

OFFICE OF THE MAYOR  
CITY AND COUNTY OF HONOLULU

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KIRK CALDWELL  
MAYOR

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

February 5, 2018

The Honorable Joey Manahan, Chair  
and Members  
Committee on Budget  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawaii 96813

Dear Chair Manahan and Councilmembers:

SUBJECT: Bills 101 (2017) & 102 (2017), Proposed Amendments  
Relating to Financial Incentives

Attached for your consideration are proposed CD1's for Bill 101 (2017) and Bill 102 (2017), as well as summaries of the proposed changes. These changes are consistent with my testimony at the last Budget Committee Meeting as well as the written testimony provided to City Council on January 29.

Should you have any questions, please contact me at 768-6608. Thank you for your consideration of these amendments.

Sincerely,

A handwritten signature in black ink that reads "Peter Biggs".

Peter Biggs  
Executive Assistant

APPROVED:

A handwritten signature in black ink that reads "Roy K. Amemiya, Jr.".

Roy K. Amemiya, Jr.  
Managing Director

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CITY COUNCIL  
HONOLULU, HAWAII

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**SUMMARY OF PROPOSED COMMITTEE DRAFT:**

**BILL 101 (2017)  
RELATING TO REAL PROPERTY TAXATION**

The PROPOSED CD1 makes the following amendments:

- A. Deletes the definition of "eligible costs" in Section 2 of the Bill and instead amends the definition section by adding the definition of "existing high-rise residential building" in Section 8-\_\_\_.1 as follows:

"Existing high-rise residential building" means any building that has floors used for human occupancy located more than 75 feet above the highest grade, contains dwelling units, and which was erected prior to 1993.

- B. Amends Sec. 8-\_\_\_.2, establishing an automatic sprinkler system tax credit for different types of existing high-rise residential buildings in Section 2 of the Bill, as follows:

**Sec. 8-\_\_\_.2 Automatic sprinkler system tax credit established.**

- (a) An owner of residential real property in an existing high-rise residential building is entitled to a single tax credit under this article against the owner's real property tax liability; provided that:
- (1) for a condominium unit in an existing high-rise residential building that is subject to a condominium property regime, the condominium unit owner has been granted an exemption under section 8-10.4, and an automatic sprinkler system is installed in the existing residential high-rise building by the association of apartment owners; or
  - (2) for an apartment unit in an existing high-rise residential building that is a multiunit residential building on land held by a cooperative apartment corporation (of which the proprietary lessee of such living unit is a stockholder), the owner of the cooperative apartment unit has been granted an exemption under section 8-10.5, and an automatic sprinkler system is installed in the existing high-rise residential building by the stockholders of the housing cooperative.

- (b) The amount of the tax credit is \$2,000 per condominium unit under Section 8-\_\_\_.2(a)(1), or per cooperative unit Section 8-\_\_\_.2(a)(2) if an automatic sprinkler system is either installed throughout the existing residential high-rise building or throughout the common areas of the existing residential high-rise building. If an existing high-rise residential building with an automatic sprinkler in the common areas is subsequently improved with an automatic sprinkler system throughout the entire building, no additional tax credit may be claimed. The tax credit of \$2000 per condominium unit under Section 8-\_\_\_.2(a)(1), or per cooperative unit Section 8-\_\_\_.2(a)(2) is the maximum allowable tax credit. In no event shall the amount of the resulting tax be less than the minimum tax as required in Section 8-11.1(g).
  
  - (c) The credit will be claimed against real property tax liability for the tax year immediately following approval of the application for the credit. If the credit under this section exceeds the real property tax liability for the tax year immediately following approval of the application for the credit, the excess of the credit over real property tax liability may be claimed as a credit against the real property tax liability in subsequent years until exhausted. All claims for the credit under this section shall be filed on or before September 30<sup>th</sup> preceding the tax year in which the credit is claimed. Failure to comply with this subsection shall constitute a waiver of the right to claim the credit.
  
  - (d) The tax credit under this section, once granted by the director, to the owner is not transferable or assignable to another owner upon a transfer or change of ownership of the condominium unit or cooperative unit in the existing high-rise residential building.
- C. Amends Sec. 8-\_\_\_.3(b), to provide that the claim for tax credit must be made no later than 24 months after the installation of the sprinkler system is completed as in Section 2 of the Bill, as follows:
- (b) The owner shall file an application therefor with the department of budget and fiscal services no later than 24 months after the installation of the automatic sprinkler system is completed. The application must be filed on or before September 30<sup>th</sup> preceding the tax year in which the credit is claimed.



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**A BILL FOR AN ORDINANCE**

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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 provide real property tax relief for eligible property owners following the installation of an automatic sprinkler system on the owner's property.

