REPORT OF THE COMMITTEE ON BUDGET

Voting Members:
Val A. Okimoto, Chair; Scott Y. Nishimoto, Vice Chair;
Radiant Cordero, Esther Kia'āina, Augie Tulba, Tommy Waters

Committee Meeting Held
June 23, 2026

Honorable Tommy Waters
Chair, City Council
City and County of Honolulu

Mr. Chair:

Your Committee on Budget, which considered Bill 40 (2026) entitled:

"A BILL FOR AN ORDINANCE RELATING TO REAL PROPERTY TAXATION,"

introduced on May 28, 2026 and which passed first reading at the June 3, 2026 Council meeting, reports as follows:

The purpose of the bill is to address real property taxation

At your Committee's meeting on June 23, 2026, Andrew Kawano, Director of Budget and Fiscal Services provided comments on the bill and answered question from the Committee.

Your Committee considered and approved a proposed posted CD1 version that makes the following amendments:

A. In SECTION 1, revises the finding in the final sentence to substitute "to allow a one-time real property tax remission" for "to temporarily allow a home exemption."

B. Deletes SECTIONS 2 and 3 of the bill.

C. Adds a new SECTION 2 of the bill to add a new section to Chapter 8, Article 4, Revised Ordinances of Honolulu 2021 ("Remissions"), to provide for a one-time remission of certain real property taxes for eligible affordable housing condominium units. Renumbers subsequent SECTIONS accordingly.

ADOPTED ON JUL 8 2026

COMMITTEE REPORT NO. 163(26)

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D. In renumbered SECTION 4 of the bill (formerly SECTION 5), deletes as unnecessary the phrase: "provided that the amendments made in SECTION 3 of this ordinance do not affect the period of applicability of the amendments made to the homeowner exemption pursuant to Ordinance 25-43."

E. Makes miscellaneous technical and nonsubstantive amendments.

Your Committee on Budget is in accord with the intent and purpose of Bill 40 (2026), as amended herein, and recommends that it pass second reading, be scheduled for public hearing, and be referred back to Committee in the form attached hereto as Bill 40 (2026), CD1. (Ayes: Cordero, Kia'āina, Nishimoto, Okimoto, Tulba, Waters – 6; Noes: None.)

Respectfully submitted,

Val A. Okimoto

Committee Chair

ADOPTED ON JUL 8 2026

COMMITTEE REPORT NO. 163(26)

HONOLULU CITY COUNCIL

KE KANIHELA O KE KALANA O HONOLULU

CITY AND COUNTY OF HONOLULU

ORDINANCE _____

BILL **40 (2026), CD1**

A BILL FOR AN ORDINANCE

RELATING TO REAL PROPERTY TAXATION.

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 real property taxation. To address the lack of affordable housing for City and County of Honolulu ("City") residents, the City and the State of Hawai'i have implemented various programs to incentivize the development and increase the inventory of affordable housing within the City. To ensure that these affordable housing units are purchased by City residents who intend to reside in the units, many of these programs require that the affordable housing units be owner-occupied for a minimum period of time. Owner-occupancy is one of the eligibility criteria for the real property tax home exemption allowed under Section 8-10.3, Revised Ordinances of Honolulu 2021. However, due to the timing of their home purchase and the deadline for homeowners to file for a home exemption, homeowners may miss the deadline to file for a home exemption for the upcoming tax year, which negatively impacts the tax classification of their home and subjects them to a higher applicable tax rate. The tax classification of a home as Residential A instead of Residential costs City residents thousands of dollars per year in additional real property taxes. Accordingly, the City Council finds that it is reasonable to allow a one-time real property tax remission for the initial purchaser of certain owner-occupied condominium units.

SECTION 2. Chapter 8, Article 4, Revised Ordinances of Honolulu 2021 ("Remissions"), is amended by adding a new section to be appropriately designated by the Revisor of Ordinances and to read as follows:

"**§ 8-4. Remission of taxes for eligible affordable housing condominium units.**

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

Affordable Housing Condominium Unit. A condominium unit subject to government-imposed affordability restrictions that require the unit to remain affordable to households for a set period through binding agreements or a regulatory instrument. Additional government-imposed affordability restrictions include: (1) income eligibility requirements for the initial purchaser based on the area median income for the county as determined annually by the United States Department of Housing and Urban Development; (2) units designated for households making a specific percentage of the area median income; and (3) a price cap imposed by law based on the income of the

initial purchaser.

Eligibility List. A list of initial purchasers, the corresponding tax map key or parcel identification number and unit number for the affordable housing condominium unit purchased, and documentation demonstrating the initial purchaser's compliance with the owner-occupancy requirement as provided by the developer, sales agent, association of apartment owners, or any other person authorized by the developer to conduct sales or marketing activities for the project.

Initial Purchaser *or* ***Initial Owner.*** The first person or persons who purchase an affordable housing condominium unit from the developer.

(b) *Tax remission established.* An affordable housing condominium unit is entitled to a one-time tax remission under this section against the unit's real property tax liability if the following conditions are met:

(1) The initial owner was unable to timely file for the home exemption due to the recording sale date occurring after the home exemption deadline pursuant to § 8-10.1;

(2) The recorded sale date of the unit occurred within one year after the issuance of the certificate of occupancy for the project by the department of planning and permitting; and

(3) On or before December 31 preceding the due date of the second installment of real property taxes for the applicable full tax year, an eligibility list is submitted to the director on the prescribed form.

(c) *Amount of tax remission.* The amount of the tax remission is the difference between the real property taxes imposed on the affordable housing condominium unit when classified as residential A and the real property taxes that would have been imposed had the unit been classified as residential, notwithstanding § 8-7.1.

(d) *Application of tax remission.* The tax remission must be applied against the real property tax liability for the tax year immediately following approval of the application for the remission.

(e) *Tax remission not transferable or assignable.* A tax remission granted under this section is not transferable or assignable.

(f) *When tax remission may be made.* A tax remission under this section may be made only after the real property taxes for the first full tax year have been paid in full.

(g) *Determination of eligibility.* The director shall determine an affordable housing condominium unit's eligibility for a tax remission under this section based on the director's review and verification that the condominium unit and the initial owner have met all the requirements established under this section. The director may require submission of any information or documentation deemed necessary to verify eligibility.

(h) *Rules.* The director may adopt rules, pursuant to HRS Chapter 91, for the implementation, administration, and enforcement of this section, including rules establishing application procedures, required documentation, verification methods, and any other provisions necessary to carry out the purposes of this section."

SECTION 3. New ordinance material is underscored. When revising, compiling, or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the Revisor of Ordinances need not include the underscoring.

A BILL FOR AN ORDINANCE

SECTION 4. This ordinance takes effect upon its approval and applies retroactively to tax years beginning July 1, 2025, and thereafter.

INTRODUCED BY:

Tyler Dos Santos-Tam

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DATE OF INTRODUCTION: _____

_____

May 28, 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 Taxation; Remissions; Home Exemption; Classification; Residential A; For-Sale Owner-Occupied Affordable Housing; Condominium Units; State and City Affordable Housing Programs; Regulatory Agreement; Department of Budget and Fiscal Services ("BFS"); Department of Planning and Permitting ("DPP")

Description:

Entitles initial purchasers of eligible owner-occupied condominium units to a one-time remission of certain real property taxes. Applies retroactively to the tax year beginning July 1, 2025, and thereafter.

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