

**HONOLULU CITY COUNCIL**  
**KE KANIHELA O KE KALANA O HONOLULU**  
CITY AND COUNTY OF HONOLULU

ORDINANCE \_\_\_\_\_  
BILL **14(2026)**

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**A BILL FOR AN ORDINANCE**

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RELATING TO THE REAL PROPERTY TAX EXEMPTION FOR LOW-INCOME RENTAL HOUSING.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose and findings. The purpose of this ordinance is to address the real property tax exemption for low-income rental housing.

Section 8-10.17, Revised Ordinances of Honolulu 2021 ("ROH"), provides for a real property tax exemption for low-income rental housing projects, described as rental housing projects with a minimum of 20 percent of the total dwelling units in the project reserved for households earning 80 percent or below of the area median income as determined by the United States Department of Housing and Urban Development for the Honolulu Metropolitan Statistical Area, as adjusted for household size.

The City Council finds that the real property tax exemption under ROH Section 8-10.17 should be revised so that the exemption does not apply to the assessed value of the entire rental housing project and, instead, applies only to the assessed value of the portion of the building and land attributed to the exempt floor area for dwelling units reserved for low-income households for the duration of the regulated period.

SECTION 2. Section 8-10.17, Revised Ordinances of Honolulu 2021, is amended to read as follows:

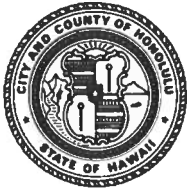
**"§ 8-10.17 Exemption—Low-income rental housing.**

- (a) **Definitions.** For the purposes of this section, the following definitions apply unless the context clearly indicates or requires a different meaning.

**Dwelling Unit.** ~~[A room or rooms connected together, constituting an independent living unit and containing a single kitchen and at least one bathroom. A dwelling unit shall not include a unit used for time sharing or as a transient vacation unit.]~~ Has the same meaning as defined in § 21-10.1.

**Housing Project.** A rental housing project ~~[where at least]~~ with a minimum of 20 percent of the total dwelling units [are] reserved for low-income [residents.] households. The housing project must be situated on:

- (1) A single parcel of land;



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- (2) Multiple parcels of land that are contiguous; or
- (3) Noncontiguous multiple parcels of land ~~[which are separated from each other only by a road or roads.]~~ that are separated by a street or right-of-way, so that if the street or right-of-way were to be removed, the parcels would be adjacent to each other.

If the housing project is comprised of multiple parcels of land, or is comprised of individual dwelling units, ~~[each situated upon a subdivided parcel of land,]~~ the regulatory agreement must specifically identify each ~~[such]~~ parcel of land or dwelling ~~[units as comprising]~~ unit included as part of the housing project.

~~[Kitchen. A facility in a dwelling unit that exists when there are fixtures, appliances, or devices for all of the following:~~

- ~~(1) Heating or cooking of food;~~
- ~~(2) Washing of utensils used for dining and food preparation or for washing and preparing food, or both; and~~
- ~~(3) Refrigeration of food.]~~

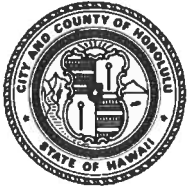
**Low-Income.** The annual income of a household ~~[that]~~ does not exceed 80 percent of the area median income ~~[for the county as determined by the United States] based on U.S. Department of Housing and Urban Development[.]~~ annual income limits for the Honolulu Metropolitan Statistical Area, as adjusted for household size.

**Nonprofit or Limited Distribution Mortgagor.** A mortgagor ~~[who]~~ that qualifies for and obtains mortgage insurance under § 202, 221(d)(3), or 236 of the National Housing Act, 12 USC Chapter 13, as amended, as a nonprofit or limited distribution mortgagor.

**Owner.** ~~[Shall include]~~ Has the same meaning as defined in § 21-10.1, and also includes a lessee of [the] real property [whose] if the lease term [extends at least as long as] is equal to or exceeds the regulated period.

**Regulatory Agreement.** An agreement between an owner and ~~[the]~~:

- (1) The federal government[.] or agency of the federal government; or



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- (2) The State government, [or a] agency of the State Government, political subdivision of the State government, [or agency of the federal government, agency of the State government] or agency of the political subdivision of the State government[~~, embodying~~];

with provisions regulating rents, charges, profits, dividends, development costs, and methods of operation, in accordance with the laws, policies, or rules of the [federal government, State government, or of the political subdivision of the State government, or agency of the federal government, agency of the State government, or agency of the political subdivision of the State government.] applicable governmental body.

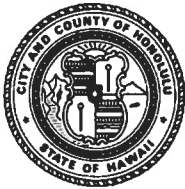
***Regulated Period.*** The period during which a housing project is subject to a regulatory agreement, which ~~[shall not be less than]~~ must be a minimum of 15 years.

