

DEPARTMENT OF BUDGET AND FISCAL SERVICES
KA 'OIHANA MĀLAMA MO'OHELU A KĀLĀ
CITY AND COUNTY OF HONOLULU

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June 22, 2026

The Honorable Val Okimoto, Chair
and Members
Committee on Budget
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Chair Okimoto and Councilmembers:

SUBJECT: Testimony on Bill 29 (2026) - Relating to the Low-Income Rental
Housing Real Property Tax Exemption

The Department of Budget and Fiscal Services ("BFS") strongly opposes Bill 29 (2026), which proposes changing a qualification requirement for the real property tax low-income rental housing exemption.

BFS recognizes the need to expand low-income and affordable housing options. However, substituting the regulatory agreement requirement with mortgage documents to qualify for an already generous real property tax relief program fractures qualification requirements among exemption claimants. This proposal unfairly relaxes tax relief eligibility for those who have acquired an existing housing project and wish to immediately qualify for such relief. The requirement of a regulatory agreement is a reasonable provision for obtaining a 100% real property tax exemption. Lowering the qualification standards not only causes inequity within the program but also jeopardizes the entire real property tax base by giving mortgage documents the same weight as regulatory agreements and other crucial documents when administering tax relief programs.

Tenant income criteria for the Low-Income Rental Housing exemption should continue to be established and verified through the vital regulatory agreement, with government oversight and annual compliance certification. In contrast, although not defined, mortgage documents are understood to function as a financing instrument

The Honorable Val Okimoto, Chair
and Members
Committee on Budget
June 22, 2026
Page 2

intended to secure loan repayment and do not provide the equivalent monitoring and enforcement of a tenant's annual income, bypassing required checks and balances.

For these reasons, BFS respectfully strongly opposes Bill 29 (2026).

Thank you for the opportunity to provide testimony on this bill. Please contact me at (808) 768-3901 with any questions you may have.

Sincerely,



Andrew T. Kawano
Director

APPROVED:



Krishna F. Jayaram, Managing Director Designate
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