

DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
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KIRK CALDWELL
MAYOR



NELSON H. KOYANAGI, JR.
DIRECTOR DESIGNATE

GARY T. KUROKAWA
DEPUTY DIRECTOR

January 17, 2017

The Honorable Ron Menor
Chair and Presiding Officer
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Chair Menor and Councilmembers:

SUBJECT: Bill to Amend the Determination of Rates for Properties
in the Residential A Classification

We have attached for your consideration and passage, a Bill that amends Revised Ordinances of Honolulu 1990, Section 8-11.1 Real property tax – Determination of rates. The current Residential A tax rate is 71% more than the Residential tax rate that results in a steep increase in real property taxes for properties entering the Residential A classification. This Bill creates a tiered tax rate system to reduce this sharp increase in real property taxes.

A hardcopy and CD containing the proposed bill is attached. Please call me at 768-3901 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Nelson H. Koyanagi, Jr.", is written over a horizontal line.

Nelson H. Koyanagi, Jr., Director Designate
Budget and Fiscal Services

Attachment

APPROVED:

A handwritten signature in black ink, appearing to read "Roy K. Amemiya, Jr.", is written over a horizontal line.

Roy K. Amemiya, Jr.
Managing Director Designate

2017 JAN 17 AM 10:31
RECEIVED
CITY & COUNTY OF HONOLULU



A BILL FOR AN ORDINANCE

RELATING TO REAL PROPERTY TAXATION.

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

SECTION 1. Purpose. The purpose of this ordinance is to amend the determination of the rates for properties in the "Residential A" real property tax classification.

SECTION 2. Section 8-11.1, Revised Ordinances of Honolulu 1990 ("Real property tax--Determination of rates") is amended to read as follows:

"Sec. 8-11.1 Real property tax—Determination of rates.

(a) Unless a different meaning is clearly indicated by the context, as used in this section:

"Base tax year" means the tax year immediately prior to the budgeted tax year.

"Budgeted tax year" means the tax year beginning July 1 from which real property tax revenues are to help finance the proposed legislative and executive budgets.

"Class of property" means a class of real property established in accordance with Section 8-7.1(c).

"Estimated uncontrollable cost adjustment" means a factor representing costs that the city is mandated or obligated to pay.

"Initial tax rate" means the preliminary tax rate for a class of property as determined in Section 8-11.1(b).

"Net taxable real property" means the fair market value of property determined pursuant to this chapter which the director of budget and fiscal services certifies as the tax base as provided by ordinance less exemptions as provided by ordinance and, in all cases where appeals from the director's assessment are then unsettled, less 50 percent of the value in dispute.

"Tax rate" means the dollar amount of tax levied under this chapter per \$1,000.00 of net taxable real property, computed to the nearest cent.



A BILL FOR AN ORDINANCE

- (b) The council shall annually set the tax rate or rates in accordance with this subsection for the classes of real property established in accordance with subsection 8-7.1(c). A resolution setting the tax rate or rates shall be adopted by the council during the same meeting at which the applicable legislative and executive budget bills are passed on third reading. The tax rate or rates shall be set according to the following procedures. The procedures provide for initial tax rates for the net taxable real property within each class of property to be established by the director. The initial tax rates are established in a way that the average real property tax liability within each class of property does not change in the budgeted tax year compared to the base tax except for the estimated uncontrollable cost adjustment only.
- (1) Tax rates for all taxable classes of property shall be initially established by the director using the following method:
- (A) The director shall establish the estimated change in the operating uncontrollable costs of the City and County of Honolulu, expressed as a percentage of the base tax year's total net tax liability of all classes [-] ;
 - (B) The director shall determine the average tax liability for each class of property for the base tax year as follows: sum the net tax liability for the base tax year of all parcels within the class, then divide the result by the total number of tax parcels in the class;
 - (C) The director shall then determine the average tax liability for each class of property for the budgeted tax year as follows: adjust the figure determined under paragraph (B) by the estimated uncontrollable cost adjustment;
 - (D) The director shall then determine the amount to be raised by the initial tax rate for each class of property for the budgeted tax year as follows: multiply the figure determined under paragraph (C) for each class of property by the total number of tax parcels in the class for the budgeted tax year; and
 - (E) The director shall then determine the initial tax rate per \$1,000.00 of net taxable real property in each class of property for the budgeted tax year as follows: divide the figure determined under paragraph (D) for each class of property by the assessed valuation of net taxable real property within each class of property for the



A BILL FOR AN ORDINANCE

budgeted tax year, then multiply the result by 1,000, then round the result to the nearest cent.

- (2) The mayor may propose to the council that the initial tax rates be adopted or be increased or decreased for any class of property. The tax rates proposed by the mayor shall be set forth in the form of a resolution transmitted to the council at the same time that other revenue measures for the budgeted tax year are transmitted.
 - (3) Upon receipt of the mayor's proposed tax rate resolution, the council may adopt the initial tax rates, the mayor's proposed tax rates, or propose new rates.
- (c)
- (1) The council shall advertise its intention to set the tax rate or rates and the date, time and place of a public hearing in accordance with law. The date of the public hearing shall be not less than 10 days after the advertisement is first published and shall set forth the proposed tax rate or rates to be considered by the council.
 - (2) After the public hearing provided for in subdivision (1) of this subsection, the council shall readvertise and reconvene to adopt a resolution setting the tax rate or rates for the tax year for which property tax revenues are to be raised. The advertisement shall state the rate or rates proposed to be set and the date, time and place of the meeting scheduled for setting the rate or rates. The date, time and place of the meeting shall also be announced at the public hearing required by subdivision (1) of this subsection.
 - (3) If, after adopting an increase or decrease in the tax rates as provided by subdivisions (1) and (2) of this subsection, the council determines that it requires a further increase or decrease in tax rates, the council shall readvertise and follow the requirements of subdivisions (1) and (2) of this subsection.
- (d) The council shall notify the director of budget and fiscal services of the tax rate or rates set for a tax year before the commencement of that tax year. Upon receipt of the notification, the director shall use the rate or rates in the levying of property taxes as provided by this chapter.



A BILL FOR AN ORDINANCE

- (e) The director of budget and fiscal services shall, on or before February 1st preceding the tax year, furnish the council with a calculation certified by the director as being as nearly accurate as possible of the net taxable real property within the city, separately stated for each class established in accordance with subsection 8-7.1(c) plus such additional data relating to the property tax base as may be necessary. The director shall include the amount of all tax credits granted under Article 13 for the current tax year and the amount of all tax credit denials appealed during the current tax year as part of the information required by this subsection.
- (f) Insofar as the validity of any tax rate is concerned, the provisions of subsection (e) of this section as to dates shall be deemed directory; provided, that all other provisions of this section shall be deemed mandatory.
- (g) Notwithstanding any provision to the contrary, there shall be levied upon each individual parcel of real property taxable under this chapter a minimum real property tax of \$300.00 a year, except for properties exempt under Section 8-10.27 and except as provided in Section 8-10.28(b)(2).
- (h) Notwithstanding any provision to the contrary, for property classified as Residential A:
 - (1) The tax rate applied to the net taxable value of the property up to \$999,999 is at least equal to the established tax rate for the residential class; and
 - (2) The tax rate applied to the net taxable value of the property equal to or in excess of \$1,000,000 is the tax rate established for the residential A class.

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.

INTRODUCED BY:

DATE OF INTRODUCTION:

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