

FOR ACTION

I. SUBJECT

Consider Authorizing the Executive Director to Schedule Hearings Pursuant to Chapter 91, Hawai‘i Revised Statutes (“HRS”), and Chapter 201M, HRS, Regarding A Proposed Amendment to the 2024 Kaka‘ako Mauka Area Rules, Chapter 15-217 (“2024 Mauka Area Rules”), Hawai‘i Administrative Rules, Section 15-217-57(c) to Change the Maximum Floor Area Ratio from 3.5 to 1.5 to Address Inadequate Infrastructure and Floor Area Requirements in the Central Kaka‘ako Neighborhood Zone.

II. BACKGROUND

The 2024 Mauka Area Rules for the Kaka‘ako Community Development District (“CDD”) took effect on January 13, 2025. Modifications to §15-217-57 (adequate infrastructure) raises the allowable density in Central Kaka‘ako to a floor area ratio (“FAR”) of 3.5, but the floor area calculation now includes structured parking (equivalent to about 2.0 FAR). The inclusion of the structured parking FAR for a total FAR of 3.5, aligns with the HCDA’s efforts to disincentivize on-site parking.

Ordinance 16-21 (“ordinance”) was adopted by the Honolulu City Council in 2016. The ordinance identified the central Kaka‘ako neighborhood zone to demonstrate how to preserve and promote small-business industrial uses within transit-oriented development zones. The ordinance provided a 50% reduction in real property tax valuations for industrial uses for a 10-year period within this area. The ordinance requires applicants to get HCDA to certify that the maximum buildable floor area ratio (FAR) is 1.5, as required by HAR §15-217-57). This exemption must be refiled every two years (before September 30th). The property tax reduction applies to tax years beginning July 1, 2017 and ending June 30, 2027.

III. DISCUSSION


The impacts on property taxes in Central Kaka‘ako was an unintended consequence of the modifications to the allowable FAR. This could increase the property taxes and cause hardship for eligible industrial uses. HCDA is recommending that the language of §15-217-57 be modified to reference a maximum FAR of 1.5, excluding parking. It is unclear whether or not the City and County of Honolulu (“City”) would apply this rule change to the 2026 assessments, which are valued as of October 1, 2025. The exemption is set to end on June 30, 2027, and it is also unknown if the City is planning to extend this program.

IV. RECOMMENDATION

Authorize the Executive Director to Schedule Hearings Pursuant to Chapter 91, Hawai‘i Revised Statutes (“HRS”), and Chapter 201M, HRS, Regarding A Proposed Amendment to the 2024 Kaka‘ako Mauka Area Rules, Chapter 15-217 (“2024 Mauka Area Rules”), Hawai‘i Administrative Rules, Section 15-217-57(c) to Change the Maximum Floor Area Ratio from 3.5 to 1.5 to Address Inadequate Infrastructure and Floor Area Requirements in the Central Kaka‘ako Neighborhood Zone.

Attachments:

Exhibit A – Ordinance 16-21

Prepared By: Ryan Tam, Director of Planning and Development: 

Reviewed By: Craig K. Nakamoto, Executive Director: *Craig K. Nakamoto*



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ORDINANCE 16-21
BILL 61 (2015), CD2, FD1

A BILL FOR AN ORDINANCE

RELATING TO INDUSTRIAL LANDS.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose. The purpose of this ordinance is to preserve and promote industrial uses within areas designated as transit-oriented development zones. One direct means of promoting industrial uses in such areas is through modifications to the real property tax valuations for property used for such uses.

SECTION 2. Chapter 8, Article 10, Revised Ordinances of Honolulu 1990 ("Exemptions"), is amended by adding a new section to be appropriately designated by the revisor of ordinances and to read as follows:

"Sec. 8-10. Exemption—Central Kakaako industrial zone limited development."

- (a) The central Kakaako industrial zone is identified as a demonstration area in which to exempt a portion of certain industrial properties from taxation to preserve such uses in the zone.
- (b) For the purposes of this section, "floor area ratio" means the same as defined in Hawaii Administrative Rules Section 15-217-8.
- (c) The exemption from real property taxes for real property, or a portion thereof, is 50 percent of the assessed value, provided that the property is:
 - (1) Located within the central Kakaako industrial zone as illustrated in attached Exhibit 1, which includes:

- (A) The area bounded by the following street segments:

Starting at the intersection of Waimanu Street/Kamani Street; Waimanu Street to the intersection of Waimanu Street/Kamakee Street; Kamakee Street to the intersection of Kamakee Street/Kona Street; Kona Street to the intersection of Kona Street/Hopaka Street; Hopaka Street to the intersection of Hopaka Street/Piikoi Street; Piikoi Street to the intersection of Piikoi Street/Waimanu Street; Waimanu Street to the intersection of Waimanu Street/Queen Street; Queen Street to the intersection of Queen Street/Ward Avenue; Ward Avenue to the intersection of Ward Avenue/Halekauwila Street; Halekauwila Street to the intersection



