BILL063(25)
Testimony

MISC. COMM. 4

*BUDGET (BUD)

***BUDGET (BUD) Meeting**

Meeting Date: Jan 13, 2026 @ 09:00 AM

Support: 1

Oppose: 0

I wish to comment: 2

Name:	Email:	Zip:
Ted Kefalas	tkefalas@grassrootinstitute.org	96813
Representing:	Position:	Submitted:
Grassroot Institute of Hawaii	I wish to comment	Jan 9, 2026 @ 08:49 AM
Name:	Email:	Zip:
Suzanne Young	diopilo.hardison@hicentral.com	96816
Representing:	Position:	Submitted:
Honolulu Board of REALTORS	Support	Jan 12, 2026 @ 10:40 PM
Name:	Email:	Zip:
Natalie Iwasa	iwasajunk@mail.com	96825
Representing:	Position:	Submitted:
Self	I wish to comment	Jan 12, 2026 @ 11:06 PM

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Removing barriers to Hawaii's prosperity

Jan. 13, 2026, 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 **amendments** to — Bill 63 (2025), CD1, which would amend eligibility for the city's property tax dedication for low-income rental properties.

Currently, the owners of properties taxed at the Residential A tax rate can dedicate their properties to low-income rental use for five years and be taxed at the lower 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 only $6,300 if taxed at the Residential rate.[1]

In addition to giving Residential A property owners tax relief if they dedicate their properties to low-income rental use for five years, Bill 63 (2025) would expand the maximum rents that property owners who participate in the program can charge 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.

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

Grassroot urges the Committee to adopt the amendments suggested at the Council's Dec. 2, 2025, meeting by the Honolulu Board of REALTORS. Those amendments were:

>> Shorten the five-year dedication period.

>> Increase the 45-day window during which the property can be used for something other than a long-term rental, to give owners more time to make repairs in case the property is between tenants.

>> Remove rollback penalties if the property is transferred to an owner-occupier.

>> Increase the allowable area median income level from 100% to some higher level.

The 2024 Hawaii Housing Planning Study conducted by private consultants for the state Department of Business, Economic Development and Tourism 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]

It is clear that Honolulu needs more housing attainable to local families, and this measure could make a difference.

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, January 13, 2026, 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 two years to account for unforeseen life changes – such as children returning to Hawai'i, the loss of a family member, or other circumstances – that could motivate an owner to sell, transfer title, or discontinue participation in the program.

Second, the grace period to avoid penalties should be extended to 60 days. The current window does not allow sufficient time for major repairs or renovations, especially if permits are required, or if finding the right tenant takes longer than expected. Owners should not be penalized for taking the time to do things properly.

Third, there should be an exception to the sale or transfer violation if the new owner intends to be an owner-occupant. The spirit of this bill is to house local families, and penalizing families who purchase an investment property and make it their primary residence runs contrary to that intent.

Additionally, while tying rent limits to HUD guidelines provides clarity, BFS should work closely with owners to ensure these requirements are easy to understand and access. We also recommend increasing the AMI used to define "affordable" to 120%. Currently, the tax savings do not offset the lost rental income and potential penalties.

Finally, the penalty should apply only retroactively to the tax year in which the violation occurred. Anything more could deter owners from dedicating, as it may be perceived as unfair and overly harsh. This strikes a fair balance – maintaining the deterrent effect of penalties without discouraging participation in the program.

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.

TO: Members of the Committee on Budget

FROM: Natalie Iwasa
808-395-3233

DATE: Tuesday, January 13, 2026

SUBJECT: Bill 63 (2025), CD1, Real Property Taxation, Long-Term Rental Dedication
COMMENTS and Requested Amendments

Aloha Chair Okimoto and Councilmembers,

Thank you for allowing testimony on Bill 63 (2025), CD1, which would revise long-term affordable residential rental dedications of property for real property tax purposes.

The definition of "Long-Term Residential Rental" includes properties that are under a written lease agreement executed between the owner and an occupant for compensation. "Owner" is defined as the recorded owner of the property.

What about lease agreements that are between a property management company and a tenant? It seems those homes would not be eligible for this dedication. **If that is the case, please amend the bill to include those properties.**

Prior to providing a copy of the lease agreement to the city, the owner should be required to obtain the tenants' approval for such release, as leases sometimes contain confidential information.

In "(b)" on page three of the bill, "Residential" is being amended to "residential." Given that this is the name of a real property tax classification, i.e., Residential A, I think it would be clearer to keep the capitalization. **Please consider keeping the capitalization in that instance.**

According to paragraph "(h)" on page four the of bill, a violation of the dedication would result in the roll-back of the tax retroactive to the date of the tax year preceding the year in which the violation of the dedication occurred. There may be reasonable explanations for violations of the dedication period, e.g., owners may need to sell their properties or may need to make needed repairs after a storm or fire. This roll back is punitive and should only be used in cases of fraud. **Please amend the bill to remove the retroactive nature of the dedication and allow for reasonable exceptions to the violation.**

There is no provision in the bill that considers a tenant may wish to purchase the rental property and continue to use it as a principal residence. In that instance, the tenant would potentially be subject to significantly higher real property taxes until a homeowners exemption could be applied for and put into effect. Shouldn't we be making it easier for residents to purchase homes?

For reference, attached are HUD rental rates for different levels of AMI.

