May 21, 2014

The Honorable Ernest Y. Martin  
Chair and Presiding Officer  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawaii 96813

The Honorable Ann H. Kobayashi  
and Members  
Committee on Budget  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawaii 96813

Dear Chair Martin, Chair Kobayashi and Councilmembers:

SUBJECT: Proposed Revisions to the Hotel and Resort Class Tax Rate for Fiscal Year July 1, 2014 to June 30, 2015 and to the Executive Operating Budget and Program for Fiscal Year July 1, 2014 to June 30, 2015

Enclosed is my proposed Committee Draft 2 for a 50-cent increase for the Hotel and Resort Class from the tax rate proposed in Resolution No. 14-53, CD1 that establishes the real property tax rates for Fiscal Year July 1, 2014 to June 30, 2015. I also enclose a proposed Committee Draft 3 for Bill 12 (2014), CD2 for the Executive Operating Budget and Program for Fiscal Year July 1, 2014 to June 30, 2015 that allocates the additional tax revenues to various programs to address the homeless situation in Waikiki.

I request your thoughtful consideration of this proposal so that we may together address the growing homeless situation in Waikiki. My enclosed proposal is a 50-cent increase for the tax rate for the Hotel and Resort Class from the Committee Draft 1 considered by your Budget Committee on May 13, 2014; it is a restoration of the tax rate I proposed for the Hotel and Resort Class in Bill 15 (2014). The 50-cent increase is estimated to generate approximately $4.1 million in tax revenues that I propose we allocate in the following amounts and for the following activities in Waikiki and as proposed in the enclosed Committee Draft 3 to Bill 12 (2014), CD2:
The Honorable Ernest Y. Martin
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The Honorable Ann H. Kobayashi
and Members
Committee on Budget
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- $750,000 for increased enforcement in Waikiki of laws such as those for stored
  property, sidewalk nuisance and park closure;
- $250,000 to the Waikiki Business Improvement District for more frequent
  cleaning of sidewalks, bathrooms and public areas;
- $200,000 to the Waikiki Business Improvement District for increased security
  patrols;
- $2 million to the Waikiki Business Improvement District for rental unit vouchers to
  provide shelter to homeless individuals and families; and
- $896,929 to the Waikiki Business Improvement District for grants to non-profit
  organizations to provide outreach and services to homeless individuals and
  families in Waikiki.

I defer to you how best to accomplish the revision to Resolution No. 14-53, CD1
and to Bill 12 (2014), CD2 but have enclosed the proposals herewith as Committee
Drafts. To afford more opportunity for public comment and Councilmember discussion,
my preference is to have the proposals heard in Committee, with the Budget Committee
scheduled to meet on Wednesday, May 28, 2014. If amenable, I ask Council Chair
Martin and Budget Committee Chair Kobayashi to pursue what action is necessary to
have the Resolution and the Bill returned to the Budget Committee for consideration.
If my staff may be of assistance in converting these documents to Floor Drafts, or with
any other related matter, we are pleased to assist.

I am aware as well of publication notices required by our tax ordinance for notice
of the Council’s adoption at the next Council meeting of the tax rates for the next fiscal
year. To provide prior 10-day notification, my calculation is that the publication must
issue this weekend. I ask that you consider including suitable language in the
published notice to advise the public that the tax rates as set forth in Resolution
No. 14-53, CD1 may be increased by the Council.

With the Council’s support I anticipate that together we can make significant
improvements for our Waikiki businesses, workers and visitors.

