

# **OFFICE OF THE CITY AUDITOR**

City and County of Honolulu  
State of Hawai'i

## **Audit of the Real Property Assessment Division**



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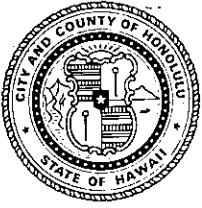
A Report to the  
Mayor  
and the  
City Council  
of Honolulu

Submitted by

**THE CITY AUDITOR**  
CITY AND COUNTY  
OF HONOLULU  
STATE OF HAWAII

Report No. 13-02  
October 2013





OFFICE OF THE CITY AUDITOR  
CITY AND COUNTY OF HONOLULU

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EDWIN S.W. YOUNG  
CITY AUDITOR

October 4, 2013

The Honorable Ernest Y. Martin, Chair  
and Members  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawai'i 96813

Dear Council Chair Martin:

A copy of our final report on the *Audit of the Real Property Assessment Division* is attached. The audit was conducted pursuant to Council Resolution 10-269, which requested the city auditor to conduct a performance audit of the Real Property Assessment Division (RPAD) of the Department of Budget and Fiscal Services. The audit objective was to evaluate the RPAD processes related to the classification, reclassification, valuation, and assessment of real property for taxation purposes. The audit was performed in accordance with generally accepted government auditing standards from June 2012 to September 2013.

The City and County of Honolulu has the authority to assess, tax, and collect real property taxes as authorized by the provisions of Chapter 8, Revised Ordinances of Honolulu. Real property taxes are the primary source (43%) of revenues for the city's general fund and totaled over \$812.5 million in fiscal year 2012. The Real Property Assessment Division (RPAD) assesses and calculates taxes for all real property within the City and County of Honolulu; and is responsible for ensuring real property assessment values are fair and equitable, based on market value, and in accordance with applicable standards and laws. RPAD annually provides the city council a certified assessment roll that is used to set the tax rates for the various land classes and to generate tax revenues for the city.

During our review, we found the following:

- Best practices established by professional tax assessment organizations help ensure tax classifications are based on accurate and reliable data. Our sample results indicated real properties were inconsistently classified because tax assessment staff was not following best practices such as performing physical inspections, focusing on data quality assurance, maintaining and updating databases, or complying with existing administrative policies and procedures. As a result, tax assessments were inconsistent and inequitable; exemption and dedication property requirements were violated, and taxes assessed did not reflect the highest and best use of the properties. For example, our sample showed care homes and skilled nursing homes were not paying the proper tax assessments, because land use issues that might have affected classifications were not resolved.



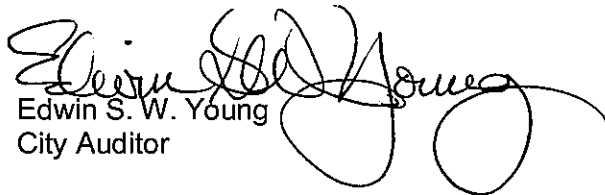
- For tax year 2010-2011, RPAD attempted to resolve classification problems concerning residential class properties in mixed use zones by reclassifying them to the commercial or industrial class. The substantial increase in property taxes generated many property owner complaints and appeals to the city council. The city council subsequently passed resolutions 10-260 and 11-105 that authorized tax adjustments and attempted to resolve problems created when properties were reclassified from residential to commercial or industrial classifications. Our analysis of the properties listed in the resolution indicated the problems have not been resolved because the real property data listed in the resolutions were not accurate, reliable, or complete. As a result, non-qualified property owners received \$381,744 in questionable tax adjustments.
- Upon successful application, the city provides a property tax exemption for historic residential properties listed on a historic register. The exemption usually reduces property taxes from a full assessment to the minimum of \$300 per year. City ordinances and rules impose specific requirements for property owners to obtain and retain the tax benefits of the historic residential dedication. Our sample results identified many violations of and non-compliance with historical residential property dedication requirements. The violations existed because RPAD did not actively monitor and enforce compliance with the historic property dedication requirements; conduct inspections of the properties; and maintain current or accurate information on the properties. Real property tax assessment staff did not formally communicate and coordinate with the Department of Planning and Permitting to resolve issues regarding legally permitted uses of historic properties. Based on our sample, we estimate the city could increase tax revenues by over \$555,000 if RPAD monitors and enforces historic property dedication requirements and cancels the historic property exemptions for non-compliant property owners.
- We also found other deficiencies including potential illegal or unpermitted commercial use of residential historic properties, incomplete compliance with historic property requirements, and data management shortcomings. The real property assessment staff needs to take immediate action to ensure property owners comply with the historic property requirements and to prevent abuses of the historic property dedication, given the substantial tax benefits granted.
- Real property taxes are the primary source of revenues for the city's general fund. The city council therefore needs assurance that the tax information provided by the real property assessment division is accurate. Our sample results showed many inconsistencies and inaccuracies in classifications, tax assessments, and real property tax payments because real property tax assessment staff was not following best practices, such as performing physical inspections; focusing on data quality assurance; maintaining and updating databases; maintaining adequate records about exempted or dedicated properties; or complying with existing administrative policies and procedures. For our sample, over \$1.8 million in potential tax revenues could have been assessed or collected.

This report contains several recommendations for improving RPAD operations. The director for the Department of Budget and Fiscal Services disagreed with the audit results and recommendations. Based on our extensive sampling and analysis, our office stands by the audit findings and recommendations.

The Honorable Ernest Y. Martin, Chair  
and Members  
October 4, 2013  
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We express our appreciation for the cooperation and assistance provided us by the staffs of the Office of the Managing Director, the Department of Budget and Fiscal Services (BFS), the BFS Real Property Assessment Division, and the many others who assisted us during our review. We are available to meet with you and your staff to discuss the review results and provide more information. If you have any questions regarding the audit report, please call me at 768-3130.

Sincerely,

  
Edwin S. W. Young  
City Auditor

c: Kirk Caldwell, Mayor  
Ember Shinn, Managing Director  
Nelson Koyanagi, Director, Department of Budget and Fiscal Services  
Robert Magota, Assistant Administrator, Real Property Assessment Division  
Wayne Kawamura, Senior Auditor  
Darin Kawamoto, Auditor

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# Chapter 1

## Introduction and Background

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This audit was conducted pursuant to Council Resolution 10-269, which requested the city auditor to conduct a performance audit of the Real Property Assessment Division (RPAD) of the Department of Budget and Fiscal Services (BFS). The audit objective was to evaluate the RPAD processes related to the classification, reclassification, valuation, and assessment of real property for taxation purposes. This audit was included in the *Office of the City Auditor's Proposed Annual Work Plan for FY 2011-12*. The audit was performed in accordance with generally accepted government auditing standards from June 2012 to September 2013.

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### Background

The City and County of Honolulu has the authority to assess, tax, and collect real property taxes as authorized by the provisions of Chapter 8, Revised Ordinances of Honolulu (ROH). Real property taxes are the primary source (43%) of revenues for the city's general fund.

**Exhibit 1.1**  
**Honolulu Real Properties, Value, and Tax Revenues**

<i>Fiscal Year</i>	<i>Assessment Parcels</i>	<i>Total Assessment Value (\$ billion)</i>	<i>Total Taxes Levied (\$ million)</i>	<i>Real Property Tax Revenues (\$ million)</i>
2008	283,177	\$167.0	\$773.4	\$769.4
2009	286,106	\$166.3	\$798.0	\$792.2
2010	287,564	\$165.8	\$849.1	\$852.2
2011	287,611	\$153.1	\$804.3	\$799.4
2012	288,615	\$153.6	\$812.5	\$813.3

Source: Service Efforts and Accomplishments Report 2012, p.13, p.37

Chapter 8, ROH, assigns many duties and responsibilities to the director of the budget and fiscal services department for assessing and collecting real property taxes. Other duties relate to enforcing

penalties, inspecting and examining real property, and maintaining property records.

The director has delegated these duties and responsibilities to its Real Property Assessment Division in the Department of Budget and Fiscal Services. RPAD assesses and calculates taxes for all real property within the City and County of Honolulu. RPAD is responsible for ensuring real property assessment values are fair and equitable, based on market value, and in accordance with applicable standards and laws. RPAD roles and responsibilities include classifying properties and granting tax exemptions. RPAD annually provides the city council a certified assessment roll that is used to set the tax rates for the various land classes to generate tax revenues for the city.

**Tax Rates:** Each year, the city council sets real property tax rates on the property classes based on the certified assessment roll and recommendations provided by the real property assessment division. The applicable rates and general classes for the eight current property classes - residential; hotel and resort; commercial; industrial; agricultural; vacant agricultural; preservation; and public service are shown below.

**Exhibit 1.2  
Current Tax Rates**

<b>Classification</b>	<b>Tax Rate per \$1,000 of Net Taxable Value</b>
Residential	\$ 3.50
Hotel and Resort	\$12.40
Commercial	\$12.40
Industrial	\$12.40
Agricultural	\$ 5.70
Vacant Agricultural	\$ 8.50
Preservation	\$ 5.70
Public Service	\$ 0.00

Source: Chapter 21, Revised Ordinances of Honolulu

**RPAD Roles and Responsibilities:** To accomplish its mission, the division identifies all real property parcels and owners; appraises

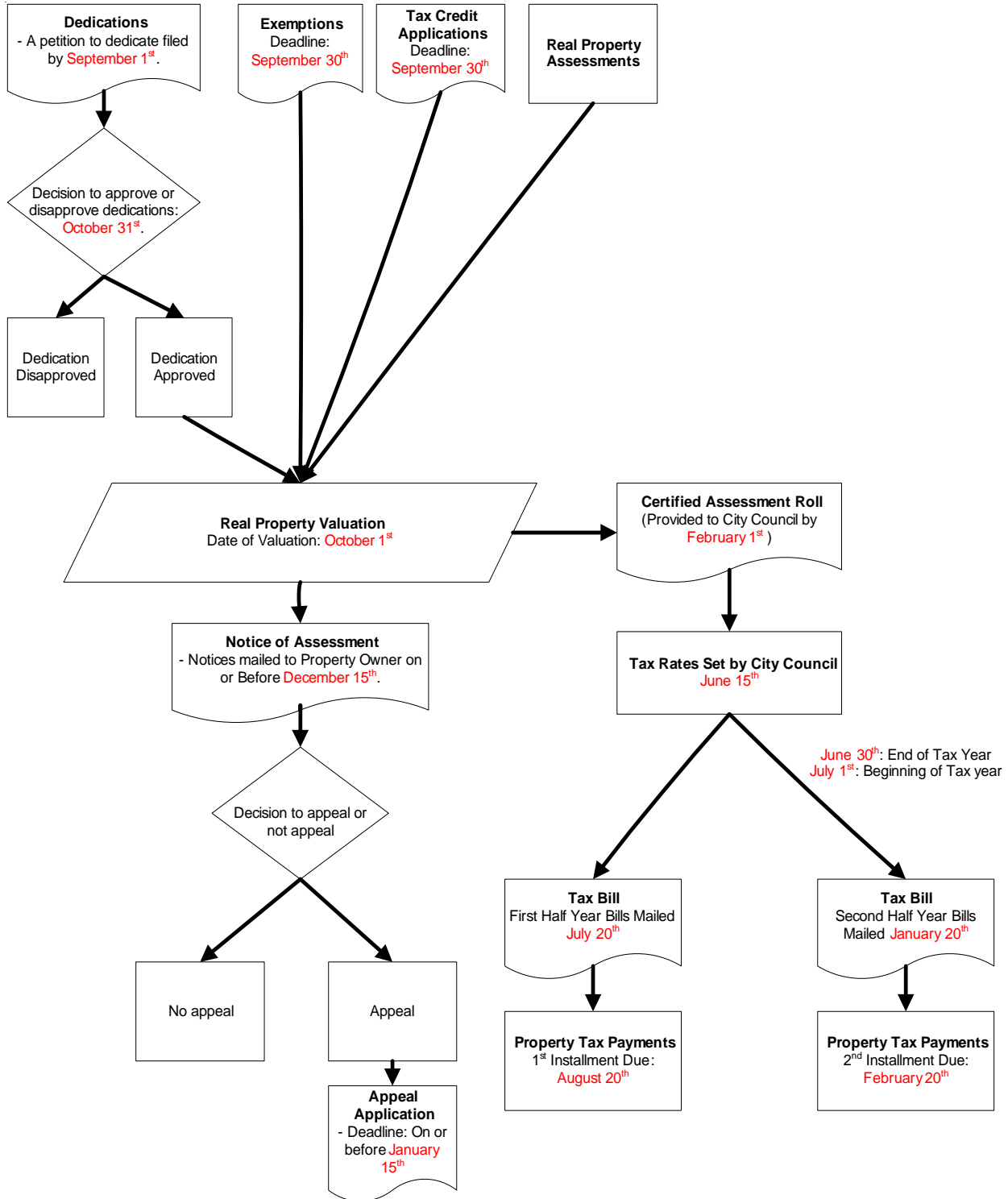
parcels; and processes exemption claims and dedication petitions. The division process includes notifying owners of their property assessments; resolving real property tax appeals; and maintaining and updating real property maps. RPAD also maintains ownership records, valuation records, and other files. More information on the roles and responsibilities within the division are listed in Appendix 1.

***Real Property  
Assessment Process***

The flowchart on the following page shows the division's assessment process.



**Exhibit 1.3**  
**Real Property Assessment Division Tax Assessment Process**



Source: BFS Real Property Assessment Division and City Auditor

**RPAD Staffing and Budget**

For fiscal year 2012, RPAD was authorized 117.5 fulltime equivalent positions (FTE)<sup>1</sup> to fulfill its mission roles and responsibilities. Contract employees totaled 2.5 FTE. The RPAD budget was over \$5.2 million for fiscal year 2012.

**Exhibit 1.4****Real Property Assessment Division (RPAD) Resources (FY2008-2012)**

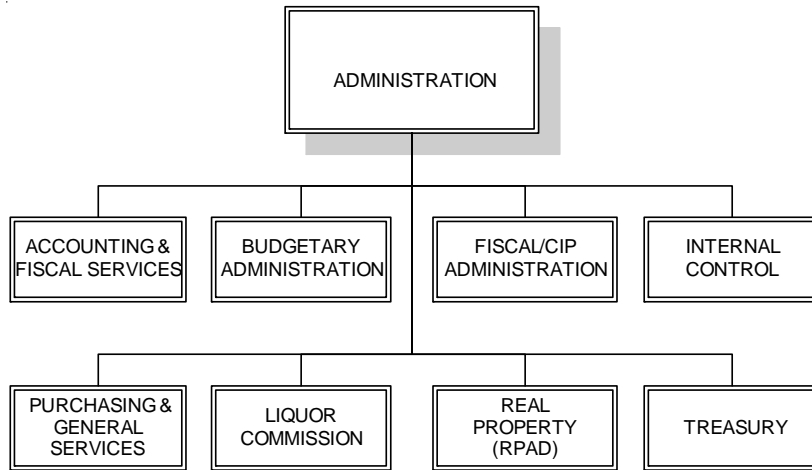
<i>Fiscal Year</i>	<i>Permanent FTE</i>	<i>Temporary FTE</i>	<i>Contract FTE</i>	<i>Total FTE</i>	<i>Budget/ Expenditures</i>
2008	111	0	1.5	112.5	\$5,565,356
2009	111	0	2	113	\$5,773,786
2010	111	0	4	115	\$5,596,139
2011	112	0	2.5	114.5	\$5,028,719
2012	115	0	2.5	117.5	\$5,214,742

Source: City and County of Honolulu Executive Program and Budget (FY 2008 to FY 2012), p. B-15

The organizational charts for RPAD and the Department of Budget and Fiscal Services are shown in Exhibits 1.5 and 1.6.

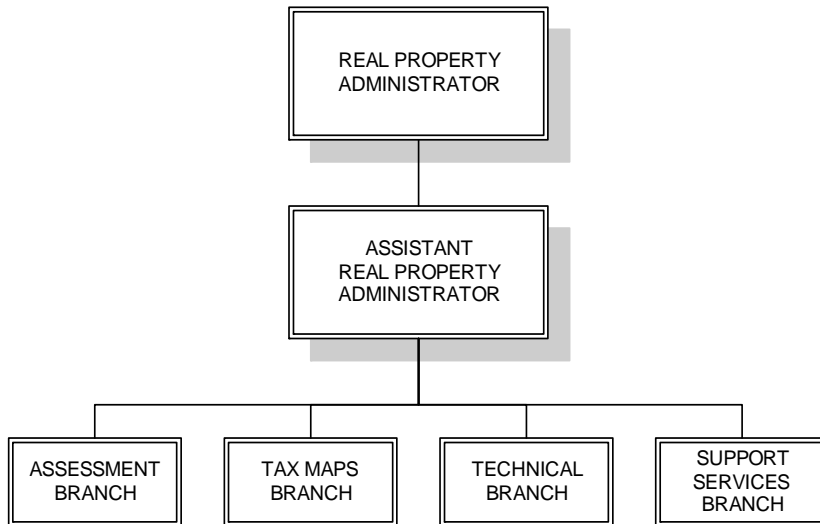
<sup>1</sup> Vacant staffing in FY 2012 was not provided by RPAD.

**Exhibit 1.5**  
**Department of Budget and Fiscal Services Organizational Chart**



Source: Executive Operating Program and Budget FY 2013

**Exhibit 1.6**  
**Real Property Assessment Division Organizational Chart**



Source: Department of Budget and Fiscal Services, Real Property Assessment Division

**Revised Ordinances of Honolulu (ROH)**

Chapter 8, ROH, details specific requirements for property tax valuations, classifications, and exemptions and dedications. RPAD, on behalf of the director of the Department of Budget and Fiscal Services, is required by law to provide a notice of real property tax assessment to each known owner on or before December 15<sup>th</sup> preceding the tax year, and publishes a public notice in the newspaper. The notice delivered to the owner contains information such as the property tax map key, the general valuation class, and the net taxable value. The real property taxes are billed and payable in two equal installments.

**Property Valuation:** The Real Property Assessment Division is required by law to annually determine the fair market value of all taxable real property. RPAD determines the assessed value by comparing market data and using a cost approach. The division compiles and keeps records that show the methods used to determine the property values.

**Mass appraisal** is the process of valuing a group of properties as of a given date by using common data, standardized methods, and statistical testing. RPAD uses systematic methods suitable for mass valuation of real property in order to obtain uniform and equal assessments throughout the county. RPAD also uses a computer-aided mass appraisal system, *iasWorld*, to conduct the mass valuation of real property, and uses the city's *Docushare* system to store and maintain property records required by the city ordinances.

**Property Classification:** RPAD is required by law to classify land based on its highest and best use. The appraisal practice is to classify a property based on its reasonably probable and legal use; the possible physical use; and a use that is financially feasible. The classification must be appropriately supported and the result should reflect the property's highest value.

In classifying the property, RPAD is required to give major consideration to the districting established by the city's General Plan; the zoning ordinances; and factors which reflect the property's highest and best use. The city ordinances provide additional requirements for classifying properties that fall into special categories such as public service; condominium time share; agricultural; or preservation improved with residential.

**Property Exemptions and Dedications:** If certain requirements are met, real property exemptions and dedications are available to the qualifying property owner that may reduce their tax liability.

The net overall effect of exemptions and dedications is to reduce the city's real property tax base.

- *Exemptions:* Real property tax exemptions are provided by law in Chapter 8, Article 10, Revised Ordinances of Honolulu. Some exemptions are based on a predetermined dollar amount, or are calculated as a percentage of the gross valuation and then converted to a dollar amount. Exemptions can apply to the land, building, or both. For example, the most common exemption claimed is the homeowner exemption of \$80,000, for owner occupants under the age of 64.
- *Dedications:* In certain circumstances, an owner may choose to dedicate their property to a specified use for a set period of time. In the cases of qualifying agricultural, golf courses, and residential dedications, a parcel is assessed on its actual use. Changing the existing classification results in an assessment that lowers the market value of the property during the term of the dedication. As an example, a homeowner of a house in an industrial zone may lower his or her property tax by dedicating the house to its actual use as a residence for a set period of time.
- *Other dedications:* Property owners may reduce tax liability by dedicating the property for certain uses. For example, exemptions are given for lands in urban districts dedicated to parks and open areas, and for historical residential or commercial properties. The owner of a historic residence dedicated for preservation may lower the property tax to the minimum property tax of \$300 by meeting certain criteria and complying with certain requirements.

### ***Professional Standards and Best Practices***

Professional organizations have established standards and best practices for classifying, assessing, collecting and maintaining property data. The standards state it is very important to maintain a reliable and accurate assessment system, and that the system requires complete, accurate, and updated property data and characteristics. According to the professional assessment standards, if the property data and characteristics are not updated or kept current, the classifications, valuations, assessment systems, and property data will become unreliable, inaccurate, and will need to be completely redone. The *Assessment Standard of the International Association of Assessing Officers (IAAO)* and



*Uniform Standards of Professional Appraisal Practice (2010-2011 Edition)* details best practices for managing and benchmarking information such as real property tax assessment data.

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## **Audit Objectives, Scope and Methodology**

This audit was conducted pursuant to Council Resolution 10-269, *Requesting that the City Auditor Conduct a Performance Audit of the Real Property Assessment Division of the Department of Budget and Fiscal Services*. The audit objective was to conduct a performance audit of the Real Property Assessment Division of the Department of Budget and Fiscal Services. The sub-objectives were to evaluate the RPAD processes related to the classification, reclassification, valuation, and assessment of real property for taxation purposes.

To address these objectives, we (1) reviewed and assessed RPAD operational and management practices to develop the annual certified assessment roll; (2) assessed data management practices in the classification and assessment process; (3) assessed the use and operations of the *iasWorld* information system to manage and process assessment data; and (4) made recommendations for improving RPAD processes for classifying and assessing real property taxes.

For the audit, we reviewed several laws; including pertinent sections of the Revised Charter of Honolulu; pertinent sections of the Hawai'i State Constitution; the Hawai'i Revised Statutes; and Chapter 8 of the Revised Ordinances of Honolulu on Real Property Tax. We reviewed the *Assessment Standard of the International Association of Assessing Officers* and *Uniform Standards of Professional Appraisal Practice (2010-2011 Edition)* for best management practices and municipal benchmarking information. We also reviewed RPAD policies, procedures, and standards.

Our review focused on the division's classification and reclassification processes, the reliability and accuracy of property tax records, and the reliability of the assessment process. We also compared the division's practices against professional standards, policies and procedures, and best practices.

Several judgmental samples<sup>2</sup> of properties were selected for the review. The samples included:

1. The complete set of properties reclassified from residential to commercial/industrial and listed in council resolution 10-260;
2. The complete set of properties reclassified from residential to commercial/industrial and listed in council resolution 11-105;
3. A set of properties from the State of Hawai'i registered list of adult residential care homes (ARCH);
4. A set of properties from the State of Hawai'i registered list of skilled nursing and intermediate care facilities;
5. The complete list of *kuleana lands*<sup>3</sup> with real property tax exemptions;
6. The complete set of historic residential and commercial properties dedicated for preservation; and
7. Sets of properties in the major resort areas of Waikiki, Turtle Bay, and Ko'olina.

