



## A BILL FOR AN ORDINANCE

RELATING TO REAL PROPERTY TAX RELIEF FOR PROPERTIES USED FOR LOW-INCOME RENTAL HOUSING.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose. The purpose of this ordinance is to provide real property tax relief for certain properties that are used as low-income rental housing.

SECTION 2. Section 8-7.6, Revised Ordinances of Honolulu 1990, as enacted by Section 2 of Ordinance 15-6, is amended to read as follows:

**"Sec. 8-7.6 Property dedicated for low-income rental housing.**

- (a) For the purposes of this section, "low-income rental housing" means housing rented [at or below the rental rate limits] to households earning 80 percent or less of the city's area median income for the applicable household size as established by the United States Department of Housing and Urban Development [for households earning 80 percent of the city's area median income for the applicable household size, or less].
- (b) An owner of real property classified as Residential A used as low-income rental housing may make a five-year dedication of the property for low-income rental housing use and have the property classified as Residential provided that:
  - (1) The property [has an assessed valuation of] was purchased by the owner for less than [\$1,300,000] \$1,000,000 [at the time the owner files the petition];
  - (2) The property is exclusively used during the dedication period as a rental home or apartment unit with a lease period of at least one year; and
  - (3) The rental home or apartment unit is rented at a rate that meets the requirements of low-income rental housing as defined in subsection (a).
- (c) The owner of real property who wishes to dedicate such property for low-income rental housing shall petition the director and declare in such petition that if the petition is approved, the owner shall meet the applicable requirements of subsection (b) pertaining to the property.
- (d) Any owner desiring to dedicate the owner's property for low-income rental housing shall petition the director, describing the property to be dedicated,



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providing evidence that the property is currently used exclusively for affordable rental housing, and certifying that such use will continue in the dedicated tax years.

- (e) The director shall prescribe the form of the petition. The petition for the following tax year shall be filed with the director by September 1<sup>st</sup> of any calendar year and shall be approved or disapproved by October 31<sup>st</sup> of that calendar year. If the petition is approved, the assessment based upon the use requested in the dedication shall be effective on October 1<sup>st</sup> of the same calendar year and apply to the following tax year.
- (f) The director shall make a finding whether the property is and will be maintained and used for the sole purpose of providing low-income rental housing. That finding shall be based [on the rental agreement or agreements and such other evidence required of and provided by the owner as the director may deem pertinent.] on: 1) tax return transcripts from the Internal Revenue Service; 2) tax account transcripts, if applicable, from the Internal Revenue Service; and 3) any accompanying forms and schedules as the director may require to verify the veracity of the transcripts. For renters of the property who did not have to file and therefore did not file an income tax return under Hawaii income tax law and under Internal Revenue Service regulations, the director shall require proof of the renters' income that may include bank statements or other financial records as verification. The director may require proof of nonreceipt of income from relief programs such as social security, welfare, and unemployment compensation, etc., and may require such authorization from the renters of the property to enable the director to fully verify the renters' income.
- (g) The approval of the petition by the director shall constitute a forfeiture on the part of the owner of any right to change the use of the owner's real property for low-income rental housing for the dedication period. The dedication period may be renewed in the same manner as the initial petition.
- (h) The owner may appeal any disapproved petition as in the case of an appeal from an assessment.
- (i) (1) Failure of the owner to observe the restrictions on the use of such person's real property will cancel the exemption retroactive to the date of the initial dedication, and all differences between the amount of taxes that were paid and the amount that would have been due from assessment without the dedication will be payable with a 10 percent per year penalty from the respective dates that these payments would have been due. Failure to observe the restrictions on the use means any failure of 45



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consecutive days or more during the tax year of the exemption to use the real property in the manner certified in the petition or the overt act of changing the use for any period. Nothing in this subsection precludes the city from pursuing any other remedy to enforce the covenant on the use of the real property.

- (2) The additional taxes and penalties, due and owing as a result of failure to use or any other breach of the dedication shall be a paramount lien upon the property as provided for by this chapter.
- (j) Prior to September 1st in each of the five years of the dedication, the owner shall submit to the director a copy of the rental agreement to be in force in the upcoming tax year.
- (k) The director shall make and adopt necessary rules and regulations to administer this section."

SECTION 3. Ordinance material to be repealed is bracketed. 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 bracketed material or the underscoring.



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SECTION 4. This ordinance takes effect upon its approval and applies to the tax years beginning July 1, 2017 and thereafter.

INTRODUCED BY:

Ann Kobayashi

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DATE OF INTRODUCTION:

January 5, 2016  
Honolulu, Hawaii

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Councilmembers

APPROVED AS TO FORM AND LEGALITY:

\_\_\_\_\_  
Deputy Corporation Counsel

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

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KIRK CALDWELL, Mayor  
City and County of Honolulu