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of Halekauwila Street/Cooke Street; Cooke Street to the intersection of Cooke Street/Kawaiahao Street; Kawaiahao Street to the intersection of Kawaiahao Street/Kamani Street; and ending at Kamani Street to the intersection of Kamani Street/Waimanu Street;

- (B) The parcels on the makai side of Queen Street identified as Tax Map Keys: 2-3-002:057, 058, 066, 067, 069, 086, 087, and a portion of 059; and
- (C) The parcels on the mauka side of Kawaiahao Street and the makai side of Waimanu Street identified as Tax Map Keys: 2-1-049:070, 072, 071, 073, 049, 048, 047, 046, 045, 043, 042, 041, 040, 050, 076, and 054;
- (2) Is actively and continuously used for one of the following industrial uses:
 - (A) Repair services, provided all operations are enclosed;
 - (B) Warehouses;
 - (C) Manufacturing, including furniture and fixtures; stone, clay, and glass products, including pottery and related products, flat glass, glass and glassware (pressed or blown), and cut stone and stone products; fabricated metal products, except ordnance, machinery and transportation; office, computing and accounting machines; electrical machinery, equipment and supplies; motorcycles, bicycles, and parts; professional, scientific, and controlling instruments, musical instruments, photographic and optical goods; watches and clocks; food and related products; textile mill products; apparel and other finished products made from fabrics and similar materials; printing, publishing, and allied industries; chemicals and allied products; rubber and miscellaneous plastic products; tobacco products; leather and leather products; and miscellaneous manufacturing industries;
 - (D) Manufacturing services and warehousing, including: special trade construction and storage yards, provided all operations are totally enclosed; electric substations, transformery; gas substation; water reservoir or pump station; telephone; nonextensive yard use; wholesaler with stock; and automotive repair and services, provided all operations are totally enclosed;



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- (E) Laundry, laundry service, and cleaning and dyeing plant (includes self-service laundry);
- (F) Motion picture recording and sound studios;
- (G) Miscellaneous business services, including duplicating; blueprinting; linen supply; services to dwellings; typewriter repair; armature rewinding; and general fixit shop;
- (H) Freight movers and canteen services;
- (I) Printing, lithographic, publishing, photographic processing, or similar uses;
- (J) Lumber and building materials storage and sales, provided all operations are totally enclosed;
- (K) Miscellaneous services, including electrical shop; reupholstery and furniture repair; and electrical motor repair and rebuild; data processing; food preparation, and catering;
- (L) Wholesaler without stock, including motor vehicle and equipment; drug, chemical and allied product; dry goods and apparel; groceries and related products; farm product, raw material; electrical goods; hardware and supply; and machinery, equipment, and supply;
- (M) Aluminum cans collection, provided all operations are totally enclosed;
- (N) Automobile service stations, car washes, and car rental establishments, provided that they comply with the following requirements:
 - (i) A solid fence or wall of six feet in height is required on the side and rear property lines;
 - (ii) The station must be illuminated so that no unshielded, unreflected or undiffused light source is visible from any public area or private property immediately adjacent thereto;



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- (iii) All areas not landscaped must provide an all-weather surface; and
- (iv) No water produced by activities on the lot is permitted to fall upon, or drain across, public streets and sidewalks; or
- (O) Personal services establishments, including dry cleaning and dyeing; and
- (3) Determined by the Hawaii Community Development Authority as being limited to a maximum floor area ratio of 1.5 due to inadequate infrastructure under Hawaii Administrative Rules Section 15-217-57."

SECTION 3. Chapter 8, Article 10, Revised Ordinances of Honolulu 1990 ("Exemptions"), is amended by adding a new section to be appropriately designated by the revisor of ordinances and to read as follows:

"Sec. 8-10. Claim for exemption—Central Kakaako industrial zone limited development.

- (a) An initial application for exemption under Section 8-10. shall be filed with the director by September 30th preceding the tax year for which the exemption is claimed. A copy of a certification from the Hawaii Community Development Authority confirming that the property is subject to the maximum floor area ratio of 1.5, as required by Hawaii Administrative Rules Section 15-217-57, shall be filed with the application along with any additional documents determined by the director to be necessary to supplement the application.
- (b) Two years after the initial year for which the property has qualified for an exemption under Sec. 8-10. , and every two years thereafter for as long as applicable, the owner of the property shall file, on or before September 30th, a recertification by the Hawaii Community Development Authority confirming that the property is still subject to the maximum floor area ratio of 1.5, as required by Hawaii Administrative Rules Section 15-217-57.
- (c) An owner who fails to file for a recertification from the Hawaii Community Development Authority by the respective September 30th deadline shall have the exemption cancelled by the director, and the property shall be subject to taxes and penalties pursuant to subsection (f).



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- (d) In the event the director finds that the initial claim for exemption or subsequent recertification by the Hawaii Community Development Authority contains false or fraudulent information, the director shall cancel the exemption retroactive to the date the exemption was first granted pursuant to an initial filing under subsection (a), and the project shall be subject to the taxes and penalties determined in subsection (f).
- (e) The owner may cancel the exemption by filing a notice of cancellation, and the owner shall not be subject to any penalties, provided that the owner has not filed any claim for exemption or any recertification that contained false or fraudulent information.
- (f) In the event a property is subject to taxes and penalties as provided in subsection (c) or (d), the differences in the amount of taxes that were paid and those that would have been due but for the exemption allowed shall be payable, together with interest at 10 percent per annum, from the respective dates that these payments would have been due. The taxes and penalties due shall be a paramount lien upon the real property."

