

HISTORIC HAWAII FOUNDATION

To: Honolulu City Council
Committee on Budget
The Honorable Ann H. Kobayashi, Chair

From: Kiersten Faulkner
Executive Director, Historic Hawai'i Foundation

Committee: Tuesday, May 12, 2015
9:00 a.m.
Council Committee Meeting Room, Honolulu Hale

RE: **Council Bill 28(2015) Relating to Real Property Tax Exemptions**

On behalf of Historic Hawai'i Foundation (HHF), I am writing with comments and concerns on CB28 (2015) Related to Real Property Tax Exemptions. The bill proposes to change the property tax exemption provided to historic residential properties by establishing the exemption at 50% of the assessed value, rather than the full exemption currently provided. HHF opposes CB28 (2015) and respectfully asks that Council defer the bill.

The City's real property tax reduction program offers owners of registered historic properties an economic incentive to preserve and protect these significant resources. The tax exemption allows owners to have some financial relief in the face of economic pressure to demolish, subdivide, redevelop or otherwise destroy historic properties. Economic incentives for historic preservation are vitally important, and the property tax exemption program helps to make preservation of our historic districts and buildings affordable when they may otherwise be at risk.

In 2011, City Council examined the historic residential property tax exemption program in detail, which led to amendments to provide for increased clarity, transparency and improved enforcement within the program. The Real Property Assessment Division then promulgated rules per the amended ordinance, and historic home owners have either come into compliance or have been removed from the program, either voluntarily or through enforcement action.

With these recent changes and improvements, the program appears to be working well as an incentive to preserve and protect historic homes. The program as is recognizes the value that historic homes contribute to the public good, and should not be amended. Historic Hawaii Foundation would prefer to see the historic residential property tax exemption program be unaltered.

The 2014 reports on real property exemptions and valuation¹ indicate that the program includes 266 historic residences on O'ahu, with a total exemption of about \$3.6 million. As a program to help preserve Oahu's

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Historic Hawai'i Foundation was established in 1974 to encourage the preservation of historic buildings, sites and communities on all the islands of Hawai'i. As the statewide leader for historic preservation, HHF works to preserve Hawai'i's unique architectural and cultural heritage and believes that historic preservation is an important element in the present and future quality of life, environmental sustainability and economic viability of the state.

historic neighborhoods and residences, the program is very cost effective, helping to perpetuate the characteristics and sense of place that are unique to each district.

The foregone tax revenue represented by the historic residential exemption represents about 0.7% of the total exemptions and about 0.017% of the City's annual operating budget of \$2.1 billionⁱⁱ. As a revenue-enhancement measure, increasing taxes on historic homes would have an insignificant impact on the city's operating budget, but would certainly impact the ability of the property owners to continue to preserve and maintain the historic properties. The low benefit does not justify the high impact to historic districts and residences.

Therefore, HHF recommends that the City retain its existing property tax exemption for historic properties dedicated for preservation, and we respectfully request that Council defer Council Bill 28 (2015).

ⁱ https://www.realpropertyhonolulu.com/content/rpadcms/documents/2014/14_ex.pdf

ⁱⁱ <http://www.honolulu.gov/rep/site/bfs/fy2015oper.pdf>

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