Of the approximately 1,100 parcels that we reviewed, we performed site inspections on about 950. During the June through November 2012 visits we externally viewed the properties for site characteristics; verified the data maintained by the division; and verified compliance with selected exemption, dedication, and land use requirements.

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<sup>2</sup> Based on discussions with RPAD, we excluded from the sample business, business mixed use, industrial, industrial/commercial mixed use, agricultural, vacant agricultural, preservation, public service, apartment and apartment mixed use, country, and public service real properties.

<sup>3</sup> *Kuleana lands* are lands granted to native tenants by the Hawaiian monarchy and confirmed in 1849 and 1851 by laws that granted common people title to their own land and house lots. *Kuleana lands* are exempt from real property taxes if the owners satisfy certain requirements (ROH 8-10.32).

We accessed the RPAD computer aided mass appraisal system, *iasWorld*, and its document collection on the city's *Docushare* document management system. We received a demonstration of how the *iasWorld* management information system was used. We reviewed the data in the individual property tax records; assessed RPAD's data collection and data maintenance; and evaluated the document management processes. We searched the Internet to identify information related to the parcels included in our samples. Although we found errors in the accuracy and reliability of the data in the management information systems, we determined the data was usable for the audit.

For the review, we obtained an overview of the RPAD valuation process; the validation of sales data; comparisons of similar properties; and evaluated valuations to determine how classifications and data practices affected the property assessed values. There was no review or evaluation made over the methodology or calculations of how valuations are established for real property assessments.

We interviewed the RPAD administrator, deputy administrator, and branch chiefs. We attended briefings on the functions of the various branches, computer system walkthroughs for each branch, and the development of valuations.

We obtained and reviewed information from the Department of Planning and Permitting regarding land use and the permit status of the properties in our sample. We also used Department of Planning and Permitting data to assess RPAD's application of the highest and best use standard, consideration of underlying land use, and incorporation of legally permitted uses in its classifications and assessments. We did not audit the Department of Planning and Permitting's processes or operations.

We obtained and reviewed information from the State Historic Preservation Division regarding the status of parcels on the preservation registers and related qualifying criteria. We used this information from the State to assess RPAD's use of this information in the processing and review of historic residential and commercial properties dedicated for preservation.

We used information on exemptions and dedicated parcels to evaluate the efficacy of data maintenance on these parcels; the validity of the classifications; and checked evidence to support the validity, review, and approval of the exemptions and dedications.

This performance audit was conducted in accordance with generally accepted government auditing standards (GAGAS). These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We obtained evidence that provides a reasonable basis for our findings and conclusions based on our audit objectives. Our review period started in June 2012 and concluded in September 2013.

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## Audit Results

Our sample results indicated real properties were inconsistently classified because tax assessment staff were not following best practices such as performing physical inspections, focusing on quality assurance, maintaining and updating databases, or complying with existing administrative policies and procedures. As a result, tax assessments were inconsistent and inequitable; exemption and dedication property requirements were violated, and taxes assessed did not reflect the highest and best use of the properties.

RPAD attempted to resolve classification problems concerning residential class properties in mixed use zones by reclassifying them to the commercial or industrial class for tax year 2010-2011. The substantial increase in property taxes generated property owner complaints and appeals to the city council, and the city council subsequently passed resolutions 10-260 and 11-105 that authorized tax adjustments and attempted to resolve problems created when properties were reclassified. Our analysis indicated the problems have not been resolved because the real property data listed in the resolutions were not accurate, reliable, or complete.

The city provides a property tax exemption for historic residential properties that usually reduces property taxes from a full assessment to the minimum of \$300 per year. City ordinances and rules impose specific requirements for property owners to obtain and retain the tax benefits of the historic residential dedication. Our sample results identified many violations of and non-compliance with historical residential property dedication requirements. The violations were not corrected because RPAD did not actively monitor and enforce compliance with the historic property dedication requirements; conduct inspections of the properties; and maintain current or accurate information on the properties. Based on our sample, in tax year 2011-2012, we estimate the city could have increased tax revenues by over

\$555,000 if RPAD had monitored and enforced historic property dedication requirements and cancelled the historic property exemptions for the non-compliant property owners.

We found other deficiencies including potential illegal or unpermitted commercial use of residential historic properties, inaccurate and unreliable data, tax assessment errors, and data management shortcomings. The real property assessment staff needs to take action to ensure property owners comply with the historic property requirements and to prevent abuses of the historic property dedication.

Real property taxes are the primary source of revenues for the city's general fund. The city council therefore needs assurance that the tax information provided by the real property assessment division is accurate. Our sample results showed many inconsistencies and inaccuracies in classifications, tax assessments, and real property tax payments because real property tax assessment staff was not following best practices. As a result, potential tax revenues totaling over \$1.8 million were not assessed or collected.

The Department of Budget and Fiscal Services director disagreed with the audit findings and recommendations. Although the department provided clarifying information on the audit issues in response to our draft report, our detailed analysis of their data did not support any substantive changes to the audit findings. Based on our extensive sampling and detailed analysis of the real property assessment data, we stand by our audit findings.



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# Chapter 2

## Inaccurate and Inconsistent Classifications

---

Best practices established by professional tax assessment organizations help ensure tax classifications are based on accurate and reliable data. Our sample results indicated real properties were inconsistently classified because tax assessment staff was not following best practices such as performing physical inspections, focusing on quality assurance, maintaining and updating databases, or complying with existing administrative policies and procedures. As a result, tax assessments were inconsistent and inequitable; exemption and dedication property requirements were violated, and taxes assessed did not reflect the highest and best use of the properties. For example, our sample showed care homes and skilled nursing homes were not paying the proper tax assessments, because land use issues that might have affected classifications were not resolved.

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### Background

By city ordinance, the Department of Budget and Fiscal Services is required to determine the fair market value of all taxable real property using the market data and cost approaches to value, and by using appropriate systematic mass appraisal methods to obtain, as far as possible, uniform and equalized assessments. The department is required to compile and keep records that show the methods for the determination of values.

***Property Classification.*** According to Sec. 8-7.1(c), Revised Ordinances of Honolulu (ROH), land shall be classified, upon consideration of its *highest and best use* into one of eight specified valuation classes. In assigning a classification to land, the ordinance requires that major consideration be given to the districting established by the city's General Plan; the zoning ordinances; and factors which reflect the property's highest and best use. The city ordinances provide additional requirements for classifying properties that fall into special categories such as public service; condominium time share; agricultural; or preservation improved with residential.

***Professional Standards.*** Professional organizations such as the Appraisal Institute, Appraisal Standards Board, and International Association of Assessing Officers provide guidance and professional standards for appraisal practice. The *Assessment Standard of the International Association of Assessing Officers* and

*Uniform Standards of Professional Appraisal Practice (2010-2011 Edition)* details best practices for maintaining real property data and developing appraisals for municipal property tax assessments. Recommended classification practices include:

- Assigning properties to classes based on highest and best use, which normally equates to current use.
- Assessing and determining the highest and best use by analyzing four components: legally permissible; physically possible; appropriately supported; and financially feasible.

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### **RPAD Needs to Improve Administrative Guidance on Highest and Best Use Determinations**

Appraisal best practices define *highest and best use* as the appropriately supported use of the property, that is physically possible, legally permissible, financially feasible, and that results in the highest value.

There is no definition of *highest and best use* provided by the ordinance. RPAD had no policies and procedures to guide this determination. Division managers provided different interpretations on how to interpret and apply *highest and best use*, including the meaning of legally permissible use. RPAD managers acknowledged the subjectivity of classifying certain properties and we received no definitive answer regarding how the principle should be applied.

The lack of RPAD administrative guidance resulted in inconsistent real property tax classifications. The absence of well managed data classification actions, an inspection program, and a quality assurance program for maintaining and updating property data and characteristics compounded the problems.

RPAD stated it relies on the district classifications in the city's General Plan and zoning ordinance to classify and assess properties.

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### **Real Property Classifications Are Questionable**

In our real property samples, we found many misclassified properties that resulted in assessments that did not reflect the highest and best use or actual use of the property; classifications that were not consistent with the actual use of the properties; and

inconsistent classifications that facilitated inequitable tax assessments.

The following examples illustrate the nature of the questionable classification data we found.

*Misclassified residential properties*

- A warehouse was split between two parcels. One parcel was classified as residential and the other parcel was classified as industrial. The parcel classified as residential had a house on the lot and received a residential dedication although the warehouse took up half of the parcel. RPAD staff arbitrarily selected one parcel for the property assessment and to calculate the value of the building although its assessment was not accurate. The difference in tax for the residential dedicated parcel (compared to the industrial rate) was approximately \$6,950 in tax year 2012 (TMK# 12003043).
- An applicant was approved for a residential dedication after characterizing their property as a single-family dwelling. The building was a warehouse in an industrial area. RPAD staff was unable to contact the owners to confirm the actual residential use, so RPAD relied on the observations of neighbors as proof of residential use. The difference in tax for the residential dedicated parcel (compared to the industrial rate) was approximately \$5,628 in tax year 2012 (TMK#12005064).
- An apartment building was split between two parcels. One parcel was classified as residential and the other was classified as commercial. RPAD treated the apartment building as if it were entirely on the residential parcel and granted a residential dedication although the classification was inaccurate. The difference in tax for the residential dedicated parcel was approximately \$17,743 in tax year 2012 (compared to the commercial rate) (TMK#27028035).

*Misclassified hotel and resort properties*

In our sample, we determined the classifications for 55 hotel and resort properties differed from and may have violated the legally

permitted use of the parcels. Four sampled hotel and resort parcels were misclassified:

- Three parcels were student dormitories and an on-site parking lot. These were considered group living facilities and should have been classified as residential (TMK#26021029, 26021078, 26021081); and
- One property was classified as hotel and resort, but taxed at the residential rate (TMK#260110080030).

#### *Double classified properties*

RPAD provided us with a corporation counsel opinion regarding the multi-classification of properties. The opinion indicated that highest and best use only permitted a single classification to reflect the use of the property. Despite the opinion, we found double classified properties during our review:

- Five double classified properties were identified from our review of Resolution 11-105 properties for tax years 2009-2012; and
- Two double classified properties were identified from our review of the *kuleana lands* exemption properties.

During our discussions, RPAD managers could not explain the deficiencies and discrepancies and stated the errors required research.

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## **Inconsistent Classifications Resulted in Inconsistent Care Home Assessments**

We reviewed a sample of the state registered adult residential care homes (ARCH). To evaluate RPAD's classification of properties, we verified the actual use of these properties, and evaluated the impact of the use on the classifications of the properties. We reviewed 102 of the 496 adult residential care home parcels registered with the State of Hawai'i Department of Health. Actual use as a care home is established according to state registration requirements. The State of Hawai'i defines adult residential care homes as any facility providing accommodations and care services to their residents for a fee.

We found that the sampled adult residential care home parcels were inconsistently classified and assessed by the real property assessment division for tax year 2012. In our sample, we found

RPAD classified 100 of the parcels with care homes as residential, with the remaining two parcels classified as commercial on residential zoned land. As a result, we cannot conclude which property classifications are correct, because either the 100 care homes designated as residential could be considered misclassified commercial enterprises, or the two homes classified as commercial could be considered erroneous and were over-assessed.

The inconsistent classifications by RPAD resulted in inequitable and inaccurate assessments. For our sample, if RPAD classified adult residential care homes as all commercial based on actual use, it would have potentially resulted in additional tax revenue of almost \$840,000 for tax year 2012. In contrast, if care homes were classified as all residential, a potential overpayment of almost \$40,000 by the two affected property owners occurred.

***Classifications and assessments of care homes were not based on actual use***

Chapter 8-10.4(a)(2)(E), ROH, provides that only the portion used exclusively as a home and not for commercial purposes is entitled to a home exemption. During our field work, we found:

- 50 of the 102 parcels with care homes had homeowner exemptions of at least \$80,000.
- RPAD staff was aware and documented that 8 of the 50 parcels had homeowner exemptions and were operating as care homes, but the tax assessments or exemptions were not amended.

RPAD was aware and had documented that 33 of the 102 parcels had care homes with commercial usage, but the parcels were not classified as commercial. RPAD managers stated if commercial use is verified on a parcel, it is impermissible to classify it as commercial if it is located in a residential use zone. The division stated it treats actual uses on properties that do not conform to the underlying land designation or existing tax classification as an illegal use, but it is not able to assess the property at the higher actual use.

According to RPAD staff, the sanctioning and enforcement of land use violations falls under the purview of the Department of Planning and Permitting (DPP). RPAD managers claimed that, since 2010, they requested information from DPP about the potential land use problems they discovered and tried to determine whether the property use was illegal. However, none of

the requests were documented. In response to our preliminary findings, RPAD explained that there has never been a formal request for information about illegal use made to DPP and that all of the queries to DPP were informal and between staff.

We concluded that RPAD staff did not communicate the questionable land use information to the Department of Planning and Permitting so the violations could be corrected or the classifications changed to reflect the actual use or *highest and best use* of the property. If RPAD had based care home classifications on actual use, it could have resulted in \$839,393 in additional real property tax revenue for the city.

**Care home classifications contradict highest and best use standards**

According to Sec. 8-7.1(c), ROH, land shall be classified, upon consideration of its *highest and best use*. RPAD states that classifications were based on zone designations, and classifying adult residential care homes as commercial on residential zoned land is a violation of the legally permissible test of highest and best use. During our review, we found contradictions to the RPAD position. We found 2 of the 102 care homes were classified and assessed as commercial.

According to RPAD, they do not recognize illegal uses and would have submitted a request for investigation to the Department of Planning and Permitting if one were discovered. They further stated that care homes are considered to be group living facilities under the land use ordinance, and are permitted in residential zoning districts as a conditional use.

However, under the land use ordinance, group living facilities require a conditional use permit. According to Department of Planning and Permitting records, only 3 of the 102 care homes were approved for conditional use permits or zoning variances. We therefore concluded that RPAD classified and assessed 99 of the 102 care homes as residential without resolving the potential illegal use and violated the highest and best use requirement of the city ordinance.

Of the two care homes that were classified and assessed commercial by RPAD, one was approved for a conditional use permit and could have been classified as residential. According to RPAD, the two care homes classified as commercial may have been over-assessed. If RPAD is correct, by not uniformly classifying and assessing parcels with care homes, the property owners overpaid \$39,243 in property taxes for tax year 2012.



**Regular inspections are not performed**

Of the 102 properties sampled, only 35 were inspected within the past 6 years. That is, RPAD had not inspected 66 percent of the care homes included in our sample, as recommended by professional appraisal standards and best practices. RPAD prior inspection results were also not used to update real property data and to properly classify the properties.

**Impact of inconsistent classification of care homes**

In our opinion, RPAD's lack of adherence to real property assessment standards and ordinances; the lack of a standardized system for uniformly classifying and appraising ARCH; not resolving potential illegal uses of properties; and not classifying properties based on highest and best use practices resulted in inequitable assessments among property owners in the same zone. The division's noncompliance also allowed property owners to benefit from homeowner exemptions that they were not entitled to receive.

In our opinion, the legally permissible component of *highest and best use* was never satisfied. That is, RPAD did not classify care home parcels based on *highest and best use*, as required by Chapter 8 of the Revised Ordinances of Honolulu. If RPAD uniformly and equitably classified all adult residential care homes in our sample as commercial, it would have potentially resulted in additional tax revenue for the city of almost \$840,000. On the other hand, if the care homes were all classified as residential, an overpayment of almost \$40,000 by the two affected property owners has resulted for the tax year reviewed. We conclude that the inconsistent, inaccurate and inequitable care home classifications by RPAD has had a financial impact on the city, its residents, or both.

**Inconsistent Classifications of Skilled Nursing/ Intermediate Care Facilities Result in Questionable Assessments**

In addition to the care homes, we reviewed all 31 skilled nursing/ intermediate care facilities licensed by the State of Hawai'i Department of Health. These facilities include hospitals that provide nursing and intermediate care services. We found among these commercial enterprises that:

- 19 were classified as residential, 11 were classified as commercial, and 1 was classified as agricultural; and
- 6 of the 11 properties classified as commercial were located in residential zones.



During our review of the *iasWorld* management information system, we found that RPAD was aware that 29 of these parcels supported commercial nursing care facilities, but were not classified accordingly.

RPAD maintains that the non-hospital nursing care facilities, like care homes, are considered to be group living facilities. According to RPAD, group living facilities should be classified as residential and hospitals as commercial. However, we found that:

- One of the parcels with nursing care facilities was classified as agricultural; and
- Six non-hospital group living facilities were classified as commercial:
  - Three of the non-hospital group living facilities were classified and assessed as commercial on residential zoned land, which according to RPAD is impermissible and a violation of the legally permissible component of the *highest and best use test*;
  - One was located in the business zoning district, which does not allow group living facility uses under the land use ordinance; and
  - The other two were in the business mixed use community zoning district, which allows residential and commercial uses, but RPAD classified these non-hospital group living facilities as commercial rather than residential.

***RPAD classification methods generated inconsistent tax assessments***

One non-hospital nursing care facility was classified and assessed as commercial. This parcel was in a residential zoned district and was assessed \$148,460 as a commercial property for tax year 2012. Based on the RPAD rules, this facility should be considered a group living facility and should be classified and assessed at the residential rate. If this rule were applied, the property taxes for the residential class should have been \$41,904 and the property owner's overpayment was \$106,556.

In contrast, a similar non-hospital nursing care facility in a residential zoned district was classified and assessed residential for the same tax year, and its assessment was \$31,294. If it was assessed based on actual use at the commercial rate, it would have

been assessed \$110,868 in taxes, which is \$79,574 more than the residential rate.

By not adhering to real property assessment standards and ordinances; the lack of inspections; not resolving potential illegal use of properties; and not classifying properties based on *highest and best use* resulted in inequitable assessments among property owners with the same parcel uses in the same zoning districts. As our examples indicate, the inconsistency of classifications resulted in some property owners possibly paying less or more property taxes than the amount they should have paid. When asked to comment, RPAD management acknowledged that skilled nursing/intermediate care facilities are a gray area, and they will reexamine these sampled properties for proper classifications.

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## Recommendations

Based on our review results, we recommend that the Managing Director, through the budget and fiscal services department director, require that:

1. RPAD should develop and enforce policies and procedures that conform to professional standards and best practices. The written policies and procedures should:
  - (a) require the use of uniform methods and techniques to classify, value, and assess real properties;
  - (b) ensure properties are assigned and classified based on the highest and best use and/or the current use;
  - (c) ensure mixed use real properties are properly classified, valued, prorated, and assessed; and
  - (d) properly classify, value, prorate, and assess real properties used as adult residential care homes, skilled nursing/intermediate care facilities, and other mixed used properties;
2. RPAD should make recommendations to city council to introduce ordinances that allow tax assessments, exemptions, and real property taxes to be prorated according to the actual use of the properties; and
3. RPAD should communicate information or violations to the Department of Planning and Permitting and work with DPP to resolve land classification and violation issues.

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# Chapter 3

## Problems Identified in City Council Resolutions Are Not Resolved

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For tax year 2010-2011, Real Property Assessment Division (RPAD) attempted to resolve classification problems concerning residential class properties in mixed use zones by reclassifying them to the commercial or industrial class. The substantial increase in property taxes generated many property owner complaints and appeals to the city council. The city council subsequently passed Resolutions 10-260 and 11-105 that authorized tax adjustments and attempted to resolve problems created when properties were reclassified from residential to commercial or industrial classifications. Our analysis of the properties listed in the resolution indicated the problems have not been resolved because the real property data listed in the resolutions were not accurate, reliable, or complete. As a result, non-qualified property owners received \$381,744 in unearned tax adjustments.

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### Background

In 2009, RPAD received a complaint that it was taxing residential properties in mixed-use zones unfairly as some residential owners were being taxed at commercial or industrial rates, while other similar residential owners were being taxed at residential rates.

For tax year 2010-11, RPAD reclassified 247 properties from residential to the industrial or commercial class of real property and provided assessment notices to the property owners that their properties would be reclassified from residential to commercial or industrial for the 2010 tax year. This notice was provided in December 2009, after the September 1<sup>st</sup> deadline to dedicate one's property for residential use. The dedication would have allowed property owners to be taxed at the residential rate for tax year 2010.

The reclassification increased some property owners' property taxes about three and one-half to four times over the previous year's assessment. Some property owners subsequently filed administrative appeals of the assessments and appealed to the media and city council for tax relief.

Some of the properties affected had been classified as residential for many years and the classification was based on their actual

use. Other properties were actually used as residences although they were classified and assessed as commercial or industrial properties.

The reclassifications were supposed to correct the inequity and fairness problems in the classification of these properties, and were supposed to reflect the *highest and best use* classification for similar properties. Unfortunately, errors in the classification and assessment of the properties raised serious questions regarding the accuracy of the city's tax records, the assessment process, and the perception of unequal treatment among the property owners.

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## **Council Resolutions Affect 320 Properties**

To resolve the issues, the city council passed two resolutions (Resolutions 10-260 and 11-105) relating to real property tax compromises.

- Resolution 10-260 acknowledged the financial hardship on property owners, particularly for properties in certain low to moderate-income areas, and approved tax compromises for tax year 2010-2011. It listed 225 properties as eligible for tax compromises, provided they requested a tax compromise and qualified for residential dedication by specific deadlines.
- Resolution 11-105 urged the city administration to grant a real property tax compromise for property owners who failed to meet the residential dedication application deadline of September 1, 2010 for various reasons, such as deceased or off-island owners, properties held in trust, and owners who could not be contacted. It listed 93 properties as eligible for tax compromises, provided they requested a tax compromise and qualified for residential dedication by specific deadlines.
- Resolution 11-105 was not limited to the properties listed. As a result, the eligible class for tax compromises was expanded to include self-submitted, reclassified properties and previous residential dedication applicants.
- Our review found 5 properties were listed in both resolutions. We also found an additional 7 properties that applied for tax compromises under Resolution 11-105 although the properties were not listed in the resolutions.

The exhibit below shows the 320 properties affected by the reclassifications.

**Exhibit 3.1  
Properties Affected by City Council Resolutions (Tax Year 2010-2011)**

<i>Property Set</i>	<i>No. of Properties</i>	<i>2010 Total Assessment Amount</i>	<i>Net Tax Collected (From Affected Properties)</i>
Resolution 10-260 Properties	225	\$2,966,488	\$1,271,898
Resolution 11-105 Properties	88*	\$1,073,118	\$841,097
Properties not listed in resolutions, but applied for tax compromise	7	\$44,755	\$34,070
<b>Total Amount</b>	<b>320</b>	<b>\$4,084,361</b>	<b>\$2,147,065</b>

\* Resolution 11-105 listed 93 properties. 5 were duplicate properties listed in both resolutions and deducted from the 93 properties. The net remainder was 88 properties.

Source: City Council Resolutions 10-260 and 11-105, and Department of Budget and Fiscal Services

The city council subsequently passed resolutions that reduced the taxes on the reclassified properties from slightly over \$4 million to approximately \$2.14 million. The controversy also caused the city council to request a performance audit of the real property assessment division’s process for classifying, reclassifying, valuing, and assessing real property for tax purposes. (Resolution 10-269).