SECTION 2. Chapter 8, Revised Ordinances of Honolulu 1990, is amended by adding a new article to be appropriately designated by the Revisor of Ordinances and to read as follows:

**"Article \_\_. Tax credit for Installation of Automatic Sprinkler System**

**Sec. 8-\_\_ .1 Definitions.**

For the purposes of this article:

"Automatic sprinkler system" means an integrated system of underground and overhead piping designed in accordance with fire protection engineering standards. The system includes a suitable water supply. The portion of the system above the ground is a network of specially sized or hydraulically designed piping installed in a structure or area, generally overhead, and to which automatic sprinklers are connected in a systematic pattern. The system is usually activated by heat from a fire and discharges water over the fire area.

"Existing high-rise residential building" means any building that has floors used for human occupancy located more than 75 feet above the highest grade, contains dwelling units, and which was erected prior to 1993.

"Owner" or "property owner" means the same as defined in Section 8-6.3.

**Sec. 8-\_\_ .2 Automatic sprinkler system tax credit established.**

- (a) An owner of residential real property in an existing high-rise residential building is entitled to a single tax credit under this article against the owner's real property tax liability; provided that:



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## A BILL FOR AN ORDINANCE

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- (1) for a condominium unit in an existing high-rise residential building that is subject to a condominium property regime, the condominium unit owner has been granted an exemption under section 8-10.4, and an automatic sprinkler system is installed in the existing residential high-rise building by the association of apartment owners; or
- (2) for an apartment unit in an existing high-rise residential building that is a multiunit residential building on land held by a cooperative apartment corporation (of which the proprietary lessee of such living unit is a stockholder), the owner of the cooperative apartment unit has been granted an exemption under section 8-10.5, and an automatic sprinkler system is installed in the existing high-rise residential building by the stockholders of the housing cooperative.
- (b) The amount of the tax credit is \$2,000 per condominium unit under Section 8-\_\_\_.2(a)(1), or per cooperative unit Section 8-\_\_\_.2(a)(2) if an automatic sprinkler system is either installed throughout the existing residential high-rise building or throughout the common areas of the existing residential high-rise building. If an existing high-rise residential building with an automatic sprinkler in the common areas is subsequently improved with an automatic sprinkler system throughout the entire building, no additional tax credit may be claimed. The tax credit of \$2000 per condominium unit under Section 8-\_\_\_.2(a)(1), or per cooperative unit Section 8-\_\_\_.2(a)(2) is the maximum allowable tax credit. In no event shall the amount of the resulting tax be less than the minimum tax as required in Section 8-11.1(g).
- (c) The credit will be claimed against real property tax liability for the tax year immediately following approval of the application for the credit. If the credit under this section exceeds the real property tax liability for the tax year immediately following approval of the application for the credit, the excess of the credit over real property tax liability may be claimed as a credit against the real property tax liability in subsequent years until exhausted. All claims for the credit under this section shall be filed on or before September 30<sup>th</sup> preceding the tax year in which the credit is claimed. Failure to comply with this subsection shall constitute a waiver of the right to claim the credit.
- (d) The tax credit under this section, once granted by the director, to the owner is not transferable or assignable to another owner upon a transfer or change of ownership of the condominium unit or cooperative unit in the existing high-rise residential building.



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BILL 101 (2017) CD1  
(PROPOSED)

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**Sec. 8-\_.3 Administration—Rules.**

- (a) The director shall determine the eligibility of the owner for the tax credit upon review and verification that the high-rise residential building has installed an automatic sprinkler system in accordance with applicable building codes.
- (b) The owner shall file an application therefor with the department of budget and fiscal services no later than 24 months after the installation of the automatic sprinkler system is completed. The application must be filed on or before September 30th preceding the tax year in which the credit is claimed.
- (c) In accordance with HRS Chapter 91, the director shall adopt rules having the force and effect of law for the administration, implementation and enforcement of this article."



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BILL 101 (2017) CD1  
(PROPOSED)

**A BILL FOR AN ORDINANCE**

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SECTION 3. This ordinance take effect upon its approval and applies to the tax years beginning July 1, 2019 and thereafter.

INTRODUCED BY:

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DATE OF INTRODUCTION:

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\_\_\_\_\_  
Honolulu, Hawaii

\_\_\_\_\_  
Councilmembers

APPROVED AS TO FORM AND LEGALITY:

\_\_\_\_\_  
Deputy Corporation Counsel

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
KIRK CALDWELL, Mayor  
City and County of Honolulu

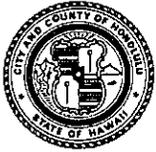
## SUMMARY OF PROPOSED CD1:

### BILL 102 (2017) RELATING TO FEES

The PROPOSED CD1 makes the following amendments:

A. Amends subparagraph (g) of Section 18-6.5 Exemptions in Section 2 of the Bill by removing the reference that the installation of automatic fire sprinkler systems be required by ordinance, and redefining "existing high-rise residential buildings," as follows:

(g) The building official shall waive the collection of that portion of any plan review and building permit fee attributable to the installation of automatic fire sprinkler systems for the suppression of fire in existing high-rise residential buildings. For the purposes of this section "existing high-rise residential building" means any building that has floors used for human occupancy located more than 75 feet above the highest grade, contains dwelling units, and which was erected prior to 1993."



