

DEPARTMENT OF BUDGET AND FISCAL SERVICES

CITY AND COUNTY OF HONOLULU

SUBTITLE 5 REAL PROPERTY ASSESSMENT RULES

CHAPTER 21

VALUATION OF OFF-BASE MILITARY HOUSING PROJECTS

§21-1 Purpose

§21-2 Definitions

§21-3 Eligibility

§21-4 Methodology used to determine fair market value

§21-5 Reporting requirements

§21-6 Severability

§21-7 Effective date

§21-1 Purpose. The purpose of this chapter is to implement and clarify the provisions of Section 8-10.18 Lessees of Exempt Real Property, Revised Ordinances of Honolulu 1990, as amended ("ROH"), pertaining to the assessment of exempt real property by establishing the methodology that shall be used to determine the fair market value of military housing projects situated on federal property leased to a private person that are located outside of a military base and are subject to the National Defense Authorization Act for Fiscal Year 1996, P.L. 104-106, Title XXVIII, Subtitle – Military Housing Privatization Initiative (codified at 10 U.S.C. Sections 2871-2885), as amended.

§21-2 Definitions.

(a) As used in these rules and regulations:

- (1) "Cost approach" shall mean the method of estimating the value of property by: (A) estimating the cost of construction based on replacement cost new or trended historical cost (adjusted by a local multiplier, if applicable); (B) subtracting depreciation; and (C) adding the estimated land value.
- (2) "Depreciation" shall mean a loss in value of an object, relative to its replacement cost new or original cost, whatever the cause of the loss in value. Depreciation is sometimes sub-divided into three types: physical depreciation (wear and tear), functional obsolescence (suboptimal design in light of current technologies or tastes), and external (economic) obsolescence (poor location or radically diminished demand for the product).
- (3) "Local multiplier" shall mean an adjustment to replacement cost new or historical cost, to reflect local costs.
- (4) "Replacement cost new" shall mean the cost, including material, labor, and overhead, that would be incurred in constructing an improvement having the same utility to its owner as a subject improvement. The replacement cost concept implicitly eliminates all functional obsolescence from the value given; thus only physical depreciation and external (economic) obsolescence need to be subtracted to obtain replacement cost

new less depreciation.

- (5) "Special-purpose property" shall mean a property that is appropriate for one use or a limited number of uses and that has relatively few potential buyers, as a result of a unique design, special construction materials, government-imposed restrictions on use, or a layout that restricts its utility to a particular use.
- (b) Use of Gender and Number. Words importing the singular number shall extend to and include the plural; words importing the plural shall extend to and include the singular; and words importing the masculine or the female gender shall extend to and include the female and the masculine as the case may be.

§21-3 Eligibility.

- (a) Parcels eligible under this rule include properties that are (1) located on government-owned property leased from the government; (2) located outside of a military base; (3) subject to government-imposed restrictions on the use of the property; and (4) used for the purpose of housing military personnel.
- (b) Properties meeting the criteria set forth in Section 21-3(a) of this Rule shall be designated as a special-purpose property, as defined in Section 21-2(a)(5).

§21-4 Methodology used to determine fair market value.

- (a) Pursuant to ROH Section 8-7.1(a), the director of the Department of Budget and Fiscal Services ("director") shall cause the fair market value of all taxable real property to be determined and annually assessed by the market data and cost approaches to value using appropriate systematic methods suitable for mass valuation of real property for taxation purposes, so selected and applied to obtain, as far as possible, uniform and equalized assessments throughout the county.
- (b) In accordance with generally accepted appraisal practices and the provisions set forth in ROH Section 8-7.1, the fair market value of special-purpose properties not frequently exchanged in the market shall be determined by applying the cost approach to valuation to the improvements.
- (c) In recognition of government-imposed limitations placed on such special-purpose properties, the assessment shall be adjusted by applying a 20% discount to the fair market value of the improvements. This discount shall not be applied to the land.

§21-5 Reporting requirements.

- (a) A form prescribed by the director must be completed as part of the initial filing and annually thereafter for each Parcel ID (Tax Map Key) number and the required supporting documents must be attached prior to submission.
- (b) The deadline for reporting information shall be no later than September 1st preceding the tax year to which the information applies.
- (c) Information and documentation to be provided in conjunction with an initial filing shall include:
 - (1) Copies of currently in-force leases for each project.
 - (2) Copies of documents identifying government-imposed restrictions or limitations on use.
 - (3) Specific information for each project:
 - (A) Parcel ID (Tax Map Key) numbers;
 - (B) Number of units by unit type;

- (C) Occupancy rates, including:
 - (i.) total,
 - (ii.) military, and
 - (iii.) civilian;
- (D) Average rent per project; and
- (E) Average rent per unit type for each project:
 - (i.) single family units; and
 - (ii.) multi-family units (duplex, triplex, apartment, etc.).
- (4) Information on all projects, including:
 - (A) Architectural site and floor plans for each building and unit type, including community buildings (i.e., swimming pools, recreation or community centers, playgrounds, etc.); and
 - (B) Timetable for completion of construction or renovation.
- (5) Information regarding the replacement cost values listed in each and every fire and peril insurance policy currently covering the subject property or portion thereof.
- (d) Documentation and information to be provided annually after the initial filing shall include:
 - (1) Copies of new leases that replace expiring leases previously submitted.
 - (2) Copies of any new documents identifying government-imposed restrictions or limitations on use that supersede documents previously submitted.
 - (3) Specific information for each project:
 - (A) Parcel ID (Tax Map Key) numbers;
 - (B) Number of units by unit type;
 - (C) Occupancy rates, including:
 - (i.) total,
 - (ii.) military, and
 - (iii.) civilian;
 - (D) Average rent per project;
 - (E) Average rent per unit type for each project:
 - (i.) single family units; and
 - (ii.) multi-family units (duplex, triplex, apartment, etc.).
 - (4) Information on newly constructed projects or projects being renovated, including:
 - (A) Architectural site and floor plans for each building and unit type, including community buildings (i.e., swimming pools, recreation or community centers, playgrounds, etc.); and
 - (B) Timetable for completion of construction or renovation.
 - (5) Information regarding the replacement cost values listed in each and every fire and peril insurance policy currently covering the subject property or portion thereof.

§ 21-6 Severability. If any provision of this rule, or the application to any persons or circumstances is held invalid, the remainder of the rule, or the application of the provision to other persons or circumstances, shall not be affected.


§ 21-7 Effective date. These rules shall take effect ten days after filing with the office of the City Clerk.

APPROVED AS TO FORM AND LEGALITY:



Deputy Corporation Counsel

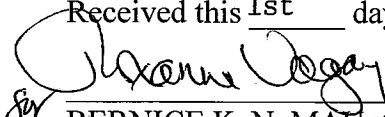
APPROVED:



KIRK W. CALDWELL, Mayor
City and County of Honolulu

Dated: FEB 26 2013

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BERNICE K. N. MAU, City Clerk