**Resolution Requirements**

For tax year 2010-2011 only, Resolution 10-260 granted owners of parcels reclassified from residential to commercial or industrial a reduction in the tax liability. The reduction was equal to the residential homeowner rate of \$3.42 per \$1,000 assessed or the residential non-homeowner rate of \$3.58 per \$1,000 assessed value if the property owner:

- Applied for a residential use dedication by September 1, 2010 for tax year 2011-2012;
- Certified by October 31, 2010 that the parcel was in exclusive residential use on October 1, 2009 through September 30, 2011;

- Was granted dedication for residential use for tax year 2011-2012; and
- Applied for a tax compromise by October 31, 2010.

For tax year 2010-2011 only, Resolution 11-105 also granted owners of parcels reclassified from residential to commercial or industrial a reduction in the tax liability. The reduction was equal to the residential homeowner rate of \$3.42 per \$1,000 assessed or the residential non-homeowner rate of \$3.58 per \$1,000 assessed value if the property owner met specific requirements. The reduction also applied to owners who submitted a dedication petition by October 15, 2010, whether complete, incomplete or denied. To qualify for the tax reduction, the owner had to:

- Apply for a residential use dedication by September 1, 2011 for tax year 2012-2013 and be granted the dedication;
- Certify by September 1, 2011 that the parcel was exclusively in residential use from October 1, 2009 through September 30, 2011; and
- Applied for a tax compromise by September 1, 2011.

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## **Professional Standards and Best Practices**

Professional organizations have established standards and best practices for classifying, assessing, collecting, and maintaining property data to ensure that property data are reliable and accurate. To satisfy the resolution's requirements, RPAD needed accurate and reliable information to augment and verify the applicant submissions, and to ensure the appropriate properties were listed as eligible for tax compromises. Accurate and reliable information was also needed to allow the city council to make appropriate decisions.

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## **Resolution 10-260 Problems Are Not Resolved**

RPAD did not follow professional standards and best practices. As a result, the real property tax assessment data contains classification errors, inaccurate assessments, and is unreliable. By not establishing quality assurance programs and conducting inspections of real properties, RPAD staff has compounded the problems identified in the city resolutions and property owners who did not meet the resolutions' requirements have improperly

benefited from the tax adjustments and compromises. The litany of problems is discussed below.

***Classifications problems still exist and not all properties meet resolution requirements***

Our review of Resolution 10-260 properties indicate not all the properties satisfied the condition that, for tax year 2010-2011, they were reclassified from residential to commercial or industrial. More specifically, the list of Resolution 10-260 properties was not accurate. We reviewed all 225 properties on the list and found that:

- Only 158 of the 225 properties (about 70%) had been reclassified from residential to commercial or industrial from the previous tax year; and
- 67 of the 225 properties (about 30%) listed in the resolution were not reclassified. We found 58 of the 67 properties were already classified as commercial or industrial class as of tax year 2009, were unchanged in 2010, and were not qualified for the resolution's tax compromise. 9 of the 67 properties were not qualified for the resolution's tax compromise because the commercial or industrial classifications remained unchanged from tax years 2009-2012<sup>4</sup>.

***Not all the applications were processed***

Using the RPAD *iasWorld* and *DocuShare* tax assessment systems, our review of the 225 properties listed in Resolution 10-260 showed that nearly all the property owners filed an application for residential dedication for tax year 2011, but only 5 of the applications were completely processed. Of the 225 properties:

- 224 property owners filed a residential dedication application and 1 did not apply;
- Only 5 of the 224 applications were completely processed, with appropriate approvals, dates, and other information that supported the residential dedication decision. Of the 5 approved applications, only 2 were qualified, approved and documented by RPAD; and

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<sup>4</sup> 8 of the 9 were already in the commercial or industrial class prior to tax year 2010-2011. 1 of the 9 was already classified as residential, so the resolution and residential dedication provisions did not apply.



- 219 applications were incompletely processed, and lacked sufficient data to support the residential dedication decision. The RPAD approval or disapproval decisions were not indicated on the applications.

***RPAD granted residential dedications although the applications were not completely processed***

Despite the lack of complete documentation and processing, RPAD staff granted most of the residential use dedications. That is, both qualified and unqualified applicants received the lower residential real property tax rate. More specifically in the *iasWorld* system:

- 204 of the 225 properties listed in the resolution were granted residential use dedications although most of the applications were incompletely processed; and
- We checked the tax year 2012 residential dedication listing to confirm the residential use dedications. Only 4 of the properties were sufficiently documented to support the granting of the residential dedication and the lower residential tax rate.

***Tax compromises and adjustments were approved for both qualified and unqualified property owners***

Most of the 225 property owners listed in Resolution 10-260 applied for a one-time tax compromise, whether they were qualified or not. Our review showed:

- 206 of the 225 property owners applied for the one-time tax compromise on time; and
- 195 property owners received tax adjustments. The remaining 30 properties did not receive a tax adjustment or tax compromise.

Resolution 10-260 allowed commercial or industrial property owners to reduce their taxes by dedicating their properties to residential use. The residential dedication reduced the property taxes for tax year 2011-12 onward, but the commercial and industrial property owners were not eligible for the tax compromises for tax year 2010-2011.

- 57 properties were not reclassified from residential to commercial or industrial and were not entitled to receive the tax compromise or tax adjustment. Nevertheless, the 57 ineligible properties received the tax adjustments for tax year 2010-11;

- The tax adjustments resulted in \$316,847 in potential revenues that were refunded or credited to unqualified property owners;
- One property disapproved by RPAD also received the tax adjustment; and
- As a result, a total of 58 properties were granted the tax adjustment although none of them were entitled to the tax compromise for tax year 2010-2011.

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### **Resolution 11-105 Problems Also Are Not Resolved**

By not following professional standards and best practices, problems discussed in Resolution 11-105 remain unresolved. More specifically, of the 93 properties listed in Resolution 11-105, 26 properties received tax adjustments totaling \$232,021. Of the 26 properties:

- 15 properties complied with the resolution criteria and received tax adjustments totaling \$144,105;
- 4 were reclassified, filed all required documents, but RPAD records show their applications as incompletely processed. They received a total tax adjustment of \$33,704; and
- 7 of the properties received a total of \$54,212 in tax adjustments although the properties were not reclassified and/or did not apply for a tax compromise:
  - 2 of the properties were already in the commercial or industrial class as of tax year 2009, were unchanged in 2010, and were not qualified for the resolution's tax compromise. The 2 ineligible properties received a total of \$11,946 in tax adjustments; and
  - 5 of the properties received tax adjustments totaling \$42,266 although a tax compromise request was not submitted.

Only 38 of the 93 property owners filed an application for residential dedication for tax year 2012. Of the 38 properties:

- 33 of the applications were completely processed and had appropriate approvals, dates, and information that supported the residential dedication decision; and
- 5 of the applications were incompletely processed and the residential dedication decision was not supported.

Miscellaneous Residential Dedication Problems:

- 1 property was disapproved for residential dedication, yet the property appeared on the 2012 residential dedication list; and
- Another property owner did not have a residential dedication application for either tax year 2011 or 2012, nevertheless the property appeared on the 2012 residential dedication list.

***Seven other properties not listed in the resolutions also received residential classifications and tax compromises***

Seven properties applied for tax compromises and residential dedications although they were not listed in Resolutions 10-260 and 11-105:

- 5 properties were already classified industrial and 1 property was classified commercial in 2009. The classifications were unchanged for tax year 2010 and 2011. The properties were ineligible for any tax adjustments;
- Nevertheless, the 6 property owners applied for residential use dedications and 4 properties were granted the residential dedication. They also applied for tax compromises and 3 of the ineligible applicants were granted tax adjustments totaling \$10,685; and
- The 7<sup>th</sup> property was already classified as residential and did not have to apply for residential dedication. Its tax compromise application was denied.

**Tax Adjustments  
Totaling \$381,740  
Are Questionable**

The resulting tax adjustments resulting from Resolutions 10-260 and 11-105 reduced the potential assessed property taxes by \$1.9 million. As shown below, for tax year 2010-2011, assessed property taxes was over \$4 million for the 225 properties in Resolution 10-260 and the 93 properties listed in Resolution 11-105; tax adjustments and compromises totaled \$1.9 million, and taxes collected was over \$2.1 million.

**Exhibit 3.2  
Summary Table for Resolution 10-260 and 11-105 Properties**

<i>Property Set</i>	<i>Initial Total Assessment</i>	<i>Tax Adjustment</i>	<i>Net Tax Collected</i>
Resolution 10-260 Properties	\$2,966,488	\$1,694,590	\$1,271,898
Resolution 11-105 Properties	\$1,073,118	\$ 232,021	\$ 841,097
Unlisted Properties granted tax adjustments	\$44,755	\$10,685	\$34,070
<b>Totals</b>	<b>\$4,084,361</b>	<b>\$1,937,296</b>	<b>\$2,147,065</b>

Source: Office of the City Auditor Sampling Results

***Unqualified owners  
received tax adjustments***

Of the \$1.9 million in tax adjustments, 68 non-qualified property owners received \$381,744 in reduced tax benefits under both resolutions. As a result, \$381,744 in tax revenues that should have been paid was not collected.

**Exhibit 3.3  
Summary Table for Tax Adjustments**

<i>Resolution 10-260</i>	<i>Tax Adjustment</i>	<i>Resolution 11-105</i>	<i>Tax Adjustment</i>	<i>Total Tax Adjustment</i>
Qualified Property Owners (137 properties)	\$1,377,743	Qualified Property Owners (85 properties)*	\$177,809	\$1,555,552
Non-Qualified Property Owners (58 properties)	\$316,847	Non-Qualified Property Owners (7 properties)	\$ 54,212	\$371,059
		Other Non-Qualified Property Owners (3 properties)	\$ 10,685	\$10,685
<b>Totals</b>	<b>\$1,694,590</b>	<b>Totals</b>	<b>\$242,706</b>	<b>\$1,937,296</b>

\$381,744

Source: Office of the City Auditor Sampling Results

***Other owners paid too much tax***

We found other problems caused by the inaccurate and unreliable data in the tax assessment database. Some property owners were eligible for tax adjustments and did not receive the adjustments. As a result they overpaid their property taxes. Others received higher commercial and industrial tax assessments after receiving tax adjustments and certifying their properties were residences.

***Some taxpayers paid higher rates after submitting residential certifications***

We found that 17 property owners applied for and received tax adjustments for tax year 2010 under Resolution 11-105. Although they provided certifications that their properties were used as residences from 2009-2011, their tax rate rose back to the commercial or industrial rates for tax year 2011. These properties paid \$165,074 more than the residential tax assessment.

***One property owner should have received a tax adjustment***

One eligible property was reclassified from residential to commercial, complied with all the resolution requirements, received an approval letter for residential dedication, and did not receive a tax adjustment (TMK#15006010). This property owner paid \$80,720 in taxes for tax year 2010, but should have paid \$23,304, a difference of \$57,416. This owner paid the higher, reclassified commercial rate and, therefore, overpaid their taxes.

**Exhibit 3.4  
Taxpayers Paid Commercial and Industrial Rate Despite Providing Residential Certifications (Tax Year 2011)**

<b><i>Residential Dedication Properties Approved / Residential Use From 2009-2011 Certified</i></b>	<b><i>No. of Properties</i></b>	<b><i>Tax Paid (2011)</i></b>	<b><i>Correct Residential Rate Due</i></b>	<b><i>Amount of Over-Payment</i></b>
Fully compliant & approved, 2010 tax compromise granted (16 properties)	16	\$204,659	\$57,767	\$146,892
Owner compliant, RPAD incomplete processing, 2010 tax compromise granted (1 property)	1	\$25,332	\$7,150	\$18,182
Total	17	\$229,991	\$64,917	\$165,074

Source: Office of the City Auditor Sampling Results

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## RPAD Response to Audit Findings

In our discussions up to July 8, 2013, RPAD stated it does not place any kind of emphasis on best practices and professional standards because it lacks the time and resources to conduct inspections and validate real property data. RPAD states the problems identified during the audit came from classifying older communities with non-conforming uses, and communities that permit mixed uses. In particular, the Kalihi Kai area is difficult to classify because there are older residential homes or boarding houses next to intensive industrial or commercial uses. RPAD identified these areas as high risk areas and stated that taxing homes above their actual use is warranted at times, albeit unpopular. The division stated that using the residential dedication is one way to assess homes based on their actual use. The problems are unique to the Kalihi Kai area and are not found in uniform, master planned communities. RPAD claims it forewarned the city council of the potential problems during the city council hearings.

RPAD states that its interpretation of Resolutions 10-260 and 11-105 allows it to diverge from the actual wording of the resolutions and the intent of the city council. RPAD stated the resolutions allows it to extend the tax adjustments and compromises to many owners who were not listed in the resolutions, including owners who were reclassified many years ago. RPAD stated property reclassifications for 2010 was not a requirement for the tax adjustment.

RPAD stated the resolutions listed properties that were eligible for tax compromises, and there were no unwarranted tax compromises granted. RPAD stated the list of properties in the resolutions included more than the 247 properties affected by the residential to commercial or industrial reclassifications. RPAD stated it intentionally included other properties that were eligible for a tax compromise, including properties that had submitted residential dedications and were not reclassified from the residential to commercial or industrial class.

Finally, RPAD stated it physically inspected every property and used the tax map key to successfully locate every property. This claim contradicts the audit sampling results that the audit team was unable to locate the sampled properties using only the tax map key and/or the inaccurate addresses in the RPAD databases. We also found that RPAD's classifications and assessments could not be supported because RPAD lacks accurate and reliable data, lacks data maintenance, and lacks an inspection program for

ensuring the assessments and classifications are correct. RPAD stated it was in such a rush during the controversy that it did not go back to update its files and does not believe it is worthwhile to update the property record files. RPAD stated it lacked the staff and resources to update its files to include support for its decisions, such as completed residential application forms, decision letters, and other pertinent data.

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## Recommendations

Based on our review results, we recommend that the Managing Director, through the budget and fiscal services department director, require that:

4. RPAD should complete the processing and documentation of real properties granted tax adjustments or tax compromises under Resolutions 10-260 and 11-105;
5. RPAD should develop an accurate and reliable list of properties affected by its reclassifications of real properties and reverse any tax adjustments or tax compromises that were granted to non-qualified real property owners under the auspices of Resolutions 10-206 and 11-105; and
6. RPAD should correct and collect all tax property assessments due from unqualified real property owners who were granted tax adjustments or tax compromises under Resolutions 10-260 and 11-105.

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# Chapter 4

## The City Could Collect Over \$555,000 in Property Taxes From Historic Property Violators

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Improvements are needed in the administration of historic property requirements. Upon successful application, the city provides a property tax exemption for historic residential properties listed on the Hawai'i Register of Historic Places. The exemption usually reduces property taxes from a full assessment to the minimum of \$300 per year. City ordinances and rules impose specific requirements for property owners to obtain and retain the tax benefits of the historic residential dedication. Our sample results identified many violations of and non-compliance with historic residential property dedication requirements. The violations were not corrected because Real Property Assessment Division (RPAD) did not actively monitor and enforce compliance with the historic property dedication requirements; conduct inspections of the properties; and maintain current or accurate information on the properties. Real property tax assessment staff did not communicate and coordinate with the Department of Planning and Permitting to resolve issues regarding legally permitted uses of historic properties. Based on our sample, we estimate the city could have increased tax revenues by over \$555,000 if RPAD had monitored and enforced historic property dedication requirements and cancelled the historic property exemptions for the non-compliant property owners.

We also found other deficiencies including potential illegal or unpermitted commercial use of residential historic properties, inaccurate and unreliable data, tax assessment errors, and data management shortcomings. The real property assessment staff needs to take immediate action to ensure property owners comply with the historic property requirements and to prevent abuses of the historic property dedication, given the substantial tax benefits granted.

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### Background

The Revised Ordinances of Honolulu (ROH) 8-10.22 allows the budget and fiscal services director to grant tax exemptions for historic property owners who dedicate their real properties for preservation. The ROH details specific requirements to grant and retain the historic property exemption, and authorizes RPAD to cancel the historic residence exemption if the property owner



does not comply with the Chapter 8 ROH requirements. These requirements have existed since at least 2006. The budget and fiscal services department rules (Chapter 32, Section 4-16-4(3), Historic Residential Property Dedication Rules) replicate the Chapter 8 ROH requirements.

The historic property dedications usually reduce the property owners' property taxes from the full assessed value of the property to a minimum tax of \$300. The table below shows the tax benefit to 85 historic residential property owners who were initially found to be non-compliant with historic residential dedication requirements during our fieldwork and the amount of real property tax revenues which are forgone by the city.

**Exhibit 4.1  
Historic Properties Tax Revenues (Tax Year 2011-2012)**

<i><b>Tax Year</b></i>	<i><b>No. of Historic Properties</b></i>	<i><b>Tax Assessed (Historic Exemption)</b></i>	<i><b>Taxes Paid</b></i>	<i><b>Tax Assessment (Without Historic Exemption)</b></i>	<i><b>Tax Benefit to Property Owner</b></i>
2011-2012	85	\$50,839	\$36,567	\$606,246	\$555,407

Source: Office of the City Auditor Calculations

### **Current Historic Real Property Requirements for Tax Exemptions**

Chapter 8-10.22, ROH, requires historic property owners to comply with specific requirements and conditions for historic residential properties and historic commercial properties dedicated for preservation.

**Historic residential real property**

Budget and fiscal services department rules (Chapter 32, Historic Residential Property Dedication Rules) implements the following ROH historic property requirements:<sup>5</sup>

1. Requires property owners to provide visual access at all times from the public way such as a road, alley, street, trail, or other public area; and the public must be able to view the property not more than 50 feet from the property line;
2. If visual access is not available, the owner must provide *alternative visual visitations* (an alternative view) from a viewing point on the historic property for at least 12 days a year on the second Saturday of each month from 9:00 a.m. to 4:00 p.m. The alternative visual visitation must be clearly identified by a sign on the property that marks the location of the viewing point, and the point beyond which the public may not enter;
3. The property must be maintained in average condition; and
4. The property must be currently listed in the State of Hawai'i Register of Historic Places.

**Budget and fiscal services director duties**

The budget and fiscal services department rules state the director of budget and fiscal services department is required to review and approve the historic property petition and determine what portions shall be exempted from real property taxes. The director is required to consult the State Historic Preservation Office in making the determination, and cannot exempt buildings or portions of buildings that are less than 50 years old. The director must confirm the property provides visual access or an acceptable *alternative visual visitation* (alternative view) before granting the historic property exemption, and an appropriately placed and designed plaque properly identifies the property. The director

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<sup>5</sup> According to the BFS director these requirements became effective in September 2011 and were not effective or implemented until the 2012-13 tax year (7/1/12 - 6/30/13). The audit sample period for historic homes was July to November 2012 and included these and other requirements that existed since 2006.

must deny the dedication if these two requirements are not satisfied.<sup>6</sup> The director may cancel the historic property dedication and disallow the tax exemption if an owner fails to observe the requirements and obligations itemized in Chapter 8-10.22 (ROH), and its implementing rules and regulations.

The detailed requirements for historic properties are discussed with the deficiencies found during the sampling.

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## **Sample Results Show Non-Compliance With Historic Property Requirements**

Our sample results showed that many historical property owners were not complying with the historic property requirements. We inspected each of the properties on the Historic Residential Dedication list between July and November 2012 to determine if the properties were complying with the ordinance requirements.

We found 85 (35%) of 241 historic residence properties listed in the 2012 Historic Residential Dedication list were not in compliance with the requirements for historical properties after our initial review. Exhibit 4.2 shows the violations found during our inspections.

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<sup>6</sup> For historic residential properties: Once approved, the historic property owner is obligated to provide visual access or alternative view to the public, and must certify all major components of the property are still functional and contributing to an extended life expectancy. The owner must also place a plaque on the property that is approved by the director and the state historic preservation officer. The owner may continue legally permitted uses of the residential property.

**Exhibit 4.2**  
**Historic Property Violations (July to November 2012)**

<i>Violation</i>	<i>No. of Properties</i>
Plaque missing	15
Public view obstructed	26
Alternative visual visitation (alternative view) sign missing	13
Plaque incorrectly placed or defaced	8
Historic properties with commercial, non-residential use	19
Potential illegal use of historic property	16

Note: Totals will not foot due to multiple violations per property. About 19 violations were corrected after our inspections.

Source: Office of City Auditor Sample Results

## Major Non-Compliance Areas

We found through site visitation and observation that the major areas of non-compliance involved visual access, alternative visual visitation access, and the installation of plaques.<sup>7</sup>

### *Visual Access*

Property owners are required to provide visual access. The real property tax assessment division is supposed to review and approve the visual access to the property before the historic property dedication is granted.

Our physical inspection of the historic properties revealed that 26 properties had obstructed views of the historic buildings, such as trees and landscaping. We found that the division had not identified these deficiencies and did not require the owners to provide alternative viewpoints for visually viewing the historic properties.

In our sample, 12 properties should have been originally identified and listed as alternative visual visitation properties because these properties could not be viewed from the public way. Exhibit 4.3 shows photos of these properties.

<sup>7</sup> After our initial physical inspection, 10 missing plaques were placed; 1 plaque placement was corrected; 2 alternative visual visitation signs were placed; and 6 obstructed views were corrected. Unfortunately, RPAD did not document its compliance efforts, so we could not determine the cause of the corrective actions.

**Exhibit 4.3**  
**Photos of Historic Properties That Should Be Designated as Alternative Visual Visitation Properties**



(TMK: 22034040)



(TMK: 25004007)



(TMK: 33027008)





(TMK: 36003012)



(TMK: 91095033)



(TMK: 24035002)



(TMK: 25009015)



(TMK: 29006024)



(TMK: 31020019)



(TMK: 31033048)



(TMK: 43022014)



(TMK: 44006009)

Source: Office of the City Auditor and Real Property Assessment Division

### *Alternative visual visitation (alternative view)*

If a historic property is not visible from the public right of way, the property owner is required to provide an alternative viewpoint for the public to view the historic property. The alternative viewing point must be identified on the historic property, and owners are required to indicate the viewpoint with a sign that satisfies city requirements. Both are subject to approval by RPAD.

When asked to comment on our preliminary findings, RPAD stated that every property that was determined to need alternative visual visitation was inspected for compliance with the requirements. However, when we visited these alternative visual visitation properties on their required Saturday openings in August, September, and November 2012, we found that at least 13 (27%) of 49 properties designated as alternative visual visitation by RPAD were not complying with this historic property dedication criterion. The sample results showed:

- 13 properties which were identified as *alternative visual visitation* properties had no viewpoint signs set out on the required Saturdays;
- 2 properties had viewpoint signs that did not conform to city specifications. One sign was a crudely penned message on the back of a NO TRESPASSING sign; and
- 1 property could be seen unobstructed from the street, and therefore was improperly designated as an *alternative visual visitation* property.

### *Plaques*

The property owner is required to follow rules that specify the kind of plaque and the placement of the plaque, and to obtain city approval for the plaque and its placement. We found during our site visits that 15 historic properties did not have plaques, and 8 plaques were incorrectly placed.



