

REPORT OF THE COMMITTEE ON BUDGET

Voting Members:

Ann H. Kobayashi, Chair; Joey Manahan, Vice Chair;
Carol Fukunaga, Trevor Ozawa, Kymberly Marcos Pine

Committee Meeting Held
March 30, 2016

Honorable Ernest Y. Martin
Chair, City Council
City and County of Honolulu

Mr. Chair:

Your Committee on Budget, which considered Bill 21 (2016) entitled:

"A BILL FOR AN ORDINANCE RELATING TO REAL PROPERTY TAX RELIEF,"

which passed first reading at the March 16, 2016 Council meeting, reports as follows:

The purpose of the Bill is to provide real property tax relief to certain homeowners.

The Deputy Director of Budget and Fiscal Services testified in opposition of the Bill noting that the Bill would discriminate against groups of property owners such as first time owners, who would bear the greater proportion of real property taxes. He stated that the Bill would unfairly benefit homeowners who undertake extensive renovations, and that the impact could hamper necessary public service. He also noted that the City's home exemption and county tax credit are sufficient measures to provide assistance for those in need.

There was no testimony presented or received on this Bill.

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ADOPTED ON APR 20 2016

COMMITTEE REPORT NO. 97

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After consideration your Committee has approved a CD1 version of the Bill that makes the following amendments:

- A. Amends subsection (d) as follows:
- (d) The director's approval of the petition to dedicate constitutes a forfeiture on the part of the owner of any right to change the use of [the use of] such person's land for the lifetime of the owner or the owner's spouse.
- B. Amends subsection (e) as follows:
- (e)(1) Failure of the owner to observe the restrictions on the use of such person's property or the sale of the property will cancel the special tax assessment privilege retroactive to the tax year [preceding the tax year in which the breach of] the dedication [occurs] was initially granted, and all differences in the amount of taxes that were paid and those that would have been due if the property had not been dedicated under this section will be payable with a 10 percent per year penalty retroactive to the tax year [preceding the tax year in which the breach of] the dedication [occurs] was initially granted. Failure to observe the restrictions on the use means failure for a period of over 12 consecutive months to use the property in the manner requested in the petition or the overt act of changing the use for any period, or the sale of the real property. Nothing in this subsection precludes the city from pursuing any other remedy to enforce the covenant on the use of the property.
- C. Makes miscellaneous technical and nonsubstantive amendments.

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Your Committee on Budget is in accord with the intent and purpose of Bill 21 (2016), as amended herein, and recommends that it pass second reading, be scheduled for a public hearing, and be referred back to Committee in the form attached hereto as Bill 21 (2016), CD1. (Ayes: Kobayashi, Fukunaga, Manahan, Ozawa, Pine – 5; Noes: None.)

Respectfully submitted,



Committee Chair

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ADOPTED ON APR 20 2016

COMMITTEE REPORT NO. 97

SUMMARY OF PROPOSED COMMITTEE DRAFT

**BILL 21 (2016)
RELATING TO REAL PROPERTY TAX RELIEF**

PROPOSED CD1 makes the following amendments:

A. Amends subsection (d) as follows:

(d) The director's approval of the petition to dedicate constitutes a forfeiture on the part of the owner of any right to change the use of [the use of] such person's land for the lifetime of the owner or the owner's spouse.

B. Amends subsection (e) as follows:

(e) (1) Failure of the owner to observe the restrictions on the use of such person's property or the sale of the property will cancel the special tax assessment privilege retroactive to the tax year [preceding the tax year in which the breach of] the dedication [occurs] was initially granted, and all differences in the amount of taxes that were paid and those that would have been due if the property had not been dedicated under this section will be payable with a 10 percent per year penalty retroactive to the tax year [preceding the tax year in which the breach of] the dedication [occurs] was initially granted. Failure to observe the restrictions on the use means failure for a period of over 12 consecutive months to use the property in the manner requested in the petition or the overt act of changing the use for any period, or the sale of the real property. Nothing in this subsection precludes the city from pursuing any other remedy to enforce the covenant on the use of the property.

C. Makes miscellaneous technical and nonsubstantive amendments.



A BILL FOR AN ORDINANCE

RELATING TO REAL PROPERTY TAX RELIEF.

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 to certain homeowners.

SECTION 2. Chapter 8, Revised Ordinances of Honolulu 1990 ("Real Property Tax"), is amended by adding a new section to be appropriately designated by the revisor of ordinances and to read as follows:

"Sec. 8-7. Property dedicated for lifetime homeowner use.

- (a) The owner of real property may dedicate such property for lifetime residential use and the property will continue to be taxed on its assessed value, provided that, on a year-to-year basis, any increase in taxes cannot exceed _____ percent a year from the year the dedication takes effect, except that if any improvements are undertaken on the property, and such improvements increase the fair market value of the property, the taxes must be increased based on the fair market value of the improvements undertaken, except as follows:
- (1) If property is damaged or destroyed by fire, wave, earthquake, flood, wind, other natural disaster, or accident, any increase in taxes due to repairs or reconstruction must be limited to _____ percent a year over the taxes for the tax year following the last assessment of the undamaged property; or
- (2) If the value of the improvements does not exceed \$50,000, any increases in taxes due to the improvements must be limited to _____ percent a year.
- (b) Property dedicated for lifetime residential use must be continuously used as the property owner's or the property owner's spouse's principal home and must be granted a home exemption for each tax year of the lifetime of the owner or the owner's spouse.
- (c) The owner of real property who wishes to dedicate such property for lifetime residential use and have the property taxed in accordance with subsection (a) shall petition the director and declare in such petition that if the petition is approved, the owner will meet the applicable requirements of subsection (b) pertaining to the property.



A BILL FOR AN ORDINANCE

- (d) The director's approval of the petition to dedicate constitutes a forfeiture on the part of the owner of any right to change the use of such person's land for the lifetime of the owner or the owner's spouse.
- (e) (1) Failure of the owner to observe the restrictions on the use of such person's property or the sale of the property will cancel the special tax assessment privilege retroactive to the tax year the dedication was initially granted, and all differences in the amount of taxes that were paid and those that would have been due if the property had not been dedicated under this section will be payable with a 10 percent per year penalty retroactive to the tax year the dedication was initially granted. Failure to observe the restrictions on the use means failure for a period of over 12 consecutive months to use the property in the manner requested in the petition or the overt act of changing the use for any period, or the sale of the real property. Nothing in this subsection precludes the city from pursuing any other remedy to enforce the covenant on the use of the property.
- (2) The additional taxes and penalties, due and owing as a result of failure to use or any other breach of the dedication will be a paramount lien upon the property as provided for by this chapter.
- (f) The director shall prescribe the form of the petition. The petition must be filed with the director by September 1st of any calendar year, and if the petition is approved, the property will be taxed in accordance with subsection (a) beginning the following tax year. The notice of assessment will serve as notification of approval or disapproval of the petition for dedication.
- (g) The owner may appeal any disapproved petition as in the case of an appeal from an assessment."

SECTION 3. New ordinance 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 underscoring.



A BILL FOR AN ORDINANCE

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

Joey Manahan

DATE OF INTRODUCTION:

March 9, 2016
Honolulu, Hawaii

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____ day of _____, 20__.

KIRK CALDWELL, Mayor
City and County of Honolulu