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CITY CLERK  
HONOLULU, HAWAII

January 26, 2006

The Honorable Ann Kobayashi, Chair  
City Council Budget Committee  
City and County of Honolulu  
Honolulu, Hawaii 96813

BY FACSIMILE: 527-5733

Dear Chair Kobayashi and Council Members:

**RE: SPECIAL BUDGET COMMITTEE MEETING ON REAL PROPERTY TAX  
RELIEF PROPOSALS BASED ON: INCOME; LENGTH OF RESIDENCY;  
AND BROAD BASED RELIEF**

My name is Dean Uchida, Executive Director of the Land Use Research Foundation of Hawaii (LURF), testifying in regard to the various resolutions being considered by the Budget Committee regarding Relating to Real Property Tax Relief.

We support the intent of the Council's actions to provide real property tax relief for the residents of Honolulu. Tax assessed values, over the last three year period has gone up over 15% the first year, and over 20% the last two years. Without an adjustment in the tax rate, property owners will see a corresponding increase in their real property taxes.

Tax assessed real property values are a reflection of the economy, and go up and down with the market. The assessed values, simply provides a mechanism for government to collect revenues to pay for government services. In very simplistic terms, the Mayor and Council approve a budget which reflects the priorities of government services to be provided. The bulk of the funding for the programs in the budget is generated from the revenues collected through real property taxes.

Rather than focusing on the assessed values, the discussion should be focused on the budget priorities and the appropriate or proportionate share that each class should pay based on the services provided.

The following table is compiled from data from the Real Property Tax Division, City and County of Honolulu website. The revenues are for fiscal year 2005-2006. Improved residential and apartments comprise 90% of the total number of records or parcels, yet account for roughly 60% of the total real property tax revenues. Commercial, Industrial

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and Hotel/Resort represent 5.75% of the total number of records or parcels, yet account for 37.72% of the total real property tax revenues. Assuming no changes to the tax rates, and an overall increase in property value of 25%, for FY 2006-2007, the City is looking at an increase in real property tax of **\$145,450,280.00.**

Land Use Class	# of Records	% of Total # of Records	Rate (\$)	Revenues (\$)	% of Total	25% Increase (\$)
Residential (Improved)	148,402	56.54%	\$3.75	\$256,782,277	44.14%	\$320,977,846
Apartment	94,610	36.04%	\$3.75	\$92,516,977	15.90%	\$115,646,221
Commercial	6,070	2.31%	\$11.37	\$109,358,740	18.80%	\$136,698,425
Industrial	3,840	1.46%	\$11.37	\$56,536,574	9.72%	\$70,670,718
Hotel/Resort	5,188	1.98%	\$11.37	\$53,533,677	9.20%	\$66,917,097
Agricultural	2,315	.88%	\$8.57	\$6,307,305	1.08%	\$7,884,132
Vacant Agricultural	30	.01%	\$8.57	\$290,240	.05%	\$362,800
Preservation	801	.31%	\$9.57	\$3,475,134	.06%	\$4,343,918
Residential (Unimproved)	748	.28%	\$5.72	\$3,000,185	.52%	\$3,750,232
Public Service	475	.18%	0	0	0	0
Total	262,479			\$581,801,109		\$727,251,389

In a booming and growing economy, it may be an opportune time to reassess our view of the role of government. Clearly defining our expectations on the level of government services provided at both the state and county levels allows us to properly budget for these services. Reducing expenses hopefully moves us towards a reduction in taxes. Right sizing government when the economy is doing well allows people who work in programs that may not be a priority at this time to secure employment elsewhere. With a 2.5 % unemployment rate, people with marketable skills should find employment opportunities quickly.

It is a time to think long-term by not only investing in infrastructure for our future but “right-sizing” government services at levels that are sustainable in both good and bad economic times.

Thank you for this opportunity to express our views.