**Exhibit 4.4**

**Photos of Properties With and Without the Required Historic Marker (Plaque)**



Historic residence plaque  
(TMK: 31040061)



Plaque defaced  
(TMK: 31033048)



Plaque viewable from only one direction  
from the public way  
(TMK: 44006009)

Source: Office of the City Auditor

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## **Follow-up on Physical Inspection of Historic Properties Is Limited**

Chapter 8-10.22(j), (ROH), and department administrative rules, Chapter 32, section 4-16-8, both require the Department of Budget and Fiscal Services director to cancel a historic residential dedication, if:

- the owner fails to observe the requirements and obligations of the ordinance;
- a city department issues a citation for noncompliance of the land use ordinance; or
- the property is removed from the historic register.

If non-compliance is found, the real property tax assessment division can issue a correction letter to the property owner. The property owner is allowed 60 days to make appropriate corrections. If the corrections are not made, the historic property dedication and tax exemption may be cancelled.

The cancellation and disallowance of the dedication subjects the property owner to a rollback tax and penalty, retroactive to the date of the last renewal of the dedication. All differences in the amount of taxes that would have been due without the exemption would be owed with a 12 percent penalty and interest at 12 percent per year for each year of the rollback tax.

In calendar year 2013 we found no documented enforcement action for the non-compliant historic properties. Although the real property tax assessment division is empowered to inspect historic properties for compliance, its physical inspection results were not used to enforce the rules and ordinances governing the historic residential dedications.

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## **Enforcement Action Could Generate \$555,407 in Tax Revenues**

In our sampling of the historic properties, we found no system records of monitoring for 95 (39%) of the 241<sup>8</sup> properties with the historic dedication. There was no indication that RPAD staff monitored or enforced compliance of the historic dedication

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<sup>8</sup> The remaining 146 historic residential dedication properties were inspected since 2007; 132 of these were inspected since 2011.

requirements.<sup>9</sup> As a result, the real property assessment staff could not certify that the historic properties were still qualified to receive minimum tax assessments of \$300, or appropriate partial exemptions of their property assessment values.

RPAD indicated that it did not prioritize monitoring and enforcement of the dedication requirements due to staffing shortages and higher priorities, that is completing the annual valuation process. As a result, historic property owners who did not comply with the historic dedication requirements received the same tax benefits as owners who complied with the requirements. We also found many other deficiencies with the division's administration of the historic property dedication program.

RPAD management stated they had hired a compliance officer in 2012 to help with the administration of the historic dedications, particularly monitoring and enforcement, and planned to hire two other compliance officers to perform similar duties if funding was available. Until the staff is in place and compliance given a high priority in the division's work, the city has no assurance the historic property owners are complying with the dedication and exemption requirements.

For our sample, we estimated corrective action by the RPAD staff could generate up to \$555,407 in potential property taxes for tax year 2012 from the 73<sup>10</sup> non-compliant historic property owners. The amount excludes any applicable rollbacks, penalties, and interest the property owners should have paid for non-compliance that may have spanned a number of years.

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## Enforcement Actions Are the Exception

We could only locate one complaint in the RPAD document management system during our review. The complaint did trigger an inspection, and photographic evidence was taken to prove the property owner was not complying with the visual access requirement for the historic property. The inspector

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<sup>9</sup> During our review, in April 2013, RPAD set up a monitoring and enforcement folder for historic properties, which contained photos and documents pertaining to the historic properties. Hopefully, this will serve as the start of a program to monitor, document, and enforce historic property requirements.

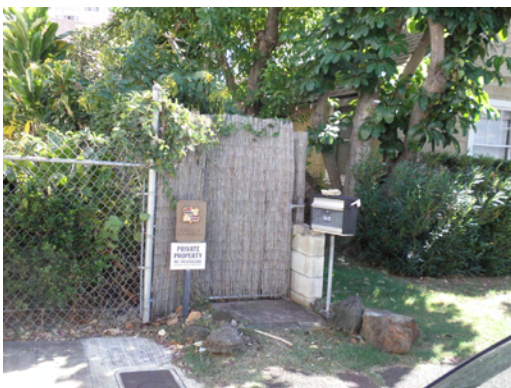
<sup>10</sup>Excludes 12 properties that were not in compliance during our initial inspection. The 12 properties were compliant on subsequent inspections.

confirmed the visual obstruction. However, there was no documentation of any corrective action or any documents to show the violation was resolved. We visited the property two years after the complaint was received and found the same visual obstruction. The complaint and violation were not resolved and we determined division staff and the property owner took no corrective actions. Although an alternate viewpoint was required of this property, there was none provided on any of the three Saturdays we visited the property. RPAD conceded that it does not visit the properties with regularity (e.g. monthly).

**Exhibit 4.5**  
**Photos Showing Non-Compliance With Historic Property Requirements (2010-2012)**



1619 Makiki Street (2010 Photos)



1619 Makiki Street (2012 Photos)

Source: Office of the City Auditor and Real Property Assessment Division



We found no evidence of any enforcement actions. The complaint file did not contain any 60-day correction letters, warning letters, or any documentation of any enforcement actions such as historic dedication cancellations.

The RPAD staff stated it works informally with the property owners to resolve problems rather than apply the severe terms of the enforcement ordinance. As support for its statements, RPAD identified other non-compliant properties and the nature of the non-compliance at our meetings during fieldwork. RPAD also disclosed the problems had been ongoing despite its discussions with the property owners. However, we found no records of the consultations, so we could not determine how the division counseled the property owner, what corrective actions the property owners promised, and how long the violations existed.

In our opinion, absent any RPAD actions or efforts to monitor, inspect, and enforce the historic property dedications, property owners are free to violate historic property dedication requirements. The city therefore has no assurance the historic property program is providing any public benefit and has no assurance that the tax assessments of \$300 are warranted.

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## **Commercial Use of Historic Residential Properties**

Budget and fiscal services department policies and procedures for historic residential properties require owners to certify that their use of the property is a legally permitted use. In our opinion, except for properties with a conditional use permit, commercial activities on historic residential properties located in residential zones are not permitted. It should be noted that Chapter 8-10.22, ROH does authorize the budget and fiscal services director to partially exempt and prorate assessments for historic residential dedication properties based on the exempted (historic) portion of the property and non-exempt portions.

The historic property ordinance exempts the property tax from its full assessed value to the minimum real property tax of \$300. In exchange for the benefit, the property owners are obligated to ensure the dedicated property is used only for legally permitted purposes. All but one of the historic residential properties for preservation was located in residential zones, which should have effectively limited the actual use of the properties to residential uses.

In our sampling, we found 19 dedicated properties were associated with commercial and potential non-residential activities. RPAD staff was not aware that 16 of these historic properties were linked to commercial or non-residential activities. Three of the historic properties used for commercial activities had conditional use permits that allowed the commercial enterprises to operate in the residential zones. Three examples of historic properties with businesses in residential use zones are:

- An investment firm located in a historic home which has reported investment holdings of \$140 million. The company has appeared in media business spotlight articles, which featured the business' success and the historic preservation efforts of the property by the business owner (TMK#19009016);
- A contractor who has signs advertising his business on his home (TMK#91097033); and
- A property owner who rents out the historic home for weddings, and advertises to the Japanese tourist market (TMK#25011008).

**Exhibit 4.6**  
**Photos Showing Commercial Advertising**



A contractor who has signs advertising his business on his home (TMK: 91097033)

Source: Office of the City Auditor

In our opinion, the commercial activities indicated the historic residential properties were used as for-profit businesses that should have paid the full real property tax assessment. The historic property dedications allowed the property owner to avoid the full tax assessment that a commercial business should have paid.

When informed of the potential commercial activities at the dedicated historic residential properties, RPAD managers informed us the commercial use of the properties is not specifically prohibited by the ordinance and were therefore permissible. The RPAD staff stated they did not consult with the Department of Planning and Permitting about commercial or legally permitted use issues, and were not aware of how many dedicated historic residences were being used for commercial or non-residential uses.

Although current city property tax laws and rules promote preserving historic properties for their cultural and historic value, the city council must decide if commercial entities should benefit from the historic property residential dedication by paying lower property taxes. Our sampling indicates owners who use their historic properties for commercial activities do benefit monetarily from the historic property dedications and are receiving tax exemptions they should not be entitled to receive. Some owners are also using their parcels' historic status to promote or advertise their business. We believe that historic residential properties, with or without conditional use permits, should have the commercial usage of the property reflected in the taxes assessed.

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## **Other Deficiencies Found**

Our historic properties sample unveiled many other problems and deficiencies. These deficiencies included:

- Inaccurate and unreliable information on compliance with current requirements;
- Data collection and data maintenance shortcomings; and
- Data management and tax administration problems.

***Incomplete compliance with historic property requirements***

City ordinance (ROH 8-10.22) requires the budget and fiscal services director to inspect the historic property before the petition for dedication is granted. We found some property owners received approvals of their historic dedication without any documentation of property inspection results. Our sample indicated 95 properties did not have any record of an initial inspection or any subsequent monitoring for compliance with the historic property requirements. The inspections did not occur because RPAD could not gain access to the property; earlier historic property requirements were applicable; or inspections and monitoring activities could not be verified because approval documents were incomplete.

We also found property owners received approvals of their historic dedication prior to reporting to RPAD the locations of their plaque or where visual access would be provided. In the notice of approvals sent to property owners, RPAD would ask the owner to provide the location of the plaque and where visual access would be provided. Follow-up action to ensure compliance was not documented. We found the follow-up information often was not supplied by the property owners and was not maintained in the RPAD files.

Historic property owners must certify their compliance with the historic property requirements by filing an application form with current attestations, certifications, and obligations forms. The certifications state the historic property owner is complying with requirements for visual access, plaques, and legal use of the property. We found in the RPAD documents management system that only 3 of the 122 historic properties dedicated from 2007-2012 were certified according to the ordinance's current filing requirements.

The RPAD division managers informed us that they work closely with each property owner to ensure the historic property requirements were fulfilled. However, because RPAD did not review information on 238 of the 241 historic properties and did not ensure the owners continued to comply with the historic property requirements, RPAD could not certify the property owners were in compliance with the current historic property requirements, and information on the historic properties was not reliable.

***Data collection and data maintenance shortcomings***

Data collection and maintenance for historic residential properties was incomplete. We accessed the real property tax assessment system and the RPAD document management system and found



the document management system files were incomplete. Although all the files contained the historic property application form, we found information that supports and substantiates the dedicated historic residential property designation to be incomplete. The missing information included:

- Missing approval notices notifying property owners of their historic residential dedication;
- Missing inspection forms that contained the appraiser's checklist for the key compliance elements;
- Missing documentary proof that the property is on the historic register;
- Missing photographic evidence identifying the historic buildings and visual access; and
- Missing updated information for the continued approval of the historic property dedication.

***Data management and tax administration problems***

Chapter 8-10.22, ROH, states "...Any building or portion of a building less than fifty years old shall not be exempted from real property taxes...". Data collected on some properties was not used to properly administer the historic property dedication program, and data management problems led to administrative errors.

The historic residential dedication qualifies the property owner for a minimum tax of \$300, which results in a substantial discount from the tax on non-exempt land and building property values. The ordinance also requires RPAD to determine if there are improvements to the property which do not qualify for the dedication. If the improvements did not qualify for the historic residential dedication, the improvements would have to be assessed separately and the property owner would have to pay more than the minimum \$300 tax.

RPAD does not separate the historic elements from the improvements and did not assess the improvements at the non-historic property tax rate. Although the information was collected or available on the system, RPAD did not use the information to develop proper tax assessments for the historic residential

properties. As a result, the assessments were inaccurate for some historic properties.

Our review of tax assessments for historic residential properties dedicated from 2003-2012 showed some properties identified as having non-contributing structures or improvements, paid more than the minimum tax for some tax years and were assessed the minimum tax for some tax years. Some examples are:

- A second structure was built in 1991 and a partial exemption of 65 percent was applied by RPAD in 2012. The partial exemption should have been applied from 2003. The owner paid less than the taxes due from 2003-2011 (TMK#22046056);
- A property with a third building built in 1978 was not exempt. RPAD applied a 55 percent partial exemption in 2012. The partial exemption should have been applied from 2003. The owner paid the minimum tax from 2003-2011 and less than the taxes actually due (TMK#25001005); and
- A second building on a property was not exempt. RPAD applied partial exemptions of 68 percent for the land and 40 percent for the building for tax years 2011 and 2012. The partial exemptions should have been applied from 2003. The owner paid the minimum tax from 2003-2010 and not the full taxes due (TMK#29006009).

In our opinion, improvements in the historic properties program are needed and more effective administration of the program could increase city revenues by over \$550,000 in tax year 2012.

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## Recommendations

Based on our review results, we recommend that the Managing Director, through the budget and fiscal services department director, require that:

7. RPAD should enforce written rules for historic property dedication exemptions and cancel the historic residence exemptions for property owners who are not complying with the historic residence requirements;
8. RPAD should require non-compliant property owners to pay the full real property taxes and penalties as detailed in

Chapter 8 of the Revised Ordinances of Honolulu and the Budget and Fiscal Services Historic Property Dedication Rules;

9. RPAD should cancel the historic property dedication exemptions for properties with commercial activities on residential properties without a conditional use permit;
10. RPAD should ensure the accuracy and reliability of the real property tax assessment data by including historic residential and commercial properties in the RPAD data quality assurance program recommended earlier; and
11. RPAD should include in the data quality assurance program best practices including physical property inspections, alternative inspection techniques, verifications of valuation and appraisal results, and compliance with historic property dedication requirements.

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# Chapter 5

## Inaccurate and Unreliable Data Resulted in Unassessed Tax Revenues

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Real property taxes are the primary source of revenues for the city's general fund. The city council therefore needs assurance that the tax information provided by the real property assessment division is accurate. Our sample results showed many inconsistencies and inaccuracies in classifications, tax assessments, and real property tax payments because real property tax assessment staff was not following best practices, such as performing physical inspections; focusing on quality assurance; maintaining and updating databases; maintaining adequate records about exempted or dedicated properties; or complying with existing administrative policies and procedures. As a result, potential tax revenues totaling \$1.8 million were not assessed or collected.

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### Background

In 2007, Real Property Assessment Division (RPAD) activated its current version of the *iasWorld* system. RPAD uses the *iasWorld* management information system to store data on all real properties in the City and County of Honolulu;<sup>11</sup> to support its real property tax assessment program; and to perform mass appraisals and valuations of properties for the tax assessment process. If the *iasWorld* data is accurate and reliable, the system allows RPAD to obtain uniform, equal, and credible assessments throughout the city.

Professional organizations have reaffirmed the importance of having accurate and reliable data by establishing standards and best practices for ensuring property data is complete, updated, and current. The *Assessment Standard of the International Association of Assessing Officers* and *Uniform Standards of Professional Appraisal Practice (2010-2011 Edition)* details best practices for managing real property tax assessment data.

Each year the city council sets real property tax rates based on the certified assessment roll and recommendations provided by RPAD.

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<sup>11</sup>RPAD augments *iasWorld* by using the city's *DocuShare* system to store and maintain property records.

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## Sample Results Indicate RPAD Needs to Improve Data Completeness, Accuracy and Reliability

Our samples indicate the *iasWorld* and RPAD real property tax assessment data are not complete, accurate or reliable. Our sampling showed a multiplicity of errors. Errors ranged from erroneous property classifications; insufficient or missing data needed to locate properties; wrong addresses; multiple addresses connected to a property; and wrong tax map keys. Some examples include:

- Site address listed as the name of a street without any address number for a developed parcel (TMK#66005023);
- Site addresses were incorrect for properties that received a residential dedication (TMK#12001054, 12005081);
- Site address was incorrect and could not be confirmed (TMK#42062024) or an alternative site address is listed for the property (TMK#22012026); and
- No relationship between the tax map keys and the site addresses (TMK#42013024, 42103034, 47015008, 53002054).

### *Incorrect residential dedication data:*

- One commercial building and one residential building had two separate addresses and were mapped together as one parcel. The appraiser disapproved the residential dedication application on the commercial parcel, but the property is incorrectly listed as dedicated for residential use. It was not assessed at the residential rate, but it was incorrect public information (TMK#15002004);
- A property reported as a residential dedication was actually an auto repair shop. This property also had no application to support the residential dedication. (TMK#23014009); and
- Two separate residential parcels were incorrectly listed with the same address. The property owners actually lived on neighboring parcels (TMK#12001054 and TMK#12001094).

*Incorrect historic dedicated properties data:*

- Two historic properties had site addresses that were incorrect (TMK#21013008 and TMK#21014003).

*Kuleana lands data issues:*

- We found that the same site address was linked to multiple parcels; and
- During site visits, we found mailboxes on properties with different addresses than those listed in the database (TMK#53002003 through TMK#53003005).

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**Complete Data is Essential for Properly Administering the Property Tax Program**

According to professional standards and best practices, complete records that contain all relevant property data need to be maintained on each parcel of property assessed by the division, in order to identify the property and relevant characteristics for tax assessment valuations.

In a preliminary review of our findings, RPAD disputed the value of correct or complete site addresses, indicating that site addresses should not be considered when determining the accuracy of its database, and the tax map key (TMK) is the official property identifier for assessment purposes. While we do not dispute the TMK as the official property identifier, we found that a combination of complete and accurate addresses and tax map keys is necessary to properly and accurately identify parcels.

The lack of importance RPAD placed on site addresses had several effects. The inaccurate data affected the accuracy of its database, the ability to access property data in the *iasWorld* information system, unnecessarily penalized property owners, and affected property exemptions such as *kuleana land* and historic property exemptions.

***Accurate site addresses and TMK data are needed to extract information from ias World***

We found that the use of site addresses was necessary to access and review real property data from the *iasWorld* information system. We sampled a TMK number (TMK#260030450002) from an RPAD data source and entered it in *iasWorld*. It did not match any records in the RPAD database. The site address was then entered and a different TMK number was produced (TMK#26003047).

RPAD stated that site addresses are assigned through the Department of Planning and Permitting (DPP), which may assign multiple addresses to a parcel. RPAD stated the *iasWorld* software allows only one address per parcel record. RPAD therefore contends its database is accurate as long as it maintains one of the site addresses assigned by DPP to the parcel. In our opinion, this policy, paired with RPAD's focus on tax map keys, has contributed to an inaccurate and unreliable database. As a result, when city staff and the public search for property information, the property data may be incomplete or inaccurate if they search only by the site address or only by the tax map key number. For example, our review of historic dedications revealed:

- An address maintained by RPAD is for a non-historic structure located on a different parcel from the historic structure (TMK#21014003);
- A historic and a non-historic structure are situated on the same parcel. On the historic residential dedication list maintained by RPAD, the address identifies the non-historic structure (TMK#25001005); and
- RPAD maintains an address not assigned by DPP for a historic residential property (TMK#18033066).

***Inaccurate data penalized a property owner***

A property owner received a notice from the Office of the Mayor informing them the owner's property was being reclassified in 2009. The letter stated the owner may qualify for a residential dedication and that the dedication as an actual residence would reduce the tax liability. The notice identified the parcel only by its TMK number and was addressed to the owner's residence. The owner assumed the TMK number referred to the owner's residence and submitted the personal residence address on the application. RPAD did not validate the site address and information listed by the owner with the TMK before approving the residential dedication. The TMK actually identified the site of the owner's business, which did not qualify for a residential dedication.

RPAD recently invalidated the residential dedication for the business and is compelling the owner to pay back taxes and penalties. The property owner is now paying unnecessary penalties on their property tax because RPAD did not validate the site address and TMK on the residential dedication application before granting the residential dedication (TMK#24004017).

***Inaccurate property data affect kuleana land exemptions***

Our review of *kuleana land* exemptions revealed additional problems related to the inaccurate and incomplete data. *Kuleana land* is land granted to the native tenants by the former Hawaiian monarchy. The Revised Ordinances of Honolulu Chapter 8, Sec. 8-10.32 states residential or agricultural real property designated as *kuleana land* shall pay the minimum property tax or are exempted from taxes as long as the property is owned in whole or in part by a lineal descendant of the person that received the original title to the *kuleana land*.

***Kuleana land exemptions total over \$96,000***

As shown below, kuleana land tax exemptions for our sample totaled \$96,252 in tax year 2011-2012.

**Exhibit 5.1**

***Kuleana Land Exemptions Reduce Tax Revenues by \$96,252***

<b><i>2012 Tax Year Category</i></b>	<b><i>Amount</i></b>
2012 Property Assessment Amount	\$ 28,760,700
2012 Regular Tax Amount	\$ 108,552
2012 Tax Amount Paid	\$ 12,300
2012 Tax Revenue Deferred by Exemption	\$ 96,252

Source: Office of City Auditor Sampling Results

RPAD is supposed to verify the genealogy of the applicant. The applicant is responsible for the cost of providing evidence such as a court order that verifies ownership of the parcel, particularly if the person is not identified as the owner of the property in the RPAD records.

The RPAD application form permits genealogy verification by producing documents from the Office of Hawaiian Affairs or by court order; and requires proof of identification by producing photo identifications. RPAD will then decide to approve or disapprove the application for the *kuleana land* tax exemption based on the information submitted by the applicant.

***Kuleana land sample results***

We reviewed the complete set of 41 properties granted *kuleana land* exemptions and concluded most of the properties granted



the exemption in tax year 2012 were not sufficiently documented, processed, or properly approved. The summary of our sample results is detailed below and in the following exhibit.

- 29 (71%) of the properties received the exemption although the property files and appropriate RPAD approvals were incomplete or not documented;
- For 24 approved property owners, 6 had no application records and 18 were insufficiently completed by the division to determine if the application was approved or disapproved;
- 10 properties were granted the tax exemption although the owners did not provide sufficient genealogical or legal support to document they were entitled to the *kuleana land* exemptions;
- 10 property owners were not listed in the RPAD ownership records and did not provide proof that their ownership complied with the *kuleana land* requirements;
- 25 properties owners did not submit the required photo identification with their application; and
- All properties were not inspected by RPAD before the *kuleana land* exemption was granted.

**Exhibit 5.2**  
**Sample Results: *Kuleana Land* Discrepancies**  
**(Tax Year 2011-2012)**

<b><i>Kuleana Land</i> Files Summary</b>			
	<b><i>Complete Files</i></b>	<b><i>Incomplete Files</i></b>	<b><i>Totals</i></b>
Exemption File Count	12	29	41
Complete Applications	12	5	17
Insufficient Processing		18	18
No Applications		6	6
Genealogy Verification	12	19	31
No Genealogy Verification		10	10
Photo I.D.	12	4	16
No Photo I.D.		25	25
Verification of Ownership	12	19	31
Unable to Verify Ownership		10	10

Source: Office of the City Auditor Sampling Results

We used RPAD data for 41 *kuleana land* properties to perform on-site inspections and observations. We could not validate key data needed to identify the *kuleana land* properties. For 31 properties, we were unable to verify the RPAD address (19 properties); unable to locate the property (6 properties); found inconsistent data for 4 site addresses; and could not gain access to 2 properties. In our opinion, the RPAD data collected on the *kuleana land* properties are inaccurate, unreliable, and insufficient to justify the real property tax exemptions.

