

# MOVIN' ON UP

Oahu's gross valuations of residential properties have grown about 6.1 percent

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*The Pulse of Paradise*

## TAX ASSESSMENTS

# MOVIN' ON UP

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Across Oahu, the valuations for residential properties are going up 6.1 percent for the 2018-2019 tax year. That's less than the 6.9 percent increase being seen across all tax classification categories including hotel and resort properties (up 16.5 percent), commercial properties (up 7.5 percent) and industrial properties (up 8.9 percent). The total assessed value for the island's taxable property now stands at \$258.03 billion, up from \$241.33 billion the prior year.

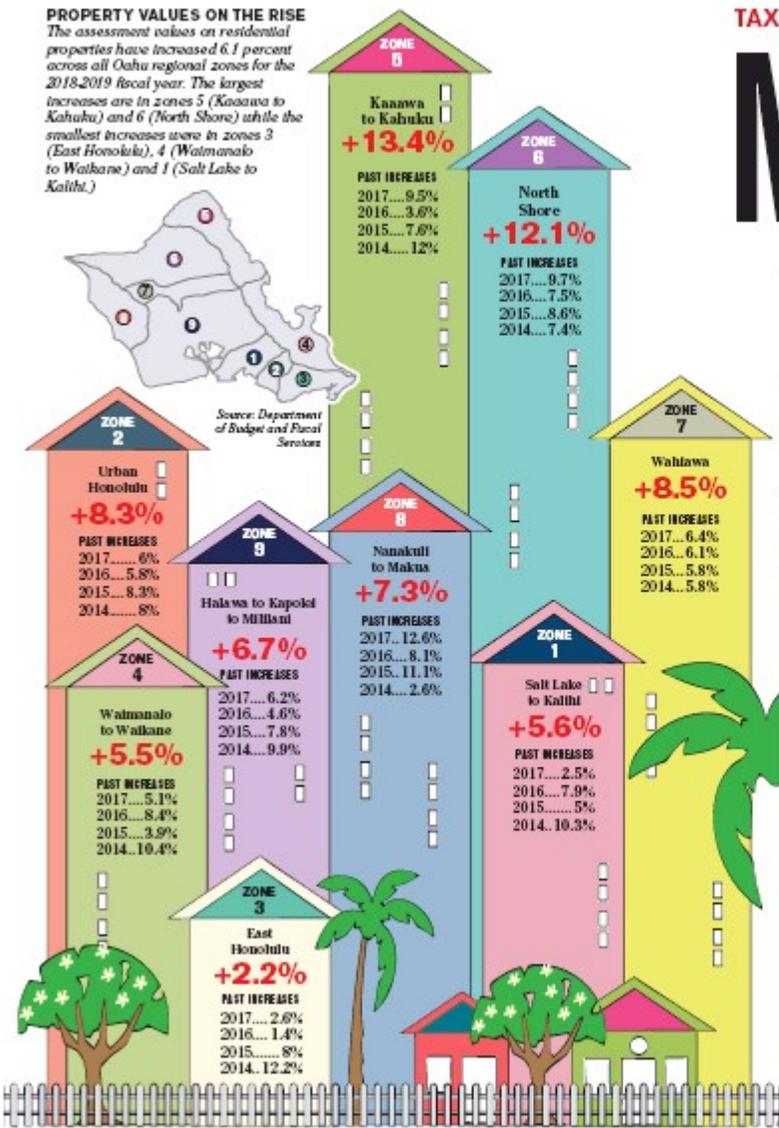
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**PROPERTY VALUES ON THE RISE**  
The assessment values on residential properties have increased 6.1 percent across all Oahu regional zones for the 2018-2019 fiscal year. The largest increases are in zones 5 (Kaaawa to Kahuku) and 6 (North Shore) while the smallest increases were in zones 3 (East Honolulu), 4 (Waimanalo to Waikane) and 1 (Salt Lake to Kalihi.)



Source: Department of Budget and Fiscal Services



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The city Real Property Assessment Division will send out approximately 300,000 assessment notices to property owners Friday. Another 13,500 property owners who signed up for electronic notices will receive their information via email.

The notices are not bills, but city officials stress that property owners should study them to see if they want to appeal their assessments. The deadline to appeal is Jan. 15.

