 63 and its intent; however, we believe amendments are necessary to make the bill more practical and appealing to property owners.

First, the dedication period should be shortened to account for potential life changes, such as the loss of a family member or children returning from college, that may lead an owner to sell, transfer title, or discontinue participation in the program.

Second, the grace period to avoid penalties should be extended. The current 45-day window does not allow sufficient time for major repairs or renovations when a tenant moves out, especially if permits are required, or if finding a qualifying tenant takes longer than expected.

Third, there should be an exception to the sale or transfer penalty if the new owner intends to occupy the property. The spirit of this bill is to house local families, and penalizing families who purchase a property to make it their home runs contrary to that spirit.

Finally, while tying rent and income limits to HUD guidelines provides clarity, BFS should work closely with volunteers to ensure these requirements are easy to understand and access. We also recommend increasing the AMI restriction to 140%. At 100%, there is little financial incentive to participate, as the potential penalties and significantly reduced rental income pose substantial financial risks.

The bill's intent is laudable, and we appreciate the committee's efforts to address housing challenges for local families. With these adjustments, the bill could more effectively achieve its purpose.

Mahalo for the opportunity to testify.