- (b) Real property ~~[that is]~~ owned and operated by~~[-]~~ a nonprofit~~[-]~~ or limited distribution mortgagor; or by a natural person, corporation, trust, partnership, [or] association [which is], or other legal entity, and used for a housing project ~~[that is]~~ subject to a regulatory agreement ~~[shall]~~ will be exempt from the payment of real property taxes for the portion of the assessed value of the building and land attributed to the exempt floor area for dwelling units reserved for low-income residents, for the duration of the regulated period. This exemption [shall] must be incorporated into any and all agreements, including regulatory and loan agreements, as applicable.

- ~~[(4) If the qualifying housing project is comprised of multiple parcels of land, each parcel comprising the housing project shall be exempt from property taxes.~~

- ~~(2)~~(1) If the housing project fails to meet the requirements under this section at any time during the regulated period, the exemption ~~[shall]~~ will be canceled [and the housing project shall be subject to taxes and penalties as determined in], with taxes and penalties imposed pursuant to § 8-10.18(c).

- ~~[(3) If any portion of the housing project that qualifies for an exemption under this section is transferred during the regulated period, the exemption shall be canceled and the entire housing project, including the portion retained, if any, and the portion transferred, shall be subject to the taxes and penalties pursuant to § 8-10.18(c)(3). The taxes and penalties shall not~~



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~~apply to any portion of the housing project for which a new claim is filed for an exemption for low-income rental housing as described in this section within 30 days of the recordation or filing of the sale or transfer with the registrar of the bureau of conveyances or the assistant registrar of the land court, whichever applies and the exemption is granted by the director.~~

~~(4)~~(2) If the ~~[entire]~~ housing project or any portion thereof is sold or otherwise transferred during the regulated period, a new claim for exemption must be filed within 30 days ~~[of]~~ after the date of recordation ~~[of filing]~~ of ~~[such]~~ the sale or transfer with the ~~[registrar of the]~~ bureau of conveyances or the assistant registrar of the land court, ~~[whichever applies.]~~ or both, as appropriate. Failure to file a new claim for exemption or meet the qualifications under this section ~~[shall]~~ will result in cancellation of the exemption ~~[and], with~~ taxes and penalties imposed pursuant to § 8-10.18(c).

(c) The exemption provided in this section ~~[shall]~~ does not apply to any portion of the property ~~[that is]~~ used for commercial or ~~[other purposes, and not for the primary use of the tenants of the housing project.]~~ purposes other than for low-income rental housing.

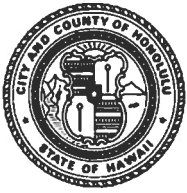
~~[(d)]~~ Where a housing project is situated upon a single parcel of land, if any portion of the property is ineligible for the property tax exemption under this section:

~~(1)~~ The remaining eligible portion shall not be deprived of the exemption;

~~(2)~~ The ineligibility of a portion of the property for exemption under this section shall not disqualify that portion from exemption under any other law; and

~~(3)~~ The tax shall be assessed upon so much of the value of the building and land thereunder as the proportion of the nonexempt floor area bears to the total floor area of the building.

~~(e)~~(d) Exemptions claimed under this section ~~[shall]~~ disqualify the same property from receiving an exemption under HRS § 53-38."



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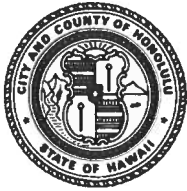
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SECTION 3. Ordinance material to be repealed is bracketed and stricken. New ordinance material is underscored. When revising, compiling, or printing this ordinance for inclusion in the Revised Ordinances of Honolulu 2021, the Revisor of Ordinances need not include the brackets, the material that has been bracketed and stricken, or the underscoring.



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SECTION 4. This ordinance takes effect upon its approval and applies to the tax years beginning July 1, 2027 and thereafter.

INTRODUCED BY:

*Young Water*  
*Esther Uiaaine*

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DATE OF INTRODUCTION:

JAN 22 2026

Honolulu, Hawai'i

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

\_\_\_\_\_  
Deputy Corporation Counsel

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

\_\_\_\_\_  
RICK BLANGIARDI, Mayor  
City and County of Honolulu

**Report Title:**

Real Property Tax; Exemption; Low-income Rental Housing; Area Median Income ("AMI"); United States Department of Housing and Urban Development ("HUD")

**Description:**

Revises the real property tax exemption for low-income rental housing projects to apply to the assessed value of only the portion of the project's building and land attributed to the exempt floor area for dwelling units reserved for low-income households during a regulated period of at least 15 years.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*