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April 11, 2011

IN SUPPORT OF BILL 2

Aloha Honolulu City Council Members:

I SUPPORT Bill 2 Relating to Real Property Taxes for Historic Residential Real Property.

I agree with the City Council's "belief that all residents of the City should bear the burden for provisions of valuable city services" and intention that "the owners of historic residential property pay their fair share."

The current \$300 real property tax for historic homes is the most generous program in the nation and has never been properly implemented.

Historic home property tax exemptions have been used to subsidize lifestyles of the rich and famous. Many wealthy and prominent individuals, as well as numerous non-Hawaii residents, real estate investors, vacation rentals, for-profit businesses, and foreign corporations are receiving these lucrative tax breaks.

These people are obviously gaming the system and the City has ignored the abuse for years, rubber-stamping historic home dedications without scrutiny. Meanwhile the City has lost tens of millions of dollars in sorely needed revenue over the years.

I support Bill 2 Option 3, changing the historic home tax exemption to a percentage system. All other property classes - residential, commercial, industrial, agricultural, hotel and resort, etc - are taxed based on a percentage of the value of the property. Even historic commercial properties!

However Bill 2's change to a percentage tax would still require that RPAD enforce "reasonable visual access," consider "the material factor" when granting exemptions, and restrict commercial activity.

I do not believe that visual access for only 12 days a year is reasonable, especially when those days are not publicized in any way. This is hardly equitable to the property owners whose homes are viewable for 365 days a year. Nor does it seem an adequate exchange for such a lucrative tax break.

What is the benefit to the residents of Honolulu to provide a tax subsidy to a historic home that cannot be seen?

Bill 2 Option 3 would also require an amendment to the proposed ROH 8.7-6 (d) because the law requires that all properties be assessed at their fair market value. Bill 2 should

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propose that historic homes be "taxed" at a percentage, not assessed. It is important to know the actual value of the home and therefore the actual value of the tax break.

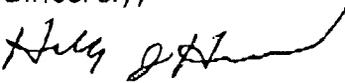
Implementation of these suggested changes to Option 3 is needed to stop the current abuse of the historic home tax exemption.

I also support Bill 2 Option 4, changing the exemption to a tax credit for "qualified expenditures." This incentive for property owners to maintain their historic homes is more in line with benefits offered by other municipalities. I suggest modifications to this option that provide penalties for fraud, similar to those imposed on the applicants to the low-income property tax credit.

Finally, if the RPAD is unable or unwilling to enforce the requirements necessary for a fair and equitable exemption (Option 3) or tax credit (Option 4), I support Bill 2 Option 1: a repeal of the tax exemption for historic residential property.

To the people of Honolulu, the current historic home tax exemption is just one example of what is wrong with our property tax system. Material reforms must be enacted and enforced. Otherwise, how can Honolulu residents expect equity and fairness in their own property tax assessments?

Sincerely,



Holly J. Huber
Public Advocate