Sincerely,

Kirk Caldwell
Mayor

Enclosures
# PROPOSED AMENDMENTS TO THE EXECUTIVE OPERATING BUDGET

<table>
<thead>
<tr>
<th>AGENCY/ACTIVITY</th>
<th>AMENDMENT</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Facility Maintenance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Road Maintenance</td>
<td>Increase funding for salaries for enforcement of SPO/SNO laws in Waikiki.</td>
<td>$ 400,000 S</td>
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<tr>
<td></td>
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<td>GN</td>
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<tr>
<td>Road Maintenance</td>
<td>Increase current expense funding for WBID expenses such as sidewalk and bathroom cleanups, security patrols, rental vouchers for shelters, and outreach and services for the homeless in Waikiki.</td>
<td>$ 3,346,929 CE</td>
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<tr>
<td></td>
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<td>GN</td>
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<tr>
<td>Police Department</td>
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</tr>
<tr>
<td>Patrol</td>
<td>Increase funding for salaries for enforcement of SPO/SNO laws in Waikiki.</td>
<td>$ 100,000 S</td>
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<td></td>
<td></td>
<td>GN</td>
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<tr>
<td>Department of Parks and Recreation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grounds Maintenance</td>
<td>Increase funding for salaries for enforcement of SPO/SNO laws in Waikiki.</td>
<td>$ 250,000 S</td>
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<td>GN</td>
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</tbody>
</table>
RESOLUTION

DETERMINING THE REAL PROPERTY TAX RATES FOR THE CITY AND COUNTY
OF HONOLULU FOR THE FISCAL YEAR JULY 1, 2014 TO JUNE 30, 2015.

WHEREAS, Article VIII, Section 3, and Article XVIII, Section 6, of the Constitution
of the State of Hawaii, as amended, granted to the counties the authority to assess,
 impose, and collect real property taxes; and

WHEREAS, Section 8-11.1 of the Revised Ordinances of Honolulu 1990, as
amended, provides that the Council of the City and County of Honolulu shall annually
set the tax rate or rates for the classes of real property established in accordance with
Section 8-7.1(c)(1), Revised Ordinances of Honolulu 1990, as amended; and

WHEREAS, under said Section 8-7.1(c)(1), Revised Ordinances of Honolulu
1990, as amended, the following classes are established as general classes for
purposes of real property taxation:

(A) residential
(B) hotel and resort
(C) commercial
(D) industrial
(E) agricultural
(F) preservation
(G) public service
(H) vacant agricultural
(I) residential A;

and

WHEREAS, Section 8-6.2 of the Revised Ordinances of Honolulu 1990, as
amended, provides for the assessment and levying of real property taxes on a fiscal-
year basis beginning July 1 of each calendar year and ending June 30 of the following
calendar year; and

WHEREAS, tourism is one of the largest industries in the City and County of
Honolulu and a major source of economic growth; and

WHEREAS, the number of homeless people living in Waikiki has increased
dramatically, which could affect tourism and investment in Waikiki; and

WHEREAS, an increase of $.50 in the real property tax rate for the hotel/resort
class is proposed to provide $4.1 million in dedicated funding to address the
homelessness problem in Waikiki; now, therefore,
RESOLUTION

BE IT RESOLVED by the Council of the City and County of Honolulu that the following schedule of rates be, and are hereby, determined as the respective rates at which real property in the various general classes in the City and County of Honolulu shall be taxed per $1,000 of assessed value for the fiscal year July 1, 2014 to June 30, 2015.

<table>
<thead>
<tr>
<th>Class</th>
<th>Description</th>
<th>Tax Rate Per $1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class (A)</td>
<td>residential</td>
<td>$ 3.50</td>
</tr>
<tr>
<td>Class (B)</td>
<td>hotel and resort</td>
<td>$13.40</td>
</tr>
<tr>
<td>Class (C)</td>
<td>commercial</td>
<td>$12.40</td>
</tr>
<tr>
<td>Class (D)</td>
<td>industrial</td>
<td>$12.40</td>
</tr>
<tr>
<td>Class (E)</td>
<td>agricultural</td>
<td>$ 5.70</td>
</tr>
<tr>
<td>Class (F)</td>
<td>preservation</td>
<td>$ 5.70</td>
</tr>
<tr>
<td>Class (G)</td>
<td>public service</td>
<td>$ 0.00</td>
</tr>
<tr>
<td>Class (H)</td>
<td>vacant agricultural</td>
<td>$ 8.50</td>
</tr>
<tr>
<td>Class (I)</td>
<td>residential A</td>
<td>$ 6.00</td>
</tr>
</tbody>
</table>

INTRODUCED BY:


date of introduction:

Honolulu, Hawaii

Councilmembers