



To: Honolulu City Council Committee on Budget
The Honorable Joey Manahan, Chair

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

Committee: Wednesday, February 26, 2020
9:00 a.m.
Council Committee Meeting Room, Honolulu Hale

RE: **Council Bill 12 (2020) Relating to Real Property Tax Exemptions for Residential Real Property Dedicated for Preservation**

On behalf of Historic Hawai'i Foundation (HHF), I am writing with comments and concerns on CB12 (2020) relating to Real Property Tax Exemptions for Residential Real Property Dedicated for Preservation. The bill proposes to change the property tax exemption provided to historic residential properties by raising the annual minimum property tax for historic residences dedicated to preservation to \$1000 per year. The minimum property tax for other exemption categories would remain at the current level of \$300 annually. HHF opposes CB12 (2020) and respectfully asks that Council defer the bill.

Under the current tax incentive program for preserving historic homes, property owners may receive a tax exemption for the portion of the property dedicated for historic preservation, subject to conditions that include the property being listed on the Hawai'i Register of Historic Places, retaining the historic character, providing visual access from the public way and installing a plaque about the historic significance (ROH Sec 8-10.22).

The City provides at least 24 categories for property tax exemptions to encourage and support a variety of public benefits, including historic preservation, childcare centers, credit unions, slaughterhouses, industrial development, air pollution control, crop shelters, alternative energy development, public service, agriculture, kuleana lands, charitable purposes, low-income rental housing and others.

If the bill is approved, only historic residential properties would be subject to the higher annual minimum tax rate; other exemptions that qualify under their programs would pay the lower rate. This is an issue of basic fairness: as long as the property owners comply with the conditions required for the property tax exemptions, they should be treated the same as other categories. An increase of over 330% to the tax rate is not justified.

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.

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 CB 12 (2020).

Historic Hawai'i Foundation

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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.