HONOLULU CITY COUNCIL

KE KANIHELA O KE KALANA O HONOLULU

CITY AND COUNTY OF HONOLULU

ORDINANCE _____

BILL 61 (2026)

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. The purpose of this ordinance is to amend certain provisions relating to affordable housing.

SECTION 2. Section 8-10.33, Revised Ordinances of Honolulu 2021 ("Exemption—Qualifying affordable rental dwelling units or affordable rental housing units"), is amended by amending subsection (a) to read as follows:

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

Affordable Housing Agreement. An affordable housing agreement as described in § 29-1.8, or a "regulatory agreement" as defined in § 8-10.17(a).

Declaration of Restrictive Covenants. Has the same meaning as defined in Chapter 32.

[~~***Exemption Period.*** The 15-year period commencing upon the effective date of the claim for a real property tax exemption pursuant to subsection (b)(4), and ending on June 30 of the last year of the 15-year period. Any exemptions granted pursuant to § 8-10.33 prior to May 28, 2025 will be extended by five years.~~]

Regulated Period. The period during which a project is subject to an affordable housing agreement[~~.~~] or a declaration of restrictive covenants."

SECTION 3. Section 8-10.33, Revised Ordinances of Honolulu 2021 ("Exemption—Qualifying affordable rental dwelling units or affordable rental housing units"), is amended by amending subsection (d) to read as follows:

"(d) Real property specified in subsection (b) that is subject to an affordable housing agreement will be exempt from property taxes for the duration of the regulated period, and real property specified in subsection (b)(4) that is subject to a declaration of restrictive covenants will be exempt from property taxes for the duration of the [~~exemption~~] regulated period.

(1) If the project fails to meet the requirements under this section at any time during the regulated period [~~or exemption period, whichever is applicable~~], the exemption will be canceled and the real property will be subject to taxes and penalties pursuant to subsection (i)(3).

(2) If the ownership of any portion of the real property that qualifies for an exemption under this section changes during the regulated period [~~or exemption period, whichever is applicable~~], the exemption will be canceled and the entire project, including any retained portion and the portion that changed ownership, will be subject to taxes and penalties pursuant to subsection (i)(3). The taxes and penalties do not apply to any portion of the real property for which a new claim is filed for an exemption within 30 days of the recordation or filing of the real property title change with the registrar of the bureau of conveyances or the assistant registrar of the land court, or both, as appropriate, if the director grants the exemption.

(3) If the ownership of the real property changes during the regulated period, a new claim for exemption must be filed within 30 days of the recordation of filing of such change with the registrar of the bureau of conveyances or the assistant registrar of the land court, or both, as appropriate. Failure to timely file a new claim for an exemption, or to meet the qualifications under this section, will result in cancellation of the exemption, and taxes and penalties will be imposed pursuant to subsection (i)(3)."

SECTION 4. Section 8-10.33, Revised Ordinances of Honolulu 2021 ("Exemption—Qualifying affordable rental dwelling units or affordable rental housing units"), is amended by amending subsection (g) to read as follows:

"(g) Notwithstanding any provision in this chapter to the contrary, any real property determined by the director to be exempt from property taxes under this section will be exempt from property taxes effective as of the date the application is filed with the director; provided that the initial application for an exemption must be filed with the director within 60 days after the real property qualifies for the exemption, but in no event later than September 30 preceding the tax year for which the exemption is claimed. A copy of the affordable housing agreement that has been recorded with the registrar of the bureau of conveyances or the assistant registrar of the land court, or both, as appropriate, or the declaration of restrictive covenants that has been executed by the owner of the zoning lot on which an affordable rental housing project is situated, must be filed with the

application along with any additional documents determined by the director to be necessary to supplement the application.

(1) For exemptions claimed under subsections (b)(1), (b)(2), and (b)(3), after the initial year for which the real property has qualified for an exemption, a claim for a continued exemption must be filed annually on or before September 30, together with a document from the agency regulating the project certifying that the project continues to be in compliance with the initial affordable housing agreement and is in compliance with the applicable rental requirements.

(2) For exemptions claimed under subsection (b)(4), after the initial year for which the real property has qualified for an exemption, a report must be filed with the director annually on or before September 30 [~~during the exemption period.~~] of each year of the regulated period. The report must certify that the affordable rental housing project continues to be in compliance with the declaration of restrictive covenants and the applicable rental requirements pursuant to this chapter, including but not limited to the number of affordable rental housing units that are rented to households earning 80 percent or below of the AMI, and rented at or below the rental rate limits established by the United States Department of Housing and Urban Development for households earning 80 percent of the AMI for the applicable household size or less.

(3) The director may, after 30 days' written notice, audit the records of the real property exempt from taxes under this section. A taxpayer's refusal or failure to cooperate and produce all records requested by the director may result in the cancellation of the exemption and subject the real property to the taxes and penalties determined in subsection (i)(3)."

SECTION 5. SECTION 8 of Ordinance 19-8, as amended by Ordinance 23-12, is amended to read as follows:

"SECTION 8. Upon the repeal of this ordinance[~~:~~], as may be further amended:

1. Affordable rental housing projects developed pursuant to SECTION 2 of this ordinance will be deemed a nonconforming multi-family dwelling use and must comply with the applicable nonconforming provisions of Section 21-4.110; and

2. Any real property tax exemptions pursuant to Section [~~8-10.X(b)(4) in SECTION 6 of this ordinance,~~] 8-10.33(b)(4) will remain in effect for the duration of the [~~ten-year~~] exemption [~~period~~] in accordance with the provisions of [~~this ordinance,~~] Section 8-10.33(b)(4) as it read on the day prior to its repeal, and any real property tax exemptions pursuant to Section [~~8-10.Y(b)(4) in SECTION 7 of this ordinance~~] 8-10.34(b)(4) will remain in effect for the duration of the exemption [~~period~~] as determined under Section [~~8-10.Y(e)~~] 8-10.34(e) in accordance with the provisions of [~~this ordinance.~~] Section 8-10.34(e) as it read on the day prior to its repeal."

SECTION 6. Ordinance material to be repealed is bracketed and stricken. New 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 brackets, the material that has been bracketed and stricken, or the underscoring.

SECTION 7. This ordinance takes effect upon its approval, provided that:

1. The amendments made in SECTIONS 2, 3, and 4 of this ordinance do not affect the repeal date of Ordinance 18-1; and

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2. Any real property tax exemptions granted pursuant to Section 8-10.33, Revised Ordinances of Honolulu 2021 ("ROH"), prior to its repeal will continue for the regulated period, subject to the provisions in ROH Section 8-10.33 related to ongoing requirements and the consequences of failing to meet those requirements.

INTRODUCED BY:

A. Fypola

DATE OF INTRODUCTION:

OCT 29 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 ("RPT"); Exemption; Affordable Housing; Affordable Rental Dwelling Units; Affordable Rental Housing; Exemption Period; Definition; Affordable Housing Agreement; Affordable Housing Regulatory Agreement; Department of Budget and Fiscal Services ("BFS")

Description:
Repeals the 15-year limitation on the availability of the RPT exemption for qualifying affordable rental dwelling units or housing units. Allows the RPT exemption to instead continue for as long as the affordable housing rental project is subject to an affordable housing agreement or a declaration of restrictive covenants. Makes conforming amendments.

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