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Testimony by Sue Ann Lee, President
Honolulu Board of Realtors

Regarding Bill 7 – Relating to Real Property Taxation

Honolulu City Council
Wednesday, February 22, 2017
Honolulu Hale

Aloha Chair Menor and City Council Members,

The Honolulu Board of REALTORS (HBR) appreciates Bill 7 relating to real property taxation to establish tax rate at residential class up to 1 million related to Residential A properties, which would go a long way to achieve more fairness. However, HBR continues to have some concerns about Residential A which are not sufficiently addressed by this bill. We therefore propose amendments which we believe provide additional measures to create a more equitable approach to the classification of homes lacking the homeowner exemption. While we believe that creating an income property classification will serve the long-term best interests of homeowners as well as the city, we offer some amendments to Bill 7 as an interim solution.

HBR proposes a graduated tiered approach which helps to avoid the cliff effect and also propose setting the threshold as a multiple of the median home price on Oahu:

- Option A: Set the first rate for properties valued between \$1 million to 2 million; the second rate for properties valued between \$2 million to \$4 million; and a third rate for properties valued over \$4 million. This option would provide the City with more flexibility to generate the necessary revenue to balance the budget.
- Option B: Rate is set as a multiplier of the median home price on Oahu (\$735,000 in 2016). Residential A tier begin at \$1 million (less than 2 times (1.4) the median price). Subsequent levels would be set at \$2 million (less than three times (2.7) the median price), \$4 million (five and a half times (5.4) the median price). This option allows the city to generate revenue directly tied to the appreciation of property on Oahu. As the median price of a home on Oahu increases year after year, so will the beginning tax rate for Residential A. And concurrently, the revenue generated to the City will also increase.

In today's market, many modest homes are valued and taxed at the one million dollar level. Most at risk of this inequitable tax classification is our aging population, their ohana who have owned older Oahu homes for generations and renters, which tend to be in areas with higher property values such as Aina Haina, Manoa or Pauoa and many of the mauka areas around town like St. Louis or Pacific Heights and older communities like Kaimuki. These amendments – to offer a tiered rate to Residential A – would address the burden placed on local families whose properties values are inflated due to Oahu's rising cost of homeownership.

We look forward to continued work with the Budget Committee and Councilmembers.

Mahalo for your consideration.