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CITY AND COUNTY OF HONOLULU  
HONOLULU, HAWAII

ORDINANCE \_\_\_\_\_

BILL 102 (2017) CD1  
(PROPOSED)

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**A BILL FOR AN ORDINANCE**

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RELATING TO FEES.

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

SECTION 1. Purpose. The purpose of this ordinance is to provide incentives for the retrofitting of automatic fire sprinkler systems in certain existing high-rise residential buildings.

SECTION 2. Section 18-6.5, Revised Ordinances of Honolulu 1990, is amended to read as follows:

**"Sec. 18-6.5 Exemptions.**

- (a) The city, all agencies thereof and contractors therewith will be exempt from the requirement of paying plan review and permit fees.
- (b) The building official may grant an exemption from the requirement of paying plan review and permit fees for any person seeking to restore or reconstruct a structure damaged or destroyed as a result of a major disaster. For the purposes of this section:
  - (1) "Major Disaster" means any hurricane, tornado, storm, flood, high water, tsunami, earthquake, volcanic eruption, landslide, mud slide, fire, explosion or other catastrophe occurring in any part of the city that causes damage, suffering and loss to such a degree that:
    - (A) The President of the United States has declared, pursuant to the Disaster Relief Act of 1974, P.L. 93-288, that a major disaster exists such that the city or any part thereof is eligible for federal disaster assistance programs;
    - (B) The governor of the State of Hawaii has declared pursuant to HRS Chapter 209 that a major disaster has occurred;
    - (C) The mayor has issued a proclamation declaring the existence of a major disaster; or
    - (D) The council has adopted a resolution declaring the existence of a major disaster.



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- (2) "Restore and reconstruct" means any repair or other work performed to return a structure to its former condition that does not increase the floor area of the structure beyond that of the structure prior to the major disaster, is in conformance with the building code, flood hazard regulations, land use ordinance, and other applicable laws, and is started within two years of the major disaster.
- (3) The burden of proof that work to be performed qualifies for an exemption from the payment of building permit fees due to a major disaster will be on the owner of the structure. An applicant filing for such exemption must certify in writing that the work to be performed will be in conformance with the requirements of this section.
- (c) All owners and their contractors will be exempt from paying that portion of any building permit fee for permits issued after September 15, 1994 attributable to the installation of ultra-low flush toilets that they install on their properties to replace existing non-ultra-low flush toilets.
- (d) The building official shall waive the collection of any building permit fee for a period of three years where the business has been certified to be a qualified business pursuant to Section 35-1.3.
- (e) The building official shall waive the collection of any building permit fee for any person seeking to replace a dilapidated dwelling unit located on homestead land leased under the Hawaiian Homes Commission Act of 1920. For the purposes of this section:
- (1) "Dilapidated dwelling unit" means any residential home that has significantly deteriorated because of age, termites or other causes, which make the home unsafe, uninhabitable or unhealthy.
- (2) The burden of proof that a dwelling unit is dilapidated which qualifies for an exemption from the payment of building permit fees will be on the owner of the unit. An applicant filing for such exemption shall attach acceptable proof that the dwelling unit is dilapidated to the building permit application.
- (3) The replacement home may increase the floor area of the originally demolished or removed structure.
- (f) The building official shall waive the collection of any plan review and building



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permit fees exclusively for the creation of an "accessory dwelling unit," as defined in Section 21-10.1. The plan review and building permit fees that were collected for the creation of "accessory dwelling units" from the effective date of Ordinance 15-41 (September 14, 2015), will be reimbursed if requested by the permittee. Building permit fees and plan review fees will not be waived where a permit was required and work started or proceeded without obtaining a permit. In these cases, fees will be required pursuant to Section 18-6.2(d).

- (g) The building official shall waive the collection of that portion of any plan review and building permit fee attributable to the installation of automatic fire sprinkler systems for the suppression of fire in existing high-rise residential buildings. For the purposes of this section "existing high-rise residential building" means any building that has floors used for human occupancy located more than 75 feet above the highest grade, contains dwelling units, and which was erected prior to 1993."

SECTION 3. 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 underscoring.



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HONOLULU, HAWAII

ORDINANCE \_\_\_\_\_

BILL 102 (2017) CD1  
(PROPOSED)

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SECTION 4. This ordinance takes effect upon its approval.

INTRODUCED BY:

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DATE OF INTRODUCTION:

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Honolulu, Hawaii

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Councilmembers

APPROVED AS TO FORM AND LEGALITY:

\_\_\_\_\_  
Deputy Corporation Counsel

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
KIRK CALDWELL, Mayor  
City and County of Honolulu