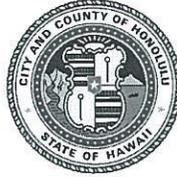


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KIRK CALDWELL
MAYOR



ROY K. AMEMIYA, JR.
MANAGING DIRECTOR
GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR

January 29, 2018

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: Bills 101 (2017), 102 (2017) & 103 (2017)
Relating to Financial Incentives

Thank you for the opportunity to testify at your Committee on Budget. I would like to take this opportunity to share comments, concerns and recommendations we shared at your committee meeting regarding Bills 101 (2017), 102 (2017) and 103 (2017).

Bill 101 (2017)

The Administration believes that retrofitting existing high-rise residential buildings with fire sprinkler systems is critical to making these buildings safe for their occupants. To help owners of units in these buildings afford the cost of sprinkler systems, the Administration supports a limited property tax credit for sprinkler installations. However, since the City needs to ensure that the revenue foregone through a property tax credit does not hinder the delivery of basic services and cause undue constraints on future operating budgets, the Administration recommends the following changes to Bill 101 (2017):

1. The property tax credit should only be made available for sprinkler systems installed in existing high-rise residential buildings with floors used for human occupancy located more than 75 feet above the highest grade and built prior to 1993.
2. The property tax credit be limited to \$2,000 per unit.
3. The property tax credit only be available to owners of units with home exemptions.
4. The property tax credit be able to be claimed over multiple years since many owners will pay less than \$2,000 a year in property taxes.
5. The property tax credit application be filed by the unit owner no later than 24 months after the installation of the sprinkler system.

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The Honorable Ron Menor
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and Members
January 29, 2018
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The Administration estimates that there are 6,454 units that may qualify for a property tax credit under these guidelines. If all units receive the credit, the foregone property tax revenue will be \$12.9 million, spread over a number of years as the sprinkler systems are installed.

Bill 102 (2017)

The Administration supports Bill 102 (2017). The waiver of the plan review fee and building permit fees for the installation of sprinkler systems in existing high-rise residential buildings will help reduce the cost of these projects. For example, on a \$1 million fire sprinkler project, the City would otherwise charge a plan review fee of \$1,483 and a building permit fee of \$7,415.

Bill 103 (2017)

The Administration appreciates and supports the intent of Bill 103 (2017) which proposes a loan fund for fire safety improvements for low-income property owners. However, the Administration believes that the establishment of this fund is unnecessary since the City already has a Rehabilitation Loan Program that can be used for this purpose. Through the Rehabilitation Loan Program, low-income homeowners can receive 0% loans for sprinkler installations.

Additionally, the Administration intends to propose to City Council a program to provide grants for sprinkler installations to low-income owner-occupants of existing high-rise buildings. This grant program will be part of the City's Community Development Block Grant Action Plan in a future year as existing high-rise buildings begin to install sprinkler systems.

Thank you for this opportunity to submit testimony on behalf of the Administration. We look forward to continuing to work with City Council on fire safety initiatives. Please feel free to call me at 768-6608.

Sincerely,



Peter M. Biggs
Executive Assistant

APPROVED:



Roy K. Amemiya, Jr.
Managing Director