

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 2 (2016), CD1 entitled:

"A BILL FOR AN ORDINANCE RELATING TO REAL PROPERTY TAX RELIEF
FOR PROPERTIES USED FOR LOW-INCOME RENTAL HOUSING,"

which passed second reading and public hearing at the February 17, 2016 Council meeting, reports as follows:

The purpose of the Bill is to provide real property tax relief for certain properties that are used as low-income rental housing.

The Deputy Director of Budget and Fiscal Services testified in support of the Bill noting that the changes suggested by the Department were included in the CD2 of the Bill. He also noted that the changes in the CD2 would allow property owners to apply for the dedication prior to their homes being moved into the Residential A classification.

No public testimony was presented or received on this Bill.

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ADOPTED ON APR 20 2016

COMMITTEE REPORT NO. 96

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Your Committee considered and approved a posted CD2 version of the Bill that makes the following amendments:

- A. Amends ROH Section 8-7.6 (a) to read as follows:

For the purposes of this section, "low-income rental housing" means housing rented at or below the rental rate limits established by the United States Department of Housing and Urban Development for households earning [80] 50 percent of the city's area median income for the applicable household size, or less.

- B. Removes subsection 8-7.6 (c).

- C. Amends the existing subsection 8-7.6 (d) by incorporating the requirement in subsection (c) that the owner shall meet the applicable requirements of subsection (b) pertaining to the property.

- D. Amends the existing subsection 8-7.6 (e) to read as follows:

The director shall prescribe the form of the petition. The petition for the following tax year [shall] must be filed with the director by September 1st of any calendar year [and shall be approved or disapproved by October 31st of that calendar year]. The notice of assessment will serve as notification of approval or disapproval of the petition for dedication. If the petition is approved, the assessment based upon the use requested in the dedication [shall] will be effective on October 1st of the same calendar year and apply to the following tax year.

- E. Removes amendments to 8-7.6 (f) made in the CD1.

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- F. Amends the lettering of subsections 8-7.6 (d) through (k) since subsection (c) was removed.
- G. Makes other non-substantive technical amendments to the bill.

Your Committee on Budget is in accord with the intent and purpose of Bill 2 (2016), CD1, as amended herein, and recommends that it pass third reading in the form attached hereto as Bill 2 (2016), CD2. (Ayes: Kobayashi, Fukunaga, Manahan, Ozawa – 4; Noes: None; Excused: Pine - 1.)

Respectfully submitted,


Committee Chair

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ADOPTED ON APR 20 2016

COMMITTEE REPORT NO. 96

SUMMARY OF PROPOSED COMMITTEE DRAFT:

**Bill 2 (2016), CD1
RELATING TO REAL PROPERTY TAX RELIEF FOR PROPERTIES USED FOR
LOW-INCOME RENTAL HOUSING**

PROPOSED CD2 makes the following amendments:

- A. Amends ROH Section 8-7.6 (a) to read as follows:

For the purposes of this section, "low-income rental housing" means housing rented at or below the rental rate limits established by the United States Department of Housing and Urban Development for households earning [80] 50 percent of the city's area median income for the applicable household size, or less.

- B. Removes subsection 8-7.6 (c).

- C. Amends the existing subsection 8-7.6 (d) by incorporating the requirement in subsection (c) that the owner shall meet the applicable requirements of subsection (b) pertaining to the property.

- D. Amends the existing subsection 8-7.6 (e) to read as follows:

The director shall prescribe the form of the petition. The petition for the following tax year [shall] must be filed with the director by September 1st of any calendar year [and shall be approved or disapproved by October 31st of that calendar year]. The notice of assessment will serve as notification of approval or disapproval of the petition for dedication. If the petition is approved, the assessment based upon the use requested in the dedication [shall] will be effective on October 1st of the same calendar year and apply to the following tax year.

- E. Removes amendments to 8-7.6 (f) made in the CD1.

- F. Amends the lettering of subsections 8-7.6 (d) through (k) since subsection (c) was removed.

- G. Makes other non-substantive technical amendments to the bill.



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 established by the United States Department of Housing and Urban Development for households earning [80] 50 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)] (c) Any owner desiring to dedicate the owner's property for low-income rental housing shall petition the director, describing the property to be dedicated, providing evidence that the property is currently used exclusively for affordable



A BILL FOR AN ORDINANCE

rental housing, and [certifying] declaring that such use will continue in the dedicated tax years and the owner shall meet the applicable requirements of subsection (b) pertaining to the property.

[(e)] (d) The director shall prescribe the form of the petition. The petition for the following tax year [shall] must be filed with the director by September 1st of any calendar year [and shall be approved or disapproved by October 31st of that calendar year]. The notice of assessment will serve as notification of approval or disapproval of the petition for dedication. If the petition is approved, the assessment based upon the use requested in the dedication [shall] will be effective on October 1st of the same calendar year and apply to the following tax year.

[(f)] (e) 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] will 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.

[(g)] (f) 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)] (g) The owner may appeal any disapproved petition as in the case of an appeal from an assessment.

[(i)] (h) (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 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.



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(2) The additional taxes and penalties, due and owing as a result of failure to use or any other breach of the dedication [shall] will be a paramount lien upon the property as provided for by this chapter.

[(j)] (i) 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)] (i) 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.



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

DATE OF INTRODUCTION:

January 5, 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