We also found the RPAD data was not consistent or reconcilable with Department of Planning and Permitting data. RPAD's response to our preliminary findings and discrepancies was that inspections are not required for this exemption. However, we found the data validation discrepancies found during our site inspections to be significant. The following table summarizes the data validation results for our sample.

**Exhibit 5.3**  
**Sample Results: Data Validation Discrepancies for Kuleana Land Exemptions (Tax Year 2011-2012)**

<b>Data Validation Results (41 Kuleana Land Properties)</b>	<b>No. of Properties</b>
No electronic file maintained	6
Duplicate site addresses for qualifying properties	4
Tax Map Key listed was not associated with the property	2
Insufficient site address, no street number	5
RPAD & DPP data inconsistent: TMK numbers differ	17
RPAD & DPP data inconsistent: site addresses differ*	18
Applicant listed site address not reconcilable with DPP data*	20
Applicant listed site address not reconcilable with RPAD data	21

\*Department of Planning and Permit maintains site addresses for each city parcel.

Source: Office of the City Auditor Sampling Results

***Kuleana land tax exemptions over \$72,841 were not properly documented***

Based on our sampling results, we could not confirm that \$72,841 in real property tax exemptions were justified. More specifically, \$72,841 in tax revenues were deferred without appropriate documentation or a documented decision. As a result, the city has no assurance that the *kuleana lands* exemptions are warranted; or if the property owners were entitled to the exemptions that they received.

**Current Real Property Assessment Program Does Not Promote Data Accuracy or Reliability**

Professional standards and best practices require reliable and accurate data for tax assessments. The International Association of Appraisal Officers standards require the development, construction, and use of a properly administered computer-assisted mass appraisal system. This is needed to ensure the tax assessment valuation is accurate, uniform, equitable, and reliable. The standards state collecting and maintaining property data is very important to maintaining a reliable and accurate assessment system.

The sampling errors, particularly in the *iasWorld* data, indicate weaknesses in the division’s current assessment program. We found property data is collected, but not maintained or updated; data is not kept current; the results of any property inspections are not entered; and a quality assurance program does not exist to

ensure the real property tax assessment data is accurate or reliable.

***Administrative emphasis is not on ensuring data are accurate or reliable***

As required by ordinance, RPAD's priority and focus is on completing a complex assessment process. The real property tax assessment division assesses approximately 290,000 parcels every tax year. The assessment branch goes through a series of activities, from the middle of June through February, to produce a certified roll for the assessment of real property tax. This process features an intensive time-compressed portion from October 1, which is set as the assessment date for each property, through December 15, where assessment notices are mailed to property owners.

The market value for assessment purposes is generally determined through the application of mass appraisal techniques. There are two valuation techniques prescribed by the ordinance, the cost and market data approach. According to RPAD, the market data approach, which is considered best suited for assessing residential properties, uses real estate market data, validates data by sales verifications, and compares comparable properties to come up with a valuation for the individual parcel. RPAD reports a self-assessment of its valuation techniques for the sales ratio approach which showed its classifications to be acceptable, within 10 percent of the valid market value range.

We found, however, that the emphasis on placing a value on the real properties for the annual tax assessment resulted in deficiencies. We found RPAD lacked data validation, maintenance, and management programs that were supported by periodic inspections. The division did not place a priority on real property data management or maintenance. RPAD placed inadequate emphasis on ensuring the reliability and accuracy of the real property assessments, and had insufficient time to focus on data quality assurance actions as required by professional standards and best practices. We found that:

- Physical inspections are used in such limited circumstances that property data and characteristics are incorrect, out-of-date, or incomplete;
- RPAD is unable to monitor or enforce property owner compliance with exemption and dedication requirements; and
- RPAD is unable to detect unwarranted or unjustified applications for initial or continuing tax-exemption status.

RPAD managers confirmed they do not have a data maintenance or cleanup program. They stated they attempted to implement the idea in the past, but failed to place a priority on the program implementation. As a result, RPAD staff usually discovers the need to update data only in response to complaints, appeals, or planning documents requests such as building permits.

***iasWorld data are not current and not updated***

Professional standards and best practices require RPAD to consult external sources of information to assist in the tax assessments. We were shown that the *iasWorld* system could be electronically linked to external sources of information, external documents, or other information sources that could be used to validate the accuracy and reliability of the tax assessment data.

We augmented our physical inspections by searching the Internet and other sources of public information. Our searches confirmed the results of our inspections. We also checked notes in the city's electronic records and found notes that confirmed our inspection results. The electronic notes were also in the *iasWorld* system. However, RPAD did not use the data to properly assess and set the real property taxes, or to base the tax assessment on the actual use of the property.

Although the *iasWorld* system was activated in 2007, the division is still transitioning its existing tax assessment processes to the *iasWorld* system and hoped the *iasWorld* system will improve the RPAD document management and tax assessment system.

***Data management program does not ensure data are accurate and reliable***

Professional standards and best practices state that collecting and maintaining property data is very important to maintaining a reliable and accurate assessment system. According to professional assessment standards, if the property data and characteristics are not updated or kept current, the valuations, assessment systems, and property data will become unreliable, inaccurate, and will need to be completely redone. The standards indicate that comparison of sales is not enough for a valid assessment system, and that the system requires complete, accurate, and updated property data and characteristics.

There are trade-offs with the existing property assessment system. The existing process has a highly compressed time schedule and focuses on the valuation portion of the assessment process. One trade off is that real property data is not updated or kept current through periodic physical inspections as recommended by the professional standards and best practices. Another trade off is

that data is not validated and checking of other data sources is not a priority. RPAD's physical inspections of properties are usually in response to complaints, appeals, and planning documents requests, and are not scheduled on a periodic basis as recommended by assessment standards. RPAD management indicated data are not prioritized for validation or update, and prior initiatives to clean up the appraiser data were not implemented.

***Property inspections are limited***

Professional standards and best practices for the mass appraisal of real property recommend the development of a system for making periodic field inspections to identify properties and ensure that property characteristics data are complete and accurate. The standards further indicate that properties should be periodically revisited to ascertain that assessment records are accurate and current.

The professional standards and best practices state a physical review of each property should be conducted at least every four to six years. According to the standards, the field inspections system should identify properties; ensure property characteristics and data are complete and accurate; and promote accurate and current assessment records. The standards state the inspections should include on-site verification of property characteristics; inspection for any new construction activity; and verification of data identified through city building permits. Otherwise, assessments are at risk of being incomplete.

***Inspections are not given a high priority***

RPAD informed us they do not have an inspection program as recommended by their professional standards and best practices. The percentage of properties inspected in a year compared to the properties assessed is low, and inspections are done in response to complaints, appeals, and those triggered by permit documents. According to RPAD:

- *Inspections are triggered by public complaints.* The division sometimes inspects properties when it receives public complaints. The division indicates that the majority of the complaints concern unreported improvements on the properties, and others concern the fairness of the tax assessments;
- *Inspections are triggered by appeals.* The division inspects properties that are subject to appeal. The findings of the

inspection are used to support division findings on assessment, valuation, and to evaluate appellant claims;

- *Inspections are triggered by requests for planning documents.* The division conducts inspections based on building permits and other planning documents, such as notices of final construction inspection. These planning documents allow the appraisers to identify properties whose characteristics are likely to change; to inspect them prior to the assessment date; and to update their data; and
- *Inspections are done for every dedication and exemption property.*

#### *Inspections are infrequent*

Our sample results indicated property inspections were not occurring within the periods needed to promote valid property assessments, to validate system data, or to support appropriate valuations and tax assessments. We reviewed data logged in the *iasWorld* System. Our sample results showed:

- *Kuleana lands* exempted properties: approximately 17 percent were inspected in the past 6 years;
- Hotel and resort properties: approximately 27 percent were inspected in the past 6 years;
- Residential dedication properties: approximately 50 percent were inspected in the past 6 years; and
- Historic residential dedication properties: approximately 79 percent, were inspected in the past 6 years. 132 of these were inspected since 2011.

#### *Alternative inspections are allowed, but not extensively used*

The professional standards and best practices allow alternative inspections if a well maintained data collection and quality management program are in place and an initial physical inspection has been completed. The standards allow alternative digital imaging technology to be used to supplement field inspections and computer-assisted office reviews. RPAD reported exploring this method, but the capability is not completely developed.

*Inspections conducted by the division are declining*

The lack of emphasis on inspections resulted in a declining trend in the number of real property inspections although the number of real properties is increasing. The following table provides yearly statistics on inspections conducted by the real property tax assessment division.

**Exhibit 5.4  
Inspections and Properties Assessed Per Fiscal Year**

<i>Fiscal Year</i>	<i>Inspections</i>	<i>Properties Assessed</i>	<i>Inspection Rate per Properties Assessed</i>
2008	5,493	288,818	1.95%
2009	9,263	290,623	3.25%
2010	7,047	292,008	2.45%
2011	5,764	293,120	2.01%
2012	6,782	293,970	2.35%

Source: Department of Budget and Fiscal Services

***A data quality assurance program does not exist***

Professional standards and best practices require quality assurance reviews of the real property data to ensure the tax assessment valuation is accurate, uniform, equitable, and reliable. The *Assessment Standard of the International Association of Assessing Officers (2010-2011 Edition)* (IAAO) for automated valuations state the first step for any appraisal is to identify the property to be appraised. This involves identifying the maps, ownership records, property addresses, legal descriptions, and all property characteristics.

The RPAD data quality assurance program is not well developed and comprehensive. RPAD informed us that individual appraisals are compared to benchmarked values for quality assurance purposes. RPAD provided us an annual sales ratio report from 2009 that showed no shortcomings. In our opinion, the data quality assurance is limited, and is more reactive than proactive. RPAD reaction to public complaints is the primary form of feedback that catalyzes the division to perform quality assurance type activities. Much like inspections, this is in our view too limited and follow-up is problematic.

The lack of a data quality assurance program and lack of emphasis on data validation, maintenance, and management by



the division resulted in property identification and classification problems found during our sampling. More specifically, we found:

- Site address information was insufficient to locate and identify properties and property characteristics listed in our samples (TMK#47015008, 47029008, 47029026, 51009007);
- Multiple site addresses were found for parcels with a single tax map key (TMK15002004); and
- Property characteristics differed from actual use, such as a warehouse dedicated to residential use (TMK#12005064).

The lack of follow-up actions usually found in quality assurance programs caused other problems. For example:

- An inspector identified an incorrect site address, but the address was not corrected (TMK#39044105); and
- An inspector identified property characteristics and actual use that was inconsistent with the classification for the property, but the discrepancy was not addressed (TMK#28016028).

When we discussed the errors in the sampling results with RPAD, they stated that these errors needed more research, but could not explain why the errors occurred or what the correct information should be. The RPAD managers told us they would take corrective action on those property records that they agreed were errors. Without a data quality assurance program to ensure the database is accurate and reliable, the city's real properties are at risk of not being classified and assessed correctly.

***Valuations and appraisals could be improved***

Under professional standards and best practices, the appraiser is responsible for their scope of work, exercising professional judgment, substantiating their assessment, and self-certifying their work after it is completed.

RPAD managers were unable to provide definitive answers as to how the professional appraisal standards should be applied. We found RPAD supervisors will defer to the professional judgment of the individual appraiser. If an appraisal is questionable, the supervisor may raise concerns, but the appraiser was not

obligated to correct it. The appraisers were simply informed by supervisors to expect appeals. As a result, two RPAD appraisers may come to different conclusions regarding the value of similar properties.

To supplement the RPAD appraisers' work, RPAD uses the commercial *iasWorld* assessment system. Its primary feature is as an automated valuation model (AVM), which is a mathematically based computer software program that produces an estimate of market value based on market analysis of location, market conditions, and real estate characteristics from information previously and separately collected. The system estimates market value through mathematical modeling.

We concluded that RPAD is not satisfying professional requirements for the proper use of an automated valuation model or the appraisal standards. The absence of a data quality assurance program for its database, inaccurate and unreliable data, lack of inspections, poor data management, property misclassifications, and inconsistent appraisals supported our conclusion that RPAD valuations and appraisals could be improved.

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### **For Our Sample, Over \$1.8 Million in Potential Tax Revenues Could Have Been Assessed or Collected**

Based on our sampling results, we estimate \$1,849,385 in real property taxes could have potentially been assessed and collected if RPAD had resolved inaccurate and inconsistent classifications; enforced compliance with historic property requirements; and used accurate and reliable data to classify and assess properties in the city database. More specifically, we estimated the property tax revenues not assessed or collected as follows:

- Due to poor data management, 68 property owners received tax adjustments and tax compromises totaling \$381,744, which they were not qualified to receive;
- 100 adult residential care homes (ARCH) may have paid \$839,393 less because the properties were not appropriately reviewed and validated for land use considerations that impact tax classification;<sup>12</sup>

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<sup>12</sup>Conversely 2 ARCH properties classified as commercial may have paid \$39,243 more in property taxes if the properties should have been classified as residential. RPAD was unable to affirm any over or underpayment because it lacked accurate and reliable data.

- 31 skilled nursing and intermediate care facilities may have paid less or more in property taxes, because properties were not appropriately reviewed and validated for land use considerations that impact tax classification;
- Improved enforcement of 73 non-compliant historical residences could generate \$555,407 more in property taxes; and
- \$72,841 in exemptions for *kuleana lands* have been granted without complete records that justify the exemption, qualification, and approval.

In our opinion, the city could have potentially increased tax revenues if RPAD had placed appropriate emphasis on accurate and reliable data in the real property tax assessment database and document management systems.

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## Recommendations

Based on our review results, we recommend that the Managing Director, through the budget and fiscal services department director, require that RPA should:

12. Rely more on information systems, such as *iasWorld*, for mass appraisals, real property assessments, and to streamline the existing, complex, manual process for classifying and assessing real properties;
13. Use the *iasWorld* system capabilities to determine property values and perform appraisals and assessments of real properties, and use manual processes and State of Hawai'i data as a double check of the *iasWorld* results;
14. Develop a data quality assurance program that periodically and regularly verifies that *iasWorld* data are current, complete, updated, accurate, and reliable;
15. Develop and implement a data quality assurance program as recommended by professional standards and best practices to ensure real property tax assessment data is accurate, reliable, complete, updated, and current. The quality assurance program should include:
  - (a) statistical sampling, projection techniques, and risk assessments;

- (b) prioritization of properties that are likely to be non-compliant with classification or zoning requirements;
  - (c) identification of high risk properties that may have inaccurate or unreliable data;
  - (d) property inspections, alternative inspection techniques, and verifications of valuation and appraisal results; and
  - (e) assurances that quality assurance results, staff inputs, and other real property results are linked to *iasWorld* information systems and captured in the *iasWorld* database;
16. Develop and enforce written policies and procedures for:
- (a) Appraising and valuing properties so that uniform, consistent, accurate, and reliable results are obtained;
  - (b) Requiring continuous communications and coordination with the Department of Planning and Permitting on issues such as tax assessment efforts, inspection results, valuations and appraisals, violations, and enforcement actions;
  - (c) Ensuring uniform methods and techniques are used to value and appraise similar real properties in different zones or dissimilar properties in the same zone;
  - (d) Ensuring *kuleana land* exemptions and benefits are only granted to qualified owners of real properties; and
  - (e) Ensuring *kuleana land* exemptions are fully documented and granted only after all legal requirements are satisfied in accordance with Chapter 8 of the Revised Ordinances of Honolulu; and
17. Remove exemptions for real properties that are misclassified or not complying with permitted uses for the assigned zoning or classification.

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# Chapter 6

## Conclusions and Recommendations

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The Real Property Assessment Division (RPAD) has an important function within the city government to assess real property taxes and to facilitate the collection of the city's major source of operating revenues. It produces an annual certified real property assessment roll that requires great coordination and effort, accuracy, and fairness within a very short period of time. The current administration of the program therefore needs to promote accuracy and reliability in the real property assessments.

The existing program focuses on the valuation of properties for tax assessment purposes, and leaves little time or focus on data quality assurance activities as required by professional assessment standards. We found that inspections are used in such limited circumstances, that property data is incorrect, out-of-date, or incomplete. The deficiencies also contributed to RPAD's inability to monitor or enforce property owner compliance with exemption and dedication requirements, and an inability to detect ineligible applications for tax-exemptions. The division has not prioritized data management or maintenance activities although professional standards state these are needed to improve real property data accuracy and reliability.

By following professional standards and best practices, RPAD could improve the accuracy and reliability of its tax assessment results. We found in the current computer aided mass appraisal system, real property valuation results and tax assessments are based on inaccurate and unreliable data. Property classifications were inconsistent because RPAD lacks written policies and procedures for classifying properties. For example, several property records contained information that supported a different classification than the one assigned because written guidance did not exist. The absence of any effort to maintain and use current property data and characteristics increased the risk of inaccurate and unreliable tax assessments. We found instances where ineligible property owners received tax adjustments or tax compromises, and dedications and exemptions granted were poorly documented and justified.

In 2010, the division received media scrutiny and public criticism regarding its oversight of the historic residential property program. In 2011, with input from RPAD, the city council revised the historic property requirements in order to improve

property owner compliance, and to provide a basis for enforcing the historic property requirements. Despite this, we found many properties were not complying with the historic property dedication requirements because RPAD lacked an inspection and enforcement program. As currently administered, RPAD cannot provide assurance the historic property program is properly working.

In our sample results, we identified over \$1.8 million in potential real property taxes that could have been assessed if classification and land use issues were resolved. Improved data accuracy and reliability, in conjunction with city council actions, could increase real property tax revenues.

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## Recommendations

Based on our review results, we recommend that the Managing Director, through the budget and fiscal services department director, require that RPAD should :

1. Develop and enforce policies and procedures that conform to professional standards and best practices. The written policies and procedures should:
  - (a) require the use of uniform methods and techniques to classify, value, and assess real properties;
  - (b) ensure properties are assigned and classified based on the highest and best use and/or the current use;
  - (c) ensure mixed use real properties are properly classified, valued, prorated, and assessed; and
  - (d) properly classify, value, prorate, and assess real properties used as adult residential care homes, skilled nursing/intermediate care facilities, and other mixed used properties;
2. Make recommendations to city council to introduce ordinances that allow tax assessments, exemptions, and real property taxes to be prorated according to the actual use of the properties;
3. Communicate information or violations to the Department of Planning and Permitting (DPP) and work with DPP to resolve land classification and violation issues;



4. Complete the processing and documentation of real properties granted tax adjustments or tax compromises under Resolutions 10-260 and 11-105;
5. Develop an accurate and reliable list of properties affected by its reclassifications of real properties and reverse any tax adjustments or tax compromises that were granted to non-qualified real property owners under the auspices of Resolution 10-206 and 11-105;
6. Correct and collect all tax property assessments due from unqualified real property owners who were granted tax adjustments or tax compromises under the Resolutions 10-260 and 11-105;
7. Enforce written rules for historic property dedication exemptions and cancel the historic residence exemptions for property owners who are not complying with the historic residence requirements;
8. Require non-compliant property owners to pay the full real property taxes and penalties as detailed in Chapter 8 of the Revised Ordinances of Honolulu and the Budget and Fiscal Services Historic Property Dedication Rules;
9. Cancel the historic property dedication exemptions for properties with commercial activities on residential properties without a conditional use permit;
10. Ensure the accuracy and reliability of the real property tax assessment data by including historic residential and commercial properties in the RPAD data quality assurance program;
11. Include in the data quality assurance program best practices including physical property inspections, alternative inspection techniques, verifications of valuation and appraisal results, and compliance with historic property dedication requirements;
12. Rely more on information systems, such as *iasWorld*, for mass appraisals, real property assessments, and to streamline the existing, complex, manual process for classifying and assessing real properties;
13. Use the *iasWorld* system capabilities to determine property values and perform appraisals and assessments of real

properties, and use manual processes and State of Hawai'i data as a double check of the *iasWorld* results;

14. Develop a data quality assurance program that periodically and regularly verifies that *iasWorld* data are current, complete, updated, accurate, and reliable;
15. Develop and implement a data quality assurance program as recommended by professional standards and best practices to ensure real property tax assessment data is accurate, reliable, complete, updated, and current. The quality assurance program should include:
  - (a) statistical sampling, projection techniques, and risk assessments;
  - (b) prioritization of properties that are likely to be non-compliant with classification or zoning requirements;
  - (c) identification of high risk properties that may have inaccurate or unreliable data;
  - (d) property inspections, alternative inspection techniques, and verifications of valuation and appraisal results; and
  - (e) assurances that quality assurance results, staff inputs, and other real property results are linked to *iasWorld* information systems and captured in the *iasWorld* database;
16. Develop and enforce written policies and procedures for:
  - (a) appraising and valuing properties so that uniform, consistent, accurate, and reliable results are obtained;
  - (b) requiring continuous communications and coordination with the Department of Planning and Permitting on issues such as tax assessment efforts, inspection results, valuations and appraisals, violations, and enforcement actions;
  - (c) ensuring uniform methods and techniques are used to value and appraise similar real properties in different zones or dissimilar properties in the same zone;
  - (d) ensuring *kuleana land* exemptions and benefits are only granted to qualified owners of real properties; and

- (e) ensuring *kuleana land* exemptions are fully documented and granted only after all legal requirements are satisfied in accordance with Chapter 8 of the Revised Ordinances of Honolulu; and
17. Remove exemptions for real properties that are misclassified or not complying with permitted uses for the assigned zoning or classification.

## Management Response

In its typical response to our audit reports, the Department of Budget and Fiscal Services (BFS) director disagreed with the audit findings and recommendations. Like previous audit responses, the BFS director states the audit sampling is not statistically representative of its population of assessed properties and do not support the conclusions in the audit report. As in prior responses, the director states the report discounted and disregarded departmental responses, is counterproductive, and provides the reader with inflammatory and misleading results. The director states the audit results are based on misinterpretation, inaccurate and misleading findings, and conclusions based on opinion and not ordinance. The director said the recommendations will not lead to any material improvements and many of the deficiencies are not based on fact.

We respectfully disagree with the management response. Based on the management comments, we closely analyzed and reexamined the audit data and supplemental data provided by RPAD and found many of the management comments could not be substantiated or were insufficient to change the audit findings. As appropriate, we paraphrased their comments in the body of the report and excluded comments that were more appropriate for the formal management response letter. Based on our analysis of the management comments and the re-analysis of the sampling results, we stand by our audit findings.

Based on standard statistical sampling methods, a minimal sample size of 20 to 40 parcels would have been adequate to project to the entire database of 293,970 properties in the BFS database. The audit report does not project the sample results to the entire database and restricts the discussion to the audit sample of 1,100 properties. If the audit sample results for the 1,100 parcels were projected to the entire BFS universe, the results would have been highly accurate, highly valid, and significant.

Based on discussions and inputs from RPAD, we selected 6 categories for the audit sample and excluded 12 categories of properties out of the 18 categories of properties we identified. The audit sample subsequently included 100 percent of the Resolution 10-260 properties; 100 percent of the Resolution 11-105 properties; 100 percent of the historic residential dedication properties; 21 percent of the adult residential care homes; 100 percent of the skilled nursing/ intermediate care facilities licensed by the State of Hawai'i; and 100 percent of the *kuleana land* exemptions.