Effective Date:	April 15, 2025							
DEPARTMENT OF PLANNING AND PERMITTING								
CITY AND COUNTY OF HONOLULU								
INCOME LIMITS AND MAXIMUM RENTS - **80% OF MEDIAN INCOME**								
FAMILY SIZE	1	2	3	4	5	6	7	8
ANNUAL INCOME	$85,120	$97,280	$109,440	$121,600	$131,360	$141,120	$150,800	$160,560
MAXIMUM RENTS (30% of income limit method)*								
Occupancy Requirements								
Studio (1-2 persons)	$2,128	$2,128						
1 BR (1-3 persons)	$2,280	$2,280	$2,280					
2 BR (2-5 persons)		$2,736	$2,736	$2,736	$2,736			
3 BR (3-7 persons)			$3,162	$3,162	$3,162	$3,162	$3,162	
4 BR (4-8 persons)				$3,528	$3,528	$3,528	$3,528	$3,528
MAXIMUM RENTS (HUD Fair Market Rents method)**								
Occupancy Requirements								
Studio (1-2 persons)	$1,887	$1,887						
1 BR (1-3 persons)	$2,052	$2,052	$2,052					
2 BR (2-5 persons)		$2,687	$2,687	$2,687	$2,687			
3 BR (3-7 persons)			$3,765	$3,765	$3,765	$3,765	$3,765	
4 BR (4-8 persons)				$4,512	$4,512	$4,512	$4,512	$4,512

The Income Limits for the City and County of Honolulu are based on the income limits released by the U.S Department of Housing and Urban Development (HUD). HUD typically releases income limits for the Low (80%), Very Low (50%), and Extremely Low (30%) Area Median Income (AMI) for the Honolulu Metropolitan Statistical Area. The Department of Planning and Permitting uses these income limits to calculate the 100%, 120%, and 140% AMI income limits.

* Maximum rents for this income group are based on 30% of the household income eligibility limit, adjusted for family size and unit type. Maximum rent levels include utility expenses such as water, sewer, electricity and gas. Any utility expenses paid separately by a tenant shall accordingly lower the maximum rent that may be charged. The HUD Utility Allowance Schedule for Honolulu may be viewed at https://bit.ly/4coB9jm.

** Maximum rents, including utilities, for this income group are the HUD Fair Market Rents for the City and County of Honolulu.

Based on HUD Multifamily Tax Subsidy Project income limits effective April 1, 2025, and HUD Fair Market Rents effective January 1, 2025.

Effective Date:	April 15, 2025							
DEPARTMENT OF PLANNING AND PERMITTING								
CITY AND COUNTY OF HONOLULU								
INCOME LIMITS AND MAXIMUM RENTS - **100% OF MEDIAN INCOME**								
FAMILY SIZE	1	2	3	4	5	6	7	8
ANNUAL INCOME	$106,400	$121,600	$136,800	$152,000	$164,200	$176,400	$188,500	$200,700
MAXIMUM RENTS*								
Occupancy Requirements								
Studio (1-2 persons)	$2,660	$2,660						
1 BR (1-3 persons)	$2,850	$2,850	$2,850					
2 BR (2-5 persons)		$3,420	$3,420	$3,420	$3,420			
3 BR (3-7 persons)			$3,952	$3,952	$3,952	$3,952	$3,952	
4 BR (4-8 persons)				$4,410	$4,410	$4,410	$4,410	$4,410

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Based on HUD Multifamily Tax Subsidy Project income limits effective April 1, 2025.

Effective Date:	April 15, 2025							
DEPARTMENT OF PLANNING AND PERMITTING								
CITY AND COUNTY OF HONOLULU								
INCOME LIMITS AND MAXIMUM RENTS - **120% OF MEDIAN INCOME**								
FAMILY SIZE	1	2	3	4	5	6	7	8
ANNUAL INCOME	$127,680	$145,920	$164,160	$182,400	$197,040	$211,680	$226,200	$240,840
MAXIMUM RENTS*								
Occupancy Requirements								
Studio (1-2 persons)	$3,192	$3,192						
1 BR (1-3 persons)	$3,420	$3,420	$3,420					
2 BR (2-5 persons)		$4,104	$4,104	$4,104	$4,104			
3 BR (3-7 persons)			$4,743	$4,743	$4,743	$4,743	$4,743	
4 BR (4-8 persons)				$5,292	$5,292	$5,292	$5,292	$5,292

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Based on HUD Multifamily Tax Subsidy Project income limits effective April 1, 2025.

Effective Date:	April 15, 2025							
DEPARTMENT OF PLANNING AND PERMITTING								
CITY AND COUNTY OF HONOLULU								
INCOME LIMITS AND MAXIMUM RENTS - **140% OF MEDIAN INCOME**								
FAMILY SIZE	1	2	3	4	5	6	7	8
ANNUAL INCOME	$148,960	$170,240	$191,520	$212,800	$229,880	$246,960	$263,900	$280,980
MAXIMUM RENTS*								
Occupancy Requirements								
Studio (1-2 persons)	$3,724	$3,724						
1 BR (1-3 persons)	$3,990	$3,990	$3,990					
2 BR (2-5 persons)		$4,788	$4,788	$4,788	$4,788			
3 BR (3-7 persons)			$5,533	$5,533	$5,533	$5,533	$5,533	
4 BR (4-8 persons)				$6,174	$6,174	$6,174	$6,174	$6,174

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Based on HUD Multifamily Tax Subsidy Project income limits effective April 1, 2025.