SECTION 4. Ordinance material to be repealed is bracketed and new material is underscored. When revising, compiling or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the revisor of ordinances need not include the brackets, the bracketed material or the underscoring.



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SECTION 5. This ordinance takes effect upon its approval and applies to tax years beginning July 1, 2017 for a period extending between July 1, 2017 and June 30, 2027.

INTRODUCED BY:

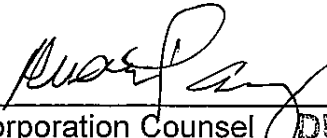
Carol Fukunaga

DATE OF INTRODUCTION:

July 30, 2015
Honolulu, Hawaii

Councilmembers

APPROVED AS TO FORM AND LEGALITY:


Deputy Corporation Counsel **DUANE W.H. PANG**

APPROVED this _____ day of _____, 20____.

KIRK CALDWELL, Mayor
City and County of Honolulu

EXHIBIT A

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII
CERTIFICATE

ORDINANCE 16-21

BILL 61 (2015), CD2, FD1

Introduced: 07/30/15

By: CAROL FUKUNAGA

Committee: BUDGET

Title: A BILL FOR AN ORDINANCE RELATING TO INDUSTRIAL LANDS

Voting Legend: * = Aye w/Reservations

08/05/15	COUNCIL	BILL PASSED FIRST READING AND REFERRED TO COMMITTEE ON BUDGET. 9 AYES: ANDERSON, ELEFANTE*, FUKUNAGA, KOBAYASHI, MANAHAN, MARTIN, MENOR, OZAWA, PINE.
08/19/15	BUDGET	BILL AMENDED TO CD1 AND DEFERRED IN COMMITTEE.
02/06/16	PUBLISH	PUBLIC HEARING NOTICE PUBLISHED IN THE HONOLULU STAR ADVERTISER.
02/10/16	BUDGET	CR-37(16) – BILL REPORTED OUT OF COMMITTEE FOR PASSAGE ON SECOND READING AND SCHEDULING OF A PUBLIC HEARING AS AMENDED IN CD1 FORM.
02/17/16	COUNCIL/PUBLIC HEARING	CR-37(16) ADOPTED. BILL PASSED SECOND READING AS AMENDED, PUBLIC HEARING CLOSED AND REFERRED TO COMMITTEE ON BUDGET. 9 AYES: ANDERSON, ELEFANTE*, FUKUNAGA, KOBAYASHI, MANAHAN, MARTIN, MENOR, OZAWA, PINE.
02/24/16	PUBLISH	SECOND READING NOTICE PUBLISHED IN THE HONOLULU STAR-ADVERTISER.
03/02/16	BUDGET	BILL DEFERRED IN COMMITTEE.
06/15/16	BUDGET	CR-200(16) – BILL REPORTED OUT OF COMMITTEE FOR PASSAGE ON THIRD READING AS AMENDED IN CD2 FORM.
07/06/16	COUNCIL	BILL AMENDED TO FD1. 9 AYES: ANDERSON, ELEFANTE, FUKUNAGA, KOBAYASHI, MANAHAN, MARTIN, MENOR, OZAWA, PINE. CR-200(16) ADOPTED AND BILL 61 (2015), CD2, FD1 PASSED THIRD READING. 8 AYES: ANDERSON, FUKUNAGA, KOBAYASHI, MANAHAN, MARTIN, MENOR, OZAWA, PINE. 1 NO: ELEFANTE.

I hereby certify that the above is a true record of action by the Council of the City and County of Honolulu on this BILL.


GLEN I. TAKAHASHI, CITY CLERK


ERNEST Y. MARTIN, CHAIR AND PRESIDING OFFICER

ORDINANCE NO. 16-21

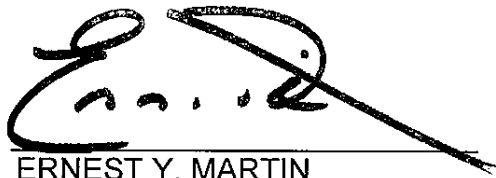
CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

C E R T I F I C A T E


I hereby certify that on July 7, 2016, Bill 61 (2015), CD2, FD1 was presented to the Honorable Kirk Caldwell, Mayor of the City and County of Honolulu, for his approval or otherwise; and that on July 21, 2016, the Mayor returned said Bill without his signature; therefore, pursuant to Section 3-203 of the Revised Charter of Honolulu, said Bill 61 (2015), CD2, FD1 became a duly enacted ordinance on July 21, 2016.

Dated, Honolulu, State of Hawaii, this 21st day of July, 2016.

CITY COUNCIL

By 
ERNEST Y. MARTIN
Chair and Presiding Officer

ATTEST:


GLEN TAKAHASHI
City Clerk