Based on discussions with RPAD, we identified and checked for critical data elements such as tax map key, site address, zoning, classification, taxes assessed, and taxes paid. Based on the city ordinances, State laws, and BFS policies, we identified and checked for compliance with the document and data requirements. The audit report discusses the results of our data checks.

The BFS director's disagreement with the audit sample results and our responses included:

- The site addresses should not be a measure of the accuracy of the database and have no impact on the valuation of a property. The *iasWorld* information system contains hundreds of data fields for each parcel, many of which are informational and do not impact valuation; as such the priority is to maintain data relevant to valuation. The tax map key is the official property identifier and not the site address.

Professional organizations have reaffirmed the importance of having accurate and reliable data and ensuring property data is complete, updated, and current. Picking and choosing which data field to update is not an option. Based on past experience, inaccuracies can ripple throughout the system, affect other processes and calculations, result in report errors, and affect the credibility of the entire database. Failure to maintain accurate and complete property records creates tax administration problems such as inconsistent or questionable tax assessments. Furthermore, legal descriptions of properties require correct site addresses.

- The highest and best use standards do not apply to transition areas, such as Kalihi and McCully. Classifying and valuing properties based on actual use will result in

drastically different tax bills for adjoining properties of similar size and zoning. Also, underutilized parcels are marketed based on their higher potential use allowed under the zoning, not their existing use. For these reasons, RPAD relies primarily on zoning and not actual use when classifying properties. For buildings that straddle multiple parcels, as well as care homes and skilled nursing/intermediate care facilities, RPAD does not separately allocate portions of the buildings onto their corresponding parcels. The building values would not be accurately calculated under this methodology because the separate building portions would be viewed as stand-alone structures and result in over-assessments.

The sample size of 1,100 parcels and the deficiencies found, including different tax bills for adjoining properties of similar size and zoning, were spread throughout the city and county and were not restricted to the transition areas. The sample results indicate RPAD needs to replace its existing methodology with new and better methods that provide consistent and credible tax assessments.

- In classifying properties, RPAD relies on the districting established by the city in its General Plan and zoning ordinance.

Restricting highest and best use standards to city ordinances and general plans violates the highest and best use principles established by professional organizations which specify that the classification practice should include assessing and determining what is physically possible, legally permissible, financially feasible, and appropriately supported. By not conforming to these principles, inconsistent, questionable, and inequitable assessments will continue to occur. The sample results show that applying only the zoning ordinance and general plan classifications resulted in inconsistent classifications and assessments, and the underlying zonings were not uniformly applied.

- The care homes audit work was incomplete and the auditors should have checked for *grandfathered* use. The potential revenues of \$840,000 are not accurate.

The audit sample and calculations used RPAD data made available to us. Because the RPAD database did not show any *grandfathered* status, RPAD did not know which

parcels were or were not *grandfathered*. As a result, RPAD cannot ensure its assessments are consistent and reliable. Although RPAD stated care homes should be uniformly classified as residential, we found inconsistent application of this rule. Our sample results show inconsistent tax administration, monetary impacts, and inequities among the properties.

- Prorating property assessments is not permissible according to a legal opinion provided by the Corporation Counsel's office; maintaining prorated parcels would not be physically possible and would create inequities; and prorating property assessments and exemptions on an annual basis is not practical.

The BFS director's legal comment is based on a 1992 memo which states the proration is not allowed under existing ordinances for cooperative apartment buildings. The memo does not preclude introducing new ordinances that would allow prorated assessments, and specifically states, *An ordinance amendment is required to permit the multi-land classification you propose for unsubdivided property*. Our sampling results indicate that RPAD should revisit the 21 year old issue and develop new methods for prorating property assessments, such as allowed under the historic residential property section of Chapter 8-10.22 of the ROH.

- Restricting Resolutions 10-260 and 11-105 properties to reclassified properties would have been illegal; the city collected and refunded the proper amount of taxes under the resolutions; and tracked the properties on a spreadsheet. All compromises approved under the resolutions were properly reviewed, inspected, and documented. No one received an adjustment for which they were not entitled.

Our 100 percent review of the properties listed in the resolutions and review of the sampling results reaffirmed the applications were not fully processed before the compromises were approved and some of the tax compromises and adjustments were questionable. Because the RPAD documents and database were incomplete, we cannot confirm that no one received an adjustment for which they were not entitled.

- The historic residential properties audit sample was inappropriate because the historic residential dedication criteria and laws were effective in September 2011; were not effective nor implemented until tax year 2012-2013; compliance was ongoing throughout calendar year 2012; all properties with dedications had been inspected; the potential \$555,000 in unearned tax benefits has no basis; and RPAD has no authority to cancel any dedications based on use.

Contrary to the director's comments, our 100 percent review of the historic residential properties from tax year 2012-2013 included requirements that had existed since 2006, as well as the revised requirements for tax year 2012-2013. The sample results were discussed with RPAD. Although RPAD could not explain the discrepancies, it initiated inspections and took actions to enforce the historic property requirements after our discussions. Per Chapter 8-10.22 of the ROH, the budget and fiscal services director has the authority to cancel the historic residential property exemption.

- Site inspections are not required for *kuleana land* exemptions; the photo id is purely for internal audit purposes and not required by the ordinance; exemptions are fully documented; and only granted to qualified owners.

Chapter 8-10.32 of the ROH requires the property owner to verify the owner's genealogy by producing documents from the Office of Hawaiian Affairs or by court order and requires the documents to be produced at the owner's expense. Our 100 percent review of the *kuleana land* properties checked for compliance with these requirements. The audit report discloses the deficiencies found during our 100 percent review of the *kuleana land* exemptions, including incomplete processing and incomplete genealogy verification. Professional standards and best practices recommend on-site inspections to ensure the accuracy and reliability of the property data.

- RPAD monitors the accuracy of the assessments and integrity of the data fields by running an annual sales ratio reports, a quality control study, and over 100 queries to check data entry.



RPAD's quality assurance program focuses on the validity and reasonableness of property assessments when compared to market value or the cost approach, and allows a 10 percent margin of error. It does not focus on the accuracy and reliability of data within the database as prescribed by professional standards and best practices. If property data and characteristics are not updated or kept current, the professional standards and best practices forewarn the classifications, valuations, assessment systems, and property data will become unreliable, inaccurate, and will have to be completely redone.

- Land use issues are typically handled via phone call and/or e-mail to the Department of Planning and Permitting (DPP); and formalizing this process would significantly impact their workload and processes.

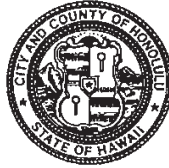
Although RPAD informed us of informal discussions with DPP, RPAD could not produce logs, supporting documents, tracking results, history, or any data that showed the properties involved, the issues discussed, decisions made, the outcome of the communications, the dates, times, or employees involved in the discussions. Without a formal history of decisions made and issues resolved, RPAD classifications and assessments are unlikely to be consistent.

Although the budget and fiscal services department director disagrees with our audit findings, we continue to believe our audit sample results indicate a need to improve the policies, procedures, and operations of the real property assessment process. We hope the director will implement the recommendations or alternative corrective actions to resolve the shortcomings disclosed in our audit samples. For the final report, we made technical, non-substantive changes to the report for purposes of accuracy, clarity, and style.

A copy of the budget and fiscal services director's response is provided on page 85.

DEPARTMENT OF BUDGET AND FISCAL SERVICES  
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KIRK CALDWELL  
MAYOR



NELSON H. KOYANAGI, JR.  
DIRECTOR

GARY T. KUROKAWA  
DEPUTY DIRECTOR

September 30, 2013

Mr. Edwin S. W. Young  
City Auditor  
Office of the City Auditor  
City and County of Honolulu  
1001 Kamokila Boulevard, Suite 216  
Kapolei, Hawaii 96707

Dear Mr. Young:

**SUBJECT: Audit of the Real Property Assessment Division  
Report No. 13-02, Dated September 2013**

We appreciate the opportunity to comment on Report No. 13-02, *Audit of the Real Property Assessment Division*, dated September 2013. We take the work of the City Auditor seriously. The Department of Budget and Fiscal Services, Real Property Assessment Division (RPAD), spent significant time and resources during the course of the audit to provide information to the City Auditor and answer questions regarding its assessment process and programs. All problems were researched and will be given due consideration.

After careful review of the audit report, we concluded that many of the recommendations are not supported by the evidence presented, are already actively being addressed, or are not required by law in the valuation process. Our summary and detailed response to the audit report and its recommendations is provided below.

The audit conclusions are misleading due to the use of a "judgmental sample" that is not a statistically representative sample of the entire population of properties that are assessed. Conclusions and generalizations based on limited samples are improper for use in reaching conclusions about an entire population. The audit relied on a sample of 1,100 selected properties which were not representative of the 288,000+ properties assessed by RPAD. It is believed that the audit did not evaluate sufficient or appropriate evidence.

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The Auditor placed a great deal of reliance on "best practices" from sources they cited as The Assessment Standard of the International Association of Assessing Officers (IAAO) and Uniform Standards of Professional Appraisal Practice (2010-2011)(USPAP). The IAAO has standards pertaining to various topics including the "Standard on Mass Appraisal of Real Property". RPAD could not find any reference to "best practices" in either the IAAO Standard on Mass Appraisal of Real Property or in USPAP. With its limited resources, RPAD strives to follow IAAO standards, USPAP, and the Revised Ordinances of Honolulu, Chapter 8.

The auditor's claims of incomplete, unreliable, and inequitable application of various program requirements are based upon misinterpretations, inaccurate and misleading findings, and conclusions based on opinion, not ordinance.

- There is no mandate or requirement that RPAD have electronically scanned documents pertaining to all properties. RPAD provided worksheets and files in response to specific requests from the audit staff that documented that RPAD did indeed have records of all properties involved in the Residential Dedications, Resolutions 10-260 and 11-105 as well as all Historic Residential Dedications. The scanning of all documents has been a goal of RPAD's multi year workflow master plan and its implementation is dependent on resources and funding.
- It has been communicated on numerous occasions that site addresses should not be a measure of the accuracy of the RPAD database and that they have no bearing on the valuation of a property.
- The auditor's opinion on the proration of exemptions, classifications, and assessments of mixed use properties has no legal basis within the ordinance and would not be feasible to administer and further, would promote inequities.

## CHAPTER 2: INACCURATE AND INCONSISTENT CLASSIFICATIONS

The audit report states that "recommended classification practices include assigning properties to classes based on highest and best use, which normally equates to current use." While this statement is true for the vast majority of properties such as large residential subdivisions, it is not true for areas in transition. Examples of this are the areas in Kalihi and McCully where parcels were re-classified for 2010, based on their underlying zoning. The end result of classifying and valuing properties based on actual use is that adjoining properties of similar size and zoning will have drastically different tax bills. This is not equitable and would be a direct violation of 8-1.7(a), which requires "uniform and equalized assessments throughout the county." Also, past history has shown that underutilized parcels are marketed based on their higher

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potential use allowed under the zoning, not their existing use. For these reasons, RPAD relies primarily on zoning and not actual use in classifying properties.

The audit report also criticizes the division's handling of buildings that straddle multiple parcels, as well as the classification of care homes and skilled nursing/intermediate care facilities. As RPAD explained during the audit interviews, the division does not separately allocate portions of buildings onto their corresponding parcels. The building values would not be accurately calculated under this proposed methodology because the separate portions of the building would be viewed as stand-alone structures, resulting in the properties being over-assessed.

The audit report criticizes the division's classification of care homes, claims that only 3 of 102 are being operated legally under the zoning, and claims that homeowner exemptions on these properties were improperly granted. The classification issue is based on the assumption that a care home should be classified as commercial, but offers us no evidence as to why. To establish legality, the auditor only researched the existence of a conditional use permit and no other means of establishing a legal, non-conforming use such as a "grandfathered" use. The report does not provide any evidence that the Department of Planning and Permitting determined that the 99 care homes are operating illegally, nor does it provide evidence that home exemptions were granted to owners who did not qualify. It is simply not accurate to conclude that the City should have collected \$840,000 more from the care home property owners.

The audit report states, "There is no definition of highest and best use provided by the ordinance. RPAD had no policies and procedures to guide this determination." This is not true. RPAD management explained that in classifying properties, the division relies on "the districting established by the city in its general plan and zoning ordinance," as stated in 8-7.1(c)(2).

### CHAPTER 3: PROBLEMS IDENTIFIED IN CITY COUNCIL RESOLUTIONS NOT RESOLVED

Although the audit report lists the basic requirements of Resolution 10-260 and 11-105, and the division explained those requirements on several occasions, there is an apparent misunderstanding of the requirements. Because of this misunderstanding, the report alleges that unqualified properties were listed in the exhibits of both resolutions, properties were not inspected, applications were not properly documented and completely processed, and compromises were granted to unqualified owners. This is simply not true.

RPAD went through great lengths to explain the entire review process to the auditors. Every property whose owner submitted an application was inspected.

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Re-classification for tax year 2010-2011 was never a requirement of either resolution. To limit the requirement of the resolution to properties that were re-classified would have been a violation of the equal protection clause of the Constitution. Therefore many other property owners applied for and legally received a compromise under one of the resolutions. No compromise was granted to an owner who did not submit an application. Some owners did not receive a compromise because they did not submit an application, while others did not meet the requirements of the resolutions such as having the property in exclusive residential use.

RPAD explained to the auditors that the review process was tracked on a master spreadsheet and provided copies to the audit staff. They also provided copies of approval and disapproval letters for owners who applied under Resolution 10-260. Due to time constraints, RPAD staff did not go back and mark the applications as approved or disapproved and re-scan them into the docushare system. RPAD has agreed to do so when time permits.

The City collected and refunded the proper amount of taxes under Resolutions 10-260 and 11-105. Therefore there are no further tax adjustments to be made, nor is there a basis for the claim that \$381,744 in unearned tax adjustments were made.

#### CHAPTER 4: HISTORIC PROPERTY VIOLATORS AVOIDED OVER \$555,000 IN PROPERTY TAXES

The auditor's review of the records for the tax year 2011-2012 for the Historic Residential Dedication, applied criteria and laws not in effect for the tax year under review. This information was clearly spelled out to the audit staff in both verbal and written communications.

Substantial revisions were made to Chapter 8 Section 8-10.22 Exemption-Historic Residential real property dedicated for preservation which were approved June 2011. New Rules and Regulations requirements became effective in September 2011 and thus were not effective nor implemented until the 2012-2013 tax year. Changes to previous requirements included new plaque language and placement requirements, alternate visual visitation (AVV) requirements and signage and specific criteria regarding visibility. With Assessments established as of October 1 and Notices mailed by December 15, 2011 for the 2012-2013 tax year, in fairness to the taxpayers, all existing dedications were allowed to continue and compliance with the new rules and regulations and requirements was ongoing throughout the entire 2012 calendar year. Contrary to claims made in the auditors report, all properties with dedications had been inspected, plaques have since been obtained and placed, and AVV compliance and follow up inspections for compliance are ongoing.

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We object to determinations of the need for AVV made by the auditor based upon their "drive by" inspections. Characterizing these properties as being in violation and non-compliant and RPAD "not following best practices" is inaccurate and misleading. Our files contain photographic evidence as to the visibility of these properties.

Had the auditor provided the TMKS of the properties and dated photographic evidence for the properties they cite as non-compliant with AVV requirements, RPAD could have pursued timely review and notification of violations. Until the issuance of this final report, RPAD was not made aware of which properties were supposedly non-compliant with AVV requirements.

Conclusions relating to "potential illegal or un-permitted uses" as a basis for "violation" and disqualification from a dedication are erroneous and not supported by ordinance. It is only the opinion of the auditor that commercial activities are not permitted on historic properties. The ordinance does not preclude any activity.

An extensive recordkeeping and monitoring spreadsheet was provided to the auditor's staff documenting the fact that RPAD does in fact have documents supporting all dedications. Therefore there is no basis for the claim that over \$555,000 in unearned tax benefits were improperly granted.

#### CHAPTER 5: INACCURATE AND UNRELIABLE DATA RESULTED IN UNASSESSED TAX REVENUES

The audit report alleges that samples indicate "iasWorld and RPAD real property tax assessment data are not complete, accurate, or reliable." One of the primary data components that the audit relies on in making this statement is the site address. RPAD explained to the auditors that the tax map key is the official property identifier specified in the ordinance, not the site address. Therefore the tax map key is used on the assessment notice, appeal, exemption, and dedication forms, and certification reports. In addition, the database contains hundreds of data fields for each parcel, many of which are used solely for informational purposes and do not impact valuation. As such, the priority is to maintain data relevant to valuation. The site address does not impact valuation. Therefore to conclude that the entire database is inaccurate due to a sampling of site addresses is unfounded.

An internal audit of the Kuleana exemption was conducted and contrary to the report findings, all documents necessary and relevant for approval of the exemptions are located within RPAD files. To address specific issues noted in the report: site addresses are irrelevant in the determination of qualification for exemption, the applicant is responsible for providing verification/determination of genealogy through



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the Office of Hawaiian Affairs, site inspections are not a component required for approval, and photo ID is purely for internal audit purposes and not a requirement of the ordinance.

RPAD annually runs a sales ratio report, quality control study, and over 100 queries to check data entry. All of these are used to monitor the accuracy of the assessments and integrity of relevant data fields. To state that "the RPAD staff placed little or no emphasis on ensuring the reliability and accuracy of the real property assessments" is simply untrue and irresponsible.

#### RESPONSE TO RECOMMENDATIONS AS NUMBERED IN THE AUDIT REPORT

1. RPAD policy is to classify primarily according to the City's zoning ordinance, except as allowed by dedications, variances, legal non-conforming uses, etc. The audit recommends that classification be based on "highest and best use and/or the current use." This is a contradictory statement and would promote inequity among neighboring parcels. There are many properties where the current use is not the highest and best use of the property.

The audit recommends that mixed use properties be prorated in terms of classification and valuation, according to use. Legal opinion was already provided as to why this would not be permissible under the current ordinance. Furthermore, uses can change in mixed use properties on an annual basis. The maintenance of prorated parcels would not be physically possible and would create inequities.

2. RPAD would not introduce ordinance changes that are not maintainable. Prorating assessments and exemptions according to actual use, on an annual basis, is not practical. The proration could change annually and verification and maintenance of the changes to the database would not be physically possible.
3. RPAD already submits written Requests for Investigation (RFIs) to DPP for potential building code violations. Land use issues are typically handled via phone call and/or email. RPAD is open to the idea of formalizing this process through the use of RFIs, but would require the cooperation of DPP, as this would significantly impact their workload and processes. It would also require formal written responses within a short period of time.
4. As explained during the audit process, all compromises approved under resolutions 10-260 and 11-105 were properly reviewed, inspected, and documented. No one received an adjustment for which they were not entitled.



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Admittedly, RPAD staff did not go back and re-scan the dedication petitions with the approved/disapproved boxes checked off. The status of all petitions was tracked via a master spreadsheet. Although the ordinance does not require any document to be scanned into the docushare system, RPAD is willing to go back and scan all hard copy documents relating to the residential use dedications and compromises, as time permits.

Should RPAD be provided sufficient staffing to accomplish this task, then the recommendations of the auditor may be accomplished.

5. RPAD annually maintains lists of all properties that are dedicated and posts them on the division's website. There was one property that appeared on the residential use dedication list in error. The parcel is being removed from the list. However, the petition was clearly marked as denied, correctly classified as commercial, and the correct taxes have been collected. The owner did not receive an adjustment under either resolution.
6. None of the tax adjustments under the resolutions were granted in error, so there is nothing to collect. The conclusion that there were unwarranted adjustments made, is based on a misunderstanding of the requirements of the resolutions.
7. All rules for historic property dedication are being enforced. All inspections, dates of notices, detailed findings and notes were being tracked since the beginning of the implementation of the new requirements and documented in the extensive spreadsheet provided to the auditors on 7/1/13. All ineligible dedications are being addressed.
8. All property owners have been billed for any amounts due as determined by administrative direction.
9. RPAD has no authority under the ordinance to cancel any dedications based on use.
10. As stated above, all dedications have been reviewed and specifically audited. Inclusion in a quality assurance program is unnecessary.
11. Best practices including physical property inspections, alternative inspection techniques, verifications of valuation and appraisal results, and compliance with historic property dedication requirements have already been performed and continue to be the practice.

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12. RPAD relies solely on iasWorld for data maintenance, classification, and valuation. The division also has access to external sources of information such as Matrix (Honolulu Board of Realtors), Posse (Department of Planning and Permitting), and Land Shark (Bureau of Conveyances). These systems are used by staff on a daily basis to research various types of data. The systems were created by different software vendors and are not compatible to the extent where automated integration is possible.
13. RPAD relies solely on iasWorld to value properties based on the cost and market approaches, as required by ordinance. Ratio studies and quality control checks are used to monitor the accuracy of the results. The audit does not identify what manual processes or State of Hawaii data should be used as a double check of the iasWorld results, or how this would be accomplished. Therefore, RPAD cannot comment on the feasibility of this recommendation.
14. There are hundreds of data fields within iasWorld, the majority of which are for informational purposes and do not impact the valuation of the property. RPAD runs over 100 different checks of data fields which impact value, exemptions, and proper mailing of the assessment notices and tax bills. The audit report focused on the importance of site addresses, although the division is not required by ordinance to keep it. If it were decided that the site address is a required, the City would have to pay Tyler Technologies for a modification to the iasWorld software, so that multiple site addresses could be maintained on every parcel.
15. A quality assurance program exists. The Sale Ratio report that focus on areas actually included in the "Standard on Mass Appraisal of Real Property" specifically the "Standard on Ratio Studies" was provided to the auditors and their comment was "RPAD provided us an annual sales ratio report from 2009 that showed no shortcomings." Further, numerous edits and screenings are conducted periodically and annually as a check on data entries.
16. RPAD is constantly working on written procedures to assist the appraisers in completing their tasks uniformly and equitably. The division is open to establishing more efficient two-way dialogue with the Department of Planning and Permitting, but their limited resources will also be impacted by additional RFIs, which must be addressed in a timely manner.

Kuleana exemptions are only being granted to qualified owners of real properties and are fully documented.

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17. In most cases, qualification for an exemption is a separate issue from compliance with the Land Use Ordinance. RPAD does not agree that there are exemptions being granted on properties that do not meet the requirements.

After a thorough review of the report, we conclude that the recommendations will not lead to any material improvements in the performance or operations, and many of the deficiencies cited by the auditor are not based in fact.

Finally, the auditor's communication letter claims to have incorporated "inputs" from RPAD, BFS and the MD's office. While RPAD comments to the draft report caused the elimination of numerous errors in the final report, very few comments were included in the final report and are clearly misrepresented. Honest and straightforward responses were provided to the audit staff to explain and clarify issues. To have these responses discounted and disregarded in the final report is counterproductive and provides the reader with inflammatory and misleading results.

