

Honolulu Real Property Tax Advisory Commission Report Historic Preservation Fact Sheet

What is the Real Property Tax Advisory Commission?

In 2011 the Honolulu City Council created the Real Property Tax Advisory Commission and tasked it with conducting a systematic review of the City's real property tax system's classes, 53 types of exemptions, credits, and minimum property tax, using such standards as equity and efficiency starting with an initial review of current exemptions. The Commission will remain in place until June 30, 2012, at which point it will dissolve.

What will City Council do with the Commissions' recommendations?

The panel's recommendations were submitted at the City Council meeting on December 7, 2011. The report and recommendations are currently posted on the City Council's website and are open for a thirty day comment period, which closes January 9, 2012. In January the package will be forwarded to the Council, which will solicit more public feedback and will make a decision as to what to do with the Commissions' proposals.

How can I read their report and where do I send comments?

The report is available on the City Council's website:

<http://www4.honolulu.gov/docushare/dsweb/View/Collection-1656>

Comments on the report should be sent via email to cclbc@honolulu.gov or via mail to:

The Honorable Ernest Martin, Chair

Honolulu City Council

530 S. King Street, Rm.202

Honolulu, Hawai'i 96813-3065

What is Historic Hawai'i Foundation's position?

HHF recommends that the City retain its existing property tax exemption for historic properties dedicated for preservation; give the recent amendments and implementation a proving time to determine if they are effective; and table the Commission's recommendations in this regard. The Commission's recommendations could be revisited if and when the City determines that it will develop a comprehensive program for historic preservation incentives, regulations, and professional management, with accompanying staffing and administrative support.

What are the property tax exemption provisions for Historic Properties currently?

Under the current exemption (as of January 2012), historic homes that are dedicated for preservation and that meet certain conditions of historic significance, visibility, condition, and a posted plaque may be exempted from real property tax. If the petition is approved, and if the homeowner remains compliant with the conditions, occupants of homes receiving the exemption pay the minimum property tax. In June 2011, the City & County of Honolulu amended its property tax exemption for historic homes dedicated for preservation to clarify and strengthen the conditions for receiving the property tax exemption. Those new rules and conditions are currently being implemented and enforced.

Historic Hawai'i Foundation

680 Iwilei Road, Suite 690 • Honolulu, HI 96817 • Tel: 808-523-2900 • FAX: 808-523-0800 • www.historichawaii.org

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.

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There is also an exemption for commercial properties that are listed on the Hawai'i Register of Historic Places after January 1, 1977. Owners of these properties are afforded a 50% reduction in their property tax liability provided they meet certain requirements including recording a maintenance agreement with the Bureau of Conveyances.

More information on both programs can be found at www.historichawaii.org/n_04_tax.html. For official interpretations or resolutions of dispute please contact RPAD at (808) 768-3799 or (808) 768-7909.

How many properties currently receive historic preservation property tax exemptions?

On O'ahu, 259 residential and 6 commercial properties were approved for the 2012 historic preservation property tax exemptions. Most recent figures available (as of April 2011) showed total assumed foregone real property taxes of \$967,679 for residential properties and \$305,586 for commercial properties. Assumed foregone property tax exemptions for all 53 exemptions combined total \$271,803,951. Historic property tax exemptions comprise 4.7% of all foregone taxes, and represent about .0005% of the City's total operating budget (\$1,716,412,218).

What are the Commissions' recommended changes to the current exemption?

The Commission found that the characteristics of properties receiving the exemption vary substantially, and felt that a flat exemption amount is unfair to larger properties where there is substantial valuation in favor of a smaller and more modest home. It recommended that historic residential real property should be afforded relief by applying an assessment ratio that results in a valuation that is less than fair market value and that actual qualified maintenance expenditures be allowed to offset any resulting real property tax liability but no less than the minimum tax. The Commission looked at the provisions for commercial properties and feel that similar provisions could be applied to residential properties. Commercial properties are afforded a 50% reduction in their property tax liability provided they meet certain requirements.

Additionally, the commission feels that it is sometimes necessary for a residential property to generate income in order to be preserved. Therefore, it said it would be reasonable to allow owners of such historic residential properties to utilize the properties to generate resources that would assist in the cost of preserving and maintaining the historic structure. This would create two categories of residential properties—those residential structures that are not owner occupied could be assessed at a 50% assessment ratio, as could commercial properties, while those that are owner occupied could be assessed at a lesser ratio.

Another suggested change to the existing exemption is that consideration may be given to allowing owners of historic residential real property to offset their real property tax liability with the amount of qualified expenditures as certified by the State Historic Preservation Office.

No changes were suggested to the Commercial Property Tax Exemption.

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