#### Tax calculation

The value of a property multiplied by a rate set each June by the Honolulu City Council forms the basis of a property's annual tax bill. So whether the Council decides to keep residential tax rates the same or increase them, North Shore and Koolauloa residential property owners could face a double-digit percent spike in their taxes.

The assessed values are as of Oct. 1, 2017, and reflect sales data for the year ending June 30, 2017. Assessors value properties based on sales within their respective neighborhoods. "Differences between the sold properties and subject properties are considered," Real Property Assessment Division officials said in an email in response to questions. "Superior and inferior features of sold properties are adjusted accordingly to the subject property."

Sue Ann Lee, president of the Honolulu Board of Realtors, said the assessments made by the city are consistent with the data her organization has gathered.

"This means we still have a huge lack of (housing) inventory that's continuing to drive up the prices," Lee said. "I feel like a broken record sometimes. There's just a lack of inventory."

While assessments, on average, increased across all nine regions, the North Shore and Kaaawa-to-Kahuku regions were the only ones to see double-digit increases.

Kathleen Pahinui, chairwoman of the North Shore Neighborhood Board, said she strongly suspects the higher values are being caused by a surge in homes being purchased in those areas as second homes by people who are converting them into illegal bed-and-breakfast establishments and other vacation rentals.

I'm not making any money off of my house. My neighbors, a couple of them, have sold for over a million dollars — good luck to them. But don't make me pay for the money they made because they made a lot of money. I haven't made that kind of money. I'm a senior citizen trying to make it work."

Mike Lyons Haleiwa resident

#### Investment property

The buyers are willing to pay higher prices knowing that they will be able to recoup their money quickly through rentals, Pahinui said.

Not only are they raising the property assessments — and taxes — of the houses around them, those buyers are "taking valuable stuff out of the market," she said.

Illegal vacation rentals and the adverse impact they're having on the housing market in the Kahuku-to-Kaaawa region were among the issues discussed at a recent Honolulu City Council committee meeting

on plans for more housing in the Koolauloa region.

Longtime Haleiwa homeowner Mike Lyons, concerned about the hike in assessed values in his neighborhood, said he's tired of paying higher taxes and believes the city should impose higher taxes only after a house is sold.

"I'm not making any money off of my house," Lyons said Wednesday. "My neighbors, a couple of them, have sold for over a million dollars — good luck to them. But don't make me pay for the money they made because they made a lot of money. I haven't made that kind of money. I'm a senior citizen trying to make it work."

#### Worried residents

Councilman Ernie Martin, who represents Central Oahu, the North Shore and Koolauloa, said he was surprised by the higher assessed values in the North Shore and Kaaawa-to-Kahuku regions and anticipates city offices will see an increase in calls in the coming days from residents in those areas worried that their property taxes will jump considerably next year.

City tax officials said the North Shore and Kaaawato-Kahuku regions represent about 3 percent of the residential properties on the island.

Because there have not been any substantial new development projects in those areas lately, Martin said, he only can surmise that the increase likely is being caused by illegal vacation rentals driving up the prices of homes for sale.

"You do have a lot of people who are buying properties at inflated values, primarily speculating that they can make their money back through ... transient vacation rentals," Martin said.

#### Higher tax category

Martin said he also suspects a number of North Shore and Koolauloa residential properties are being pushed into the so-called Residential A tax class category, which consists of homes assessed at values of \$1 million or more.

City tax officials said there are 12,321 parcels in the Residential A category this year, up from the prior year's 10,808.

Starting in the current 2017 fiscal year, those in the Residential A tax rate are paying \$4.50 for every \$1,000 of net taxable value for the first \$1 million, and then \$9 per \$1,000 for any value in excess of \$1 million.

Other residential property owners pay \$3.50 for every \$1,000 of value.

For questions about appealing property tax assessments, call the Appeal Hotline at 768-7000 from 7:45 a.m. to 4:30 p.m. weekdays starting Friday through Jan. 12 or email [bfsrpmmailbox@honolulu.gov](mailto:bfsrpmmailbox@honolulu.gov). For more information or to file an appeal online, go to [realpropertyhonolulu.com](http://realpropertyhonolulu.com).