Sincerely,



Nelson H. Koyanagi, Jr., Director  
Budget and Fiscal Services

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# Appendix 1

## Real Property Assessment Division Roles and Responsibilities

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### **Organization**

The Real Property Assessment Division (RPAD) is organized into four branches: assessment, tax maps, technical, and support services. (See Exhibit 1.6)

### **Assessment Branch**

The Assessment Branch is responsible for the annual valuation and classification of all real property parcels within the City and County of Honolulu. It also reviews and approves exemption claims, excluding home and disability exemptions; defends assessments appealed before the Board of Review or Tax Appeal Court; and provides assistance to the public and other government agencies.

The following are workload statistics for Assessment Year 2012:

Property appraisals .....	293,970
Building inspections .....	6,782
New condo appraisals .....	549

### **Tax Maps Branch**

The Tax Maps Branch is responsible for maintaining ownership records and for providing up-to-date tax maps necessitated by subdivisions and parcel consolidations. These maps and ownership records are used by other government agencies and the public. The branch processes ownership and mapping changes. This includes the use of scanned images of recorded documents, and the updating of parcel data to the Geographic Information System base map.

The following are workload statistics for Assessment Year 2012:\*

Mapping Parcels .....	3,753
Documents Processed .....	123,642
Parcels Affected .....	36,804

### **Technical Branch**

The Technical Branch is responsible for the development of rules and regulations, administrative policies and procedures, building classifications, cost factors, training of appraisers, and technical support for all counties in the State of Hawai'i. This branch conducts internal audits to ensure that assessment values are in compliance with standards established by professional appraisal and assessment organizations. It is also responsible for ensuring compliance with real property tax codes, rules, and ordinances.

### **Support Services Branch**

The Support Services Branch is responsible for customer service at the counter, on the phone, via mail and email, and in the division's research room. The branch processes all exemption claims,

Board of Review appeals, and Tax Appeal Court cases. It also prepares adjustments to taxes resulting from amended property values, appeal decisions, and the sale of government parcels.

The following are workload statistics for Assessment Year 2012:\*

Exemptions/Dedications Updated/Processed .....	53,350
Counter service .....	5,100
Telephone service .....	25,000

***Boards of Review***

The RPAD branches are supplemented by three boards of review that resolve real property assessment, disallowances of exemptions, and disputes between taxpayers and the real property tax assessor. These boards are attached to the Support Services Branch and consist of five members each. Members are appointed by the mayor and confirmed by the city council for five-year terms.

\*Source: Real Property Assessment Division, Department of Budget and Fiscal Services

## Appendix 2 Sample Results - Resolution 10-260 Properties With Tax Adjustments

	Parcel ID	Address	2010 Reclassified R To C/I	2010 Tax Assessed	2010 Tax Paid	2010 Tax Adjustment	Note
1	120010940000	817 FACTORY ST	-	\$5,026.96	\$1,386.47	\$3,640.49	Already in the Industrial class 2009 and 2010
2	120030230000	504 KALIH ST	-	\$4,096.96	\$908.82	\$2,967.00	Tax credit \$221.14. Already in the Industrial class 2009 and 2010
3	120050540000	1808 HOMERULE ST	-	\$6,929.12	\$1,911.10	\$5,018.02	Already in the Industrial class 2009 and 2010
4	120050640000	1805 REPUBLICAN ST	-	\$8,086.04	\$2,334.52	\$5,751.52	Already in the Industrial class 2009 and 2010
5	120050700000	1711 REPUBLICAN ST	-	\$6,652.60	\$1,920.67	\$4,731.93	Already in the Industrial class 2009 and 2010
6	120051050000	1829 DEMOCRAT ST	-	\$7,087.84	\$2,046.33	\$5,041.51	Already in the Industrial class 2009 and 2010
7	120060340000	194 KALIH ST	-	\$1,791.80	\$494.19	\$1,297.61	Already in the Industrial class 2009 and 2010
8	120060660000	207 KALIH ST	-	\$5,995.40	\$1,653.57	\$4,341.83	Already in the Industrial class 2009 and 2010
9	120061030000	1737 HOE ST	-	\$6,299.20	\$1,818.64	\$4,480.56	Already in the Industrial class 2009 and 2010
10	120061040000	1733 HOE ST	-	\$9,116.48	\$2,632.01	\$6,484.47	Already in the Industrial class 2009 and 2010
11	120090090000	2020 COLBURN ST	-	\$8,732.08	\$2,408.36	\$6,323.72	Already in the Industrial class 2009 and 2010
12	120090250000	1918 HAU ST	-	\$8,630.40	\$2,380.32	\$6,250.08	Already in the Industrial class 2009 and 2010
13	120090310000	2020 HAU ST	-	\$7,595.00	\$2,094.75	\$5,500.25	Already in the Industrial class 2009 and 2010
14	120090790000	2019 COLBURN ST	-	\$6,961.36	\$634.08	\$5,041.37	Tax credit \$1,285.91. Already in the Industrial class 2009 and 2010
15	120090840000	2035 COLBURN ST	-	\$8,270.80	\$2,387.86	\$5,882.94	Already in the Industrial class 2009 and 2010
16	120110110000	774 PUJHALE RD	-	\$4,242.04	\$1,224.71	\$3,017.33	Already in the Industrial class 2009 and 2010
17	120110120000	1949 STANLEY ST	-	\$3,830.36	\$1,105.87	\$2,724.49	Already in the Industrial class 2009 and 2010
18	120110160000	2003 STANLEY ST	-	\$5,565.12	\$1,606.70	\$3,958.42	Already in the Industrial class 2009 and 2010
19	120110200000	744 PUJHALE RD	-	\$5,390.28	\$1,556.23	\$3,834.05	Already in the Industrial class 2009 and 2010
20	120110220000	734 PUJHALE RD	-	\$2,907.80	\$801.99	\$2,105.81	Already in the Industrial class 2009 and 2010



## Sample Results - Resolution 10-260 Properties With Tax Adjustments

	Parcel ID	Address	2010 Reclassified R To C/I	2010 Tax Assessed	2010 Tax Paid	2010 Tax Adjustment	Note
21	120110230000	730 PUUJHALE RD	-	\$3,501.76	\$965.81	\$2,535.95	Already in the Industrial class 2009 and 2010
22	120110240000	724 PUUJHALE RD	-	\$5,076.56	\$1,465.66	\$3,610.90	Already in the Industrial class 2009 and 2010
23	120110250000	2008 WILCOX	-	\$1,304.48	\$359.78	\$944.70	Already in the Industrial class 2009 and 2010
24	120110270000	729 KOPKE ST	-	\$4,089.52	\$1,127.92	\$2,961.60	Already in the Industrial class 2009 and 2010
25	120110310000	743 KOPKE ST	-	\$5,045.56	\$1,391.60	\$3,653.96	Already in the Industrial class 2009 and 2010
26	120110350000	757 KOPKE ST	-	\$5,174.52	\$1,493.94	\$3,680.58	Already in the Industrial class 2009 and 2010
27	120110440000	915 KOPKE ST	-	\$4,061.00	\$1,120.05	\$2,940.95	Already in the Industrial class 2009 and 2010
28	120110610000	760 KOPKE ST	-	\$5,800.72	\$300.00	\$5,500.72	Already in the Industrial class 2009 and 2010
29	120110690000	726 KOPKE ST	-	\$5,008.36	\$1,445.96	\$3,562.40	Already in the Industrial class 2009 and 2010
30	120110700000	722 KOPKE ST	-	\$2,220.84	\$612.52	\$1,608.32	Already in the Industrial class 2009 and 2010
31	120110730000	725 GULLICK AVE	-	\$4,025.04	\$1,110.13	\$2,914.91	Already in the Industrial class 2009 and 2010
32	120110780000	743 GULLICK AVE	-	\$5,780.88	\$1,668.99	\$4,111.89	Already in the Industrial class 2009 and 2010
33	120111200000	721 BANNISTER ST	-	\$4,038.68	\$1,113.89	\$2,924.79	Already in the Industrial class 2009 and 2010
34	120111230000	731 BANNISTER ST	-	\$4,065.96	\$1,173.89	\$2,892.07	Already in the Industrial class 2009 and 2010
35	120111580000	742 BANNISTER ST	-	\$5,349.36	\$1,544.41	\$3,804.95	Already in the Industrial class 2009 and 2010
36	120111620000	728 BANNISTER ST	-	\$2,814.80	\$812.66	\$2,002.14	Already in the Industrial class 2009 and 2010
37	120111630000	724 BANNISTER ST	-	\$3,708.84	\$1,070.78	\$2,638.06	Already in the Industrial class 2009 and 2010
38	120120080000	2144 ELUWENE ST	-	\$3,042.96	\$839.27	\$2,203.69	Already in the Industrial class 2009 and 2010
39	120120260000	2140 A ELUWENE ST	-	\$2,930.12	\$845.96	\$2,084.16	Already in the Industrial class 2009 and 2010
40	120120350000	2154 A ELUWENE ST	-	\$3,782.00	\$1,091.90	\$2,690.10	Already in the Industrial class 2009 and 2010

### Sample Results - Resolution 10-260 Properties With Tax Adjustments

	Parcel ID	Address	2010 Reclassified R To C/I	2010 Tax Assessed	2010 Tax Paid	2010 Tax Adjustment	Note
41	150060200000	942 AKEPO LN	-	\$7,143.64	\$2,062.44	\$5,081.20	Already in the Industrial class 2009 and 2010
42	160050530000	1227 SCHOOL ST	-	\$9,472.36	\$2,734.76	\$6,737.60	Already in the Commercial class 2009 and 2010
43	170180190000	414 LILIIHA COURT LN	-	\$4,513.60	\$1,244.88	\$3,268.72	Already in the Commercial class 2009 and 2010
44	170180200000	418 LILIIHA COURT LN	-	\$6,154.12	\$1,776.75	\$4,377.37	Already in the Commercial class 2009 and 2010
45	170230250000	1461 LILIIHA ST	-	\$35,363.56	\$10,209.80	\$25,153.76	Already in the Commercial class 2009 and 2010
46	210410170000	709 KINAU ST	-	\$8,839.96	\$2,552.18	\$6,287.78	Already in the Commercial class 2009 and 2010
47	230220280000	1709 KALAUOKALANI WAY	-	\$4,973.64	\$1,435.94	\$3,537.70	Already in the Commercial class 2009 and 2010
48	230220290000	1707 KALAUOKALANI WAY	-	\$6,351.28	\$1,833.68	\$4,517.60	Already in the Commercial class 2009 and 2010
49	230250100000	1564 KALAKAUA AVE	-	\$16,504.40	\$4,764.98	\$11,739.42	Already in the Commercial class 2009 and 2010
50	280040410000	2208 YOUNG ST	-	\$3,982.88	\$1,098.50	\$2,884.38	Already in the Commercial class 2009 and 2010
51	310170030000	3107 BROKAW ST	-	\$11,615.08	\$3,353.38	\$8,261.70	Already in the Commercial class 2009 and 2010
52	310170200000	3104 BROKAW ST	-	\$11,188.52	\$3,230.24	\$7,958.28	Already in the Commercial class 2009 and 2010
53	310170270000	3151 CASTLE ST	-	\$17,031.40	\$4,917.13	\$12,114.27	Already in the Commercial class 2009 and 2010
54	310170550000	3137 CASTLE ST	-	\$11,156.28	\$3,220.93	\$7,935.35	Already in the Commercial class 2009 and 2010
55	310190320000	3658 KANAINA AVE	-	\$12,024.28	\$2,905.97	\$9,118.31	Already in the Commercial class 2009 and 2010
56	320070140000	1003 KAPAHULU AVE	-	\$15,776.52	\$4,554.83	\$11,221.69	Already in the Commercial class 2009 and 2010
57	330020380000	3130 WAIALAE AVE	-	\$28,861.00	\$8,332.45	\$20,528.55	Already in the Commercial class 2009 and 2010
58	240100120000	1425 KINAU ST 1/A	YES	\$25,956.92	\$7,494.01	\$18,462.91	Not qualified for tax compromise, residential dedication disapproved
			TOTALS	\$440,939.04	\$122,585.16	\$316,846.83	\$1,507.50 in Tax Credits

Resolution compliance criteria

Properties needed to be reclassified from residential to commercial or industrial for tax year 2010-2011

Properties need to be granted dedication for residential use

Source: Office of the City Auditor

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## Appendix 3 Sample Results - Resolution 11-105 Properties With Tax Adjustments

Parcel ID	Address	2010 Reclassified R To C/I	Applied For Tax Compromise	2010 Tax Assessed	2010 Tax Paid	2010 Tax Adjustment	Note
1	120021100000 1744 Dillingham Blvd	-	YES	\$7,840.52	\$2,162.47	\$5,678.05	Already in Commercial Class 2009 and 2010
2	120140840000 2136 Bannister Pl	YES	NO	\$10,458.16	\$3,019.37	\$7,438.79	Did not request tax compromise
3	280020150000 1947 Young St	YES	NO	\$15,424.36	\$4,453.16	\$10,971.20	Did not request tax compromise
4	280040520000 2338 Young St	YES	NO	\$12,361.56	\$3,568.90	\$8,792.66	Did not request tax compromise
5	310170480000 3136 Castle St	YES	NO	\$11,576.64	\$2,629.15	\$8,947.49	Did not request tax compromise
6	940150010000 94-43 Waipahu Depot Rd	YES	NO	\$8,598.16	\$2,482.38	\$6,115.78	Did not request tax compromise
7	940150430000 94-752 Haakoa Pl	-	YES	\$7,548.27	\$1,280.21	\$6,268.06	Already in Commercial Class 2009 and 2010
TOTALS				\$73,807.67	\$19,595.64	\$54,212.03	

Resolution compliance criteria  
Properties needed to be reclassified from residential to commercial or industrial for tax year 2010-2011  
Property owners needed to apply for a tax compromise

Source: Office of the City Auditor

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## Appendix 4 Sample Results - Additional Tax Compromise Properties With Tax Adjustments

	<b>Parcel ID</b>	<b>Address</b>	<b>2010 Reclassified R To C/I</b>	<b>Applied For Tax Compromise</b>	<b>2010 Tax Assessed</b>	<b>2010 Tax Paid</b>	<b>2010 Tax Adjustment</b>	<b>Note</b>
1	120010650000	915 Factory St	-	YES	\$6,507.52	\$1,878.78	\$4,628.74	Already in Industrial Class 2009 and 2010
2	120050820000	1841 Homerule St	-	YES	\$5,356.80	\$1,546.56	\$3,810.24	Already in Industrial Class 2009 and 2010
3	150060230000	938 A Akepo Ln	-	YES	\$3,157.04	\$911.47	\$2,245.57	Already in Industrial Class 2009 and 2010
				<b>TOTALS</b>	<b>\$15,021.36</b>	<b>\$4,336.81</b>	<b>\$10,684.55</b>	

Resolution compliance criteria  
Properties needed to be reclassified from residential to commercial or industrial for tax year 2010-2011  
Property owners needed to apply for a tax compromise

Source: Office of the City Auditor

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# Appendix 5

## Sample Results - Adult Residential Care Homes (ARCH)

### (Tax Year 2012)

#	TMK	RPAD Class	Zone <sup>7</sup>	2012 Tax Assessed	If Assessed Commercial <sup>2</sup>	Potential Loss Revenue <sup>3</sup>	If Assessed Residential <sup>4</sup>	Potential Over-Payment <sup>5</sup>	Payment By Owner	RPAD Last Inspection	H.O. Exempt <sup>6</sup>	RPAD Aware <sup>7</sup>
1	47031003	Res	R-5	\$9,894	\$35,052	(\$25,159)	\$9,894	-	\$9,894	10/12/98		√
2	99015050	Com	R-10	\$14,390	\$14,390	-	\$4,082	\$10,328	\$14,390	10/10/89		√
3	99074024	Res	R-5	\$2,034	\$7,206	(\$5,172)	\$2,034	-	\$2,034	3/29/10		
4	99030005	Res	R-5	\$1,994	\$8,551	(\$6,557)	\$1,994	-	\$1,994	1/20/88	√	
5	36006061	Res	R-10	\$2,787	\$10,866	(\$8,079)	\$2,787	-	\$2,787	1/1/88	√	
6	36006059	Res	R-10	\$3,585	\$12,703	(\$9,117)	\$3,585	-	\$3,585	2/26/09		
7	11018059	Res	R-5	\$3,026	\$10,721	(\$7,695)	\$3,026	-	\$3,026	11/30/01		
8	910190080001	Res	R-5	\$999	\$5,026	(\$4,027)	\$999	-	\$999	9/19/96	√	
9	91038010	Res	R-5	\$845	\$4,483	(\$3,637)	\$845	-	\$845	4/24/89	√	
10	99049028	Res	R-5	\$2,487	\$8,810	(\$6,323)	\$2,487	-	\$2,487	10/13/00		
11	99049029	Res	R-5	\$2,696	\$9,553	(\$6,857)	\$2,696	-	\$2,696	4/24/09		√
12	99048014	Res	R-5	\$2,361	\$8,364	(\$6,003)	\$2,361	-	\$2,361	4/4/12		√
13	58004035	Res	R-5	\$2,050	\$8,749	(\$6,700)	\$2,050	-	\$2,050	1/25/94	√	
14	39044105	Res	R-5	\$2,347	\$8,317	(\$5,969)	\$2,347	-	\$2,347	1/30/09		
15	39071001	Res	R-5	\$300	\$300	-	\$300	-	\$300	9/14/99		√
16	42095068	Res	R-5	\$3,019	\$11,687	(\$8,668)	\$3,019	-	\$3,019	6/26/09	√	
17	42067034	Res	R-20	\$3,597	\$13,737	(\$10,139)	\$3,597	-	\$3,597	3/11/13		√
18	42078041	Res	R-7.5	\$5,873	\$20,808	(\$14,935)	\$5,873	-	\$5,873	5/5/06		√
19	32044044	Res	R-5	\$5,708	\$20,222	(\$14,514)	\$5,708	-	\$5,708	9/4/08		
20	32020096	Res	R-5	\$2,858	\$11,613	(\$8,755)	\$2,858	-	\$2,858	10/11/05	√	
21	32019028	Res	R-5	\$8,024	\$28,428	(\$20,404)	\$8,024	-	\$8,024	12/5/05		√
22	39090019	Res	R-5	\$2,782	\$11,344	(\$8,562)	\$2,782	-	\$2,782	9/14/99	√	
23	13035079	Res	R-3.5	\$2,834	\$10,042	(\$7,207)	\$2,834	-	\$2,834	3/6/03	√	
24	16016099	Res	R-5	\$1,906	\$8,242	(\$6,336)	\$1,906	-	\$1,906	1/1/88	√	
25	13007003	Res	R-3.5	\$3,248	\$11,506	(\$8,258)	\$3,248	-	\$3,248	4/6/06		
26	13010016	Res	R-3.5	\$7,052	\$26,472	(\$19,420)	\$7,052	-	\$7,052	12/16/93	√	
27	14025026	Res	R-5	\$2,565	\$9,087	(\$6,522)	\$2,565	-	\$2,565	10/15/08		
28	45099028	Res	R-5	\$2,645	\$9,369	(\$6,725)	\$2,645	-	\$2,645	3/8/06		
29	47031065	Res	R-5	\$1,959	\$7,932	(\$5,973)	\$1,959	-	\$1,959	12/29/95	√	
30	45012081	Res	R-7.5	\$4,694	\$16,630	(\$11,936)	\$4,694	-	\$4,694	10/19/05		√
31	31074004	Res	R-3.5	\$4,706	\$18,161	(\$13,455)	\$4,706	-	\$4,706	10/3/96	√	
C&C of Honolulu Property Tax Subtotals:				\$115,264	\$388,369	(\$273,105)	\$104,936	\$10,328	\$115,264			

<sup>1</sup> Residential: R-20, R-10, R-7.5, R-5, R-3.5. Apartment medium-density: A-2.

<sup>2</sup> Tax year 2012 net taxable assessed value/1,000\*12.4 (commercial rate).

<sup>3</sup> Difference between 2012 tax assessed and if assessed commercial.

<sup>4</sup> Tax year 2012 net taxable assessed value/1,000\*3.5 (residential rate).

<sup>5</sup> Difference between 2012 tax assessed and if assessed residential.

<sup>6</sup> Homeowner exemption received.

<sup>7</sup> RPAD was aware of and documented commercial structures and activities on the parcel.

Sample size: 102 of 496 ARCH licensed by the State Department of Health.

**Sample Results - Adult Residential Care Homes (ARCH)  
(Tax Year 2012)**

#	TMK	RPAD Class	Zone <sup>1</sup>	2012 Tax Assessed	If Assessed Commercial <sup>2</sup>	Potential Loss Revenue <sup>3</sup>	If Assessed Residential <sup>4</sup>	Potential Over-Payment <sup>5</sup>	Payment By Owner	RPAD Last Inspection	H.O. Exempt <sup>6</sup>	RPAD Aware <sup>7</sup>
32	92006054	Res	R-5	\$1,815	\$7,424	(\$5,608)	\$1,815	-	\$1,815	9/18/98	√	
33	92025002	Res	R-5	\$2,525	\$10,433	(\$7,908)	\$2,525	-	\$2,525	11/12/98	√	
34	38015017	Res	R-10	\$2,228	\$8,887	(\$6,659)	\$2,228	-	\$2,228	5/5/09	√	
35	38015038	Res	R-10	\$4,050	\$15,341	(\$11,291)	\$4,050	-	\$4,050	10/21/96	√	
36	17033007	Res	R-5	\$300	\$300	-	\$300	-	\$300	6/20/11		√
37	17037121	Res	R-3.5	\$2,711	\$9,604	(\$6,893)	\$2,711	-	\$2,711	10/24/05		
38	92018028	Res	R-5	\$2,371	\$8,399	(\$6,028)	\$2,371	-	\$2,371	3/17/93		
39	92012041	Res	R-5	\$1,729	\$7,612	(\$5,884)	\$1,729	-	\$1,729	2/28/97	√	
40	29006027	Res	R-7.5	\$7,478	\$27,983	(\$20,505)	\$7,478	-	\$7,478	1/18/12	√	
41	29001020	Res	R-5	\$3,949	\$13,990	(\$10,041)	\$3,949	-	\$3,949	9/9/10	√	
42	29001024	Res	R-5	\$2,948	\$10,445	(\$7,496)	\$2,948	-	\$2,948	10/7/09	√	
43	29001019	Res	R-5	\$5,595	\$19,824	(\$14,228)	\$5,595	-	\$5,595	10/7/09	√	
44	29001007	Res	R-7.5	\$3,338	\$11,826	(\$8,488)	\$3,338	-	\$3,338	10/7/09	√	
45	23031046	Res	A-2	\$3,686	\$13,058	(\$9,373)	\$3,686	-	\$3,686	11/15/02		
46	94064100	Res	R-5	\$1,953	\$7,910	(\$5,957)	\$1,953	-	\$1,953	2/10/00	√	
47	11040031	Res	R-5	\$3,213	\$12,376	(\$9,163)	\$3,213	-	\$3,247	6/8/07	√	
48	11045050	Res	R-5	\$2,184	\$9,226	(\$7,042)	\$2,184	-	\$2,184	1/18/96	√	
49	280060710002	Res	R-5	\$3,092	\$10,953	(\$7,861)	\$3,092	-	\$3,092	11/4/10		√
50	37011032	Res	R-7.5	\$3,064	\$11,848	(\$8,784)	\$3,064	-	\$3,064	7/31/00	√	
51	18004002	Res	R-10	\$1,933	\$6,849	(\$4,915)	\$1,933	-	\$1,933	1/1/88		√
51	18004066	Com	R-10	\$12,357	\$12,357	-	\$3,488	\$8,869	\$12,357	12/20/88		√
52	18004067	Com	R-10	\$27,929	\$27,929	-	\$7,883	\$20,045	\$27,929	12/20/88		√
52	17039026	Res	R-3.5	\$4,004	\$15,675	(\$11,670)	\$4,004	-	\$4,004	4/17/12	√	
53	98021089	Res	R-5	\$2,276	\$8,062	(\$5,787)	\$2,276	-	\$2,276	7/22/96		
54	97045032	Res	R-5	\$2,136	\$7,568	(\$5,432)	\$2,136	-	\$2,136	4/26/06		
55	22013075	Res	R-5	\$3,035	\$10,752	(\$7,717)	\$3,035	-	\$3,035	10/28/08		
56	11024063	Res	R-5	\$2,746	\$11,031	(\$8,285)	\$2,746	-	\$2,746	1/1/88	√	
57	11073062	Res	R-5	\$2,958	\$11,967	(\$9,009)	\$2,958	-	\$2,958	4/24/09	√	
58	73014056	Res	R-5	\$1,772	\$6,278	(\$4,506)	\$1,772	-	\$1,772	5/21/09		
59	73005049	Res	R-5	\$1,479	\$6,232	(\$4,753)	\$1,479	-	\$1,479	1/1/88	√	
60	67012054	Res	R-5	\$1,179	\$5,666	(\$4,486)	\$1,179	-	\$1,179	2/1/88	√	
C&C of Honolulu Property Tax Subtotals:				\$122,033	\$347,804	(\$225,771)	\$93,118	\$28,914	\$122,067			

<sup>1</sup> Residential: R-20, R-10, R-7.5, R-5, R-3.5. Apartment medium-density: A-2.

<sup>2</sup> Tax year 2012 net taxable assessed value/1,000\*12.4 (commercial rate).

<sup>3</sup> Difference between 2012 tax assessed and if assessed commercial.

<sup>4</sup> Tax year 2012 net taxable assessed value/1000\*3.5 (residential rate).

<sup>5</sup> Difference between 2012 tax assessed and if assessed residential.

<sup>6</sup> Homeowner exemption received.

<sup>7</sup> RPAD was aware of and documented commercial structures and activities on the parcel.

Sample size: 102 of 496 ARCH licensed by the State Department of Health.



**Sample Results - Adult Residential Care Homes (ARCH)  
(Tax Year 2012)**

#	TIMK	RPAD Class	Zone <sup>1</sup>	2012 Tax Assessed	If Assessed Commercial <sup>2</sup>	Potential Loss Revenue <sup>3</sup>	If Assessed Residential <sup>4</sup>	Potential Over-Payment <sup>5</sup>	Payment By Owner	RPAD Last Inspection	H.O. Exempt <sup>6</sup>	RPAD Aware <sup>7</sup>
61	86018043	Res	R-5	\$2,124	\$7,524	(\$5,401)	\$2,124	-	\$2,124	2/8/96		
62	87025042	Res	R-5	\$1,318	\$4,671	(\$3,353)	\$1,318	-	\$1,318	1/1/88		
63	94095122	Res	R-5	\$1,882	\$7,661	(\$5,778)	\$1,882	-	\$1,882	11/1/99	√	√
64	94058110	Res	R-5	\$1,839	\$7,506	(\$5,667)	\$1,839	-	\$1,839	11/1/99	√	√
65	94051115	Res	R-5	\$1,508	\$6,830	(\$5,322)	\$1,508	-	\$1,508	12/26/90	√	√
66	94020064	Res	R-5	\$1,716	\$7,073	(\$5,357)	\$1,716	-	\$1,716	10/26/99	√	√
67	94095086	Res	R-5	\$1,542	\$6,950	(\$5,408)	\$1,542	-	\$1,542	9/15/00	√	√
68	94009199	Res	R-5	\$1,426	\$6,539	(\$5,113)	\$1,426	-	\$1,426	12/15/90	√	√
69	94009148	Res	R-5	\$1,779	\$7,294	(\$5,515)	\$1,779	-	\$1,779	8/13/08	√	√
70	94051047	Res	R-5	\$1,972	\$8,475	(\$6,503)	\$1,972	-	\$1,972	10/29/99	√	√
71	94058129	Res	R-5	\$1,752	\$7,201	(\$5,448)	\$1,752	-	\$1,752	9/14/00	√	√
72	94058094	Res	R-5	\$2,045	\$8,732	(\$6,687)	\$2,045	-	\$2,045	2/8/00	√	√
73	99044052	Res	R-5	\$2,571	\$9,108	(\$6,537)	\$2,571	-	\$2,571	4/24/00		
74	98030046	Res	R-7.5	\$3,193	\$11,314	(\$8,120)	\$3,193	-	\$3,193	11/1/88		√
75	99030026	Res	R-5	\$2,282	\$8,086	(\$5,804)	\$2,282	-	\$2,282	1/1/88		
76	36005058	Res	R-10	\$3,227	\$11,432	(\$8,205)	\$3,227	-	\$3,227	10/17/96		
77	91002248	Res	R-5	\$1,124	\$5,471	(\$4,347)	\$1,124	-	\$1,124	2/8/95	√	√
78	99048055	Res	R-5	\$2,447	\$9,662	(\$7,215)	\$2,447	-	\$2,447	2/13/09	√	√
79	39099152	Res	R-5	\$4,351	\$15,413	(\$11,063)	\$4,351	-	\$4,351	5/22/09		
80	43067085	Res	R-5	\$3,220	\$11,407	(\$8,187)	\$3,220	-	\$3,220	7/10/09		
81	44034010	Res	R-7.5	\$2,459	\$10,200	(\$7,741)	\$2,459	-	\$2,459	10/20/09	√	√
82	32019046	Res	R-5	\$6,753	\$23,926	(\$17,173)	\$6,753	-	\$6,753	12/5/05		√
83	330140290002	Res	R-5	\$3,522	\$12,477	(\$8,955)	\$3,522	-	\$3,522	7/18/05		
84	32038013	Res	R-5	\$6,405	\$22,691	(\$16,286)	\$6,405	-	\$6,405	7/6/90		√
85	31004055	Res	R-3.5	\$4,253	\$16,058	(\$11,806)	\$4,253	-	\$4,253	8/19/08	√	√
86	45012079	Res	R-7.5	\$6,606	\$23,405	(\$16,799)	\$6,606	-	\$6,606	8/7/07		√
87	45012080	Res	R-7.5	\$5,711	\$20,234	(\$14,523)	\$5,711	-	\$5,711	10/24/08		√
88	45036085	Res	R-5	\$2,925	\$11,356	(\$8,431)	\$2,925	-	\$2,925	5/1/08	√	√
89	92008065	Res	R-5	\$2,048	\$8,247	(\$6,199)	\$2,048	-	\$2,048	9/8/06	√	√
90	38008042	Res	R-10	\$1,693	\$6,991	(\$5,298)	\$1,693	-	\$1,693	4/23/97	√	√
C&C of Honolulu Property Tax Subtotals:				\$85,693	\$323,933	(\$238,240)	\$85,693	-	\$85,693			

<sup>1</sup> Residential: R-20, R-10, R-7.5, R-5, R-3.5. Apartment medium-density: A-2.

<sup>2</sup> Tax year 2012 net taxable assessed value/1,000\*12.4 (commercial rate).

<sup>3</sup> Difference between 2012 tax assessed and if assessed commercial.

<sup>4</sup> Tax year 2012 net taxable assessed value/1000\*3.5 (residential rate).

<sup>5</sup> Difference between 2012 tax assessed and if assessed residential.

<sup>6</sup> Homeowner exemption received.

<sup>7</sup> RPAD was aware of and documented commercial structures and activities on the parcel.

Sample size: 102 of 496 ARCH licensed by the State Department of Health.

**Sample Results - Adult Residential Care Homes (ARCH)  
(Tax Year 2012)**

#	T/MK	RPAD Class	Zone <sup>1</sup>	2012 Tax Assessed	If Assessed Commercial <sup>2</sup>	Potential Loss Revenue <sup>3</sup>	If Assessed Residential <sup>4</sup>	Potential Over-Payment <sup>5</sup>	Payment By Owner	RPAD Last Inspection	H.O. Exempt <sup>6</sup>	RPAD Aware <sup>7</sup>
91	29019041	Res	R-7.5	\$5,328	\$18,878	(\$13,549)	\$5,328	-	\$5,328	11/30/01		
92	29019042	Res	R-7.5	\$4,705	\$16,668	(\$11,963)	\$4,705	-	\$4,705	11/30/01		
93	280060710001	Res	R-5	\$3,232	\$11,450	(\$8,218)	\$3,232	-	\$3,232	11/4/10		
94	34013001	Res	R-5	\$300	\$300	-	\$300	-	\$300	1/1/88		√
95	97048121	Res	R-5	\$1,958	\$6,937	(\$4,979)	\$1,958	-	\$1,958	2/11/09		
96	97037095	Res	R-5	\$1,788	\$7,823	(\$6,035)	\$1,788	-	\$1,788	9/11/90	√	
97	97083024	Res	R-5	\$2,271	\$9,038	(\$6,767)	\$2,271	-	\$2,271	6/17/08	√	
98	97040035	Res	R-5	\$2,761	\$10,773	(\$8,012)	\$2,761	-	\$2,761	11/14/06	√	
99	11067030	Res	R-7.5	\$2,758	\$10,763	(\$8,005)	\$2,758	-	\$2,758	9/19/07	√	√
100	11024094	Res	R-5	\$1,935	\$7,847	(\$5,912)	\$1,935	-	\$1,935	7/9/99	√	√
101	29002035	Res	R-7.5	\$5,433	\$19,249	(\$13,815)	\$5,433	-	\$5,433	9/30/99		√
102	29002010	Res	R-7.5	\$5,907	\$20,926	(\$15,020)	\$5,907	-	\$5,907	6/15/99		
C&C of Honolulu Property Tax Subtotals:				\$38,375	\$140,652	(\$102,276)	\$38,375	-	\$38,375			
Page 1 Subtotals:				\$115,264	\$388,369	(\$273,105)	\$104,936	\$10,328	\$115,264			
Page 2 Subtotals:				\$122,033	\$347,804	(\$225,771)	\$93,118	\$28,914	\$122,067			
Page 3 Subtotals:				\$85,693	\$323,933	(\$238,240)	\$85,693	-	\$85,693			
<b>C&amp;C of Honolulu Property Tax Totals:</b>				<b>\$361,365</b>	<b>\$1,200,757</b>	<b>(\$839,393)</b>	<b>\$322,122</b>	<b>\$39,243</b>	<b>\$361,399</b>			

<sup>1</sup> Residential: R-20, R-10, R-7.5, R-5, R-3.5. Apartment medium-density: A-2.

<sup>2</sup> Tax year 2012 net taxable assessed value/1,000\*12.4 (commercial rate).

<sup>3</sup> Difference between 2012 tax assessed and if assessed commercial.

<sup>4</sup> Tax year 2012 net taxable assessed value/1000\*3.5 (residential rate).

<sup>5</sup> Difference between 2012 tax assessed and if assessed residential.

<sup>6</sup> Homeowner exemption received.

<sup>7</sup> RPAD was aware of and documented commercial structures and activities on the parcel.

Sample size: 102 of 496 ARCH licensed by the State Department of Health.

Source: Office of the City Auditor

# Appendix 6

## Sample Results - Skilled Nursing/Intermediate Care Facilities

### (Tax Year 2012)

#	TMK	RPAD Class	Zone <sup>1</sup>	2012 Tax Assessed	Payment By Owner	RPAD Last Inspection	RPAD Aware of Commercial Usage	Comments
1	22020021	Res	A-3/P-2	\$300	\$300	5/3/11	Yes	Nonprofit
2	45043063	Res	R-10	\$31,294	\$31,294	1/28/93	Yes	
3	45011008	Res	R-7.5	\$12,342	\$12,342	7/10/07	Yes	
	\$2,125			\$2,125	11/30/07			
4	24008003	Res	A-2	\$300	\$300	6/25/10	Yes	Nonprofit
5	13030003	Res	R-5	\$22,784	\$22,784	4/17/03	Yes	
6	17015016	Com	R-5	\$148,460	\$148,460	1/18/90	Yes	
7	58001051	Ag	AG-2	\$12,767	\$12,767	6/23/89	Yes	
8	22023036	Res	R-10	\$14,730	\$14,730	1/1/88	Yes	
9	38003005	Res	R-10	\$6,673	\$6,673	1/10/89	Yes	
10	24030037	Res	A-2/R-5	\$41,075	\$41,075	9/14/99	Yes	
11	24005020	Res	BMX-3	No RPAD Data	No RPAD Data	11/16/09	No	
12	45033003	Res	A-2/P-1	\$2,949	\$2,980	12/29/88	Yes	Nonprofit
13	35017044	Res	A-2	\$300	\$300	11/7/03	Yes	Nonprofit
14	42052080	Res	R-5	\$2,644	\$2,644	7/26/95	No	
15	28010023	Res	A-2	\$6,593	\$6,593	1/11/90	Yes	
16	91106005	Com	BMX-3	\$160,374	\$160,374	10/23/01	Yes	
17	56006013	Com	R-5	\$300	\$300	1/1/88	Yes	Nonprofit
18	11012033	Com	R-7.5	\$300	\$300	6/6/89	Yes	Nonprofit
19	17017002	Com	A-1	\$235,878	\$235,878	1/18/99	Yes	
20	91017079	Com	AG-1/R-5	\$101,164	\$101,164	9/29/12	Yes	
21	32031001	Res	R-5	No RPAD Data	No RPAD Data	10/8/08	Yes	Nonprofit
22	84024008	Res	County	\$6,740	\$6,740	2/13/90	Yes	
23	17036037	Res	R-3.5	\$13,225	\$13,225	6/18/93	Yes	
24	16009004	Res	R-5	No RPAD Data	No RPAD Data	12/15/88	Yes	Nonprofit
25	33029004	Res	R-10	\$300	\$300	9/24/92	Yes	Nonprofit
26	18010005	Com	R-10/R-7.5	\$92,094	\$92,094	5/17/95	Yes	
27	28010022	Com	BMX-3	\$73,947	\$73,947	10/10/08	Yes	
28	34013001	Res	R-5	\$300	\$300	1/1/88	Yes	Nonprofit
29	970210520001	Com	B-1	\$9,298	\$9,298	10/15/96	Yes	
	\$89,155			\$89,155				
30	21035003	Com	B-2	\$300	\$300	2/2/10	Yes	Nonprofit
31	74006041	Com	B-2	\$300	\$300	No RPAD Data	No RPAD Data	Nonprofit
	74006004			\$300	\$300	10/17/06	Yes	
<b>C&amp;C of Honolulu Property Tax Revenue Totals:</b>				<b>\$1,089,310</b>	<b>\$1,089,341</b>			

<sup>1</sup> Residential includes R-20, R-10, R-7.5, R-5, R-3.5, Preservation: Restricted P-1; General P-2, Agricultural: Restricted AG-1; General AG-2, Apartment: Low-density A-1; Medium-density A-2; High-density A-3, Business: Neighborhood B-1; Community B-2, Business Mixed Use: Community BMX-3; Central BMX-4. Reviewed 31 of 31 O'ahu skilled nursing/intermediate care facilities licensed by the State Department of Health.

Source: Office of the City Auditor

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## Appendix 7 Sample Results - *Kuleana Lands*

	<b>Parcel ID (TMK)</b>	<b>Site Address</b>	<b>Data Issue</b>	<b>Document Issue</b>
1	130041250000	1038 PULAA LN	-	No Photo ID
2	180020110001	441 KANANI PL	-	Incomplete Application Processing; No Photo ID
3	180020110002	451 KANANI PL	-	Incomplete Application Processing; No Photo ID
4	180020140000	436 KANANI PL	-	Incomplete Application Processing; No Photo ID
5	290440070000	3358 B EAST MANOA RD	-	Incomplete Application Processing; No Photo ID
6	420120010000	987 LUNAHÉLU ST	-	NO FILE MAINTAINED
7	420620240000	1839 MAUNAWILI RD	Submitted site address cannot be verified	Incomplete Application Processing
8	421030190000	665 MANU OO ST	DPP: 657 Manu OO Street	No Photo ID
9	421030210000	635 MANU OO ST	-	No Photo ID
10	421030240000	673 MANU OO ST	Submitted site address cannot be verified	No Photo ID
11	421030250000	679 MANU OO ST	DPP: 679 A Manu OO Street	Incomplete Application Processing; No Photo ID
12	421030340000	675 MANU OO ST	Submitted site address cannot be verified	No Photo ID
13	450060020000	45-33 WAIKALUA RD	-	Incomplete Application Processing
14	450060700000	45-29A WAIKALUA RD	DPP: 45-29 Waikalua Street	NO FILE MAINTAINED
15	450250040000	45-486 KAPALAI RD	-	No declaration of class, no site address listed by applicant
16	470130360000	47-219B WAIHEE RD	-	Incomplete Application Processing; No Photo ID
17	470140070000	47-665 LAMAULA RD	DPP: 47-665 A Lamaula Road	-
18	470150080000	LAUMAULA ST	DPP: 47-683 Lamaula Rd	Incomplete Application Processing; No Photo ID
19	470290060000	47-324 AHAOLELO RD	Site address cannot be verified	Incomplete Application Processing; No Genealogy Verification; No Photo ID; No Ownership
20	470290080000	AHAOLELO RD	Site address cannot be verified	Incomplete Application Processing; No Genealogy Verification; No Photo ID; No Ownership



Sample Results - *Kuleana Lands*

	<b>Parcel ID (TMK)</b>	<b>Site Address</b>	<b>Data Issue</b>	<b>Document Issue</b>
21	470290110000	47-398 AHAOLELO RD	-	Incomplete Application Processing; No Genealogy Verification; No Photo ID; No Ownership
22	470290260000	AHAOLELO RD	Site address cannot be verified	Incomplete Application Processing; No Genealogy Verification; No Photo ID; No Ownership
23	510090070000	KAM HWY	Site address cannot be verified	NO FILE MAINTAINED
24	530020030000	53-218F KAM HWY	-	NO FILE MAINTAINED
25	530020150000	53-216C KAM HWY	Applicant submitted 53-216D Kam Hwy	Incomplete Application Processing; No Photo ID
26	530020540000	53-216L KAM HWY	-	NO FILE MAINTAINED
27	530020610000	53-216A KAM HWY	DPP: 53-216B Kam Hwy	-
28	530030050000	53-330 KAM HWY	Site address cannot be verified	No site address provided on application
29	550080430000	55-740 KAM HWY	DPP: 55-740A Kam Hwy	Incomplete application processing; Wrong class on application
30	660030550000	66-163 NIUULA RD	-	NO FILE MAINTAINED
31	660050050000	66-290 HALEIWA RD	-	Incomplete Application Processing; No Photo ID
32	660050230000	WALIKANAHELE RD	DPP: 66-178B Kaika PI	Incomplete Application Processing; No Photo ID

Source: Office of the City Auditor

# Appendix 8 Sample Results - Historic Residential Dedicated Properties - Non-Compliance (Tax Year 2012)

#	TMK <sup>1</sup>	RPAD Class	Use Class	Zone <sup>2</sup>	Comply w/ Rules <sup>3</sup>	2012 Tax Assessed	Should Have Assessed <sup>4</sup>	Loss Revenue <sup>5</sup>	Owner Payment	RPAD Inspect	Comments <sup>6</sup>
1	18033066	Res	Res	R-5	Yes	\$300	\$300	-	\$300	5/10/12	No plaque-7/25/12. Plaque-8/10/12
2	19009016	Res	Com	R-10	No	\$750	\$2,427	(\$19,677)	\$750	2/15/11	RPAD aware parcel has commercial use
3	22034040	Res	Res	R-10	No	\$3,242	\$3,242	-	\$300	2/3/11	Plaque not facing public way. See Note
4	22045004	Res	Res	R-10	No	\$300	\$2,564	(\$2,264)	\$300	2/15/11	No plaque. No AVV sign-8/11/12. AVV sign-11/10/12
5	22045005	Res	Res	R-10	No	\$300	\$8,975	(\$8,675)	\$300	2/15/11	No plaque. No AVV sign-8/11/12. AVV sign-11/10/12
6	22050005	Res	Res	R-10	No	\$300	\$3,496	(\$3,196)	\$300	3/30/09	No plaque
7	24023069	Res	Res	A-2	No	\$300	\$2,854	(\$2,554)	\$300	8/11/09	AVV-no view point sign. 2010 complaint not resolved
8	24027065	Res	Res	R-5	No	\$300	\$6,707	(\$6,407)	\$300	3/8/12	AVV-no view point sign
9	24035002	Res	Com	R-10	No	\$1,596	\$51,403	(\$49,807)	\$1,596	11/1/88	See Note
10	25001002	Res	Com	R-10	No	\$690	\$20,366	(\$19,676)	\$690	6/21/11	
11	25001005	Res	Res	R-10	No	\$2,703	\$6,007	(\$3,304)	\$2,813	2/4/11	Inaccurate address
12	25001021	Res	Com	R-5	No	\$300	\$11,129	(\$10,829)	\$300	2/3/11	
13	25004007	Res	Res	R-10	No	\$300	\$4,355	(\$4,055)	\$300	10/5/09	See Note
14	25009015	Res	Res	R-10	No	\$300	\$7,776	(\$7,476)	\$300	1/19/12	See Note
15	25011008	Res	Com	P-1	No	\$300	\$15,421	(\$15,121)	\$300	9/16/10	
16	25016024	Res	Res	P-1	Yes	\$300	\$300	-	\$300	2/3/11	No plaque-7/25/12. Plaque-8/10/12
17	25023045	Res	Res	R-10	No	\$300	\$4,639	(\$4,339)	\$300	2/3/11	AVV-no view point sign
18	28001029	Res	Res	AMX-2	No	\$3,130	\$5,273	(\$2,143)	\$3,130	8/7/91	AVV-no view point sign, viewing access from public way
19	28016028	Res	Com	R-5	No	\$300	\$28,632	(\$28,332)	\$300	2/3/11	RPAD aware parcel used for commercial purposes. CUP
20	29001025	Res	Res	R-7.5	No	\$300	\$5,149	(\$4,849)	\$300	2/2/11	No plaque
21	29005056	Res	Res	R-7.5	No	\$300	\$4,446	(\$4,146)	\$300	2/2/11	AVV-no view point sign
22	29006009	Res	Com	R-7.5	No	\$2,404	\$19,639	(\$19,235)	\$2,404	2/2/11	AVV-no view point sign
23	29006012	Res	Res	R-7.5	No	\$300	\$3,822	(\$3,522)	\$300	2/2/11	Plaque defaced
24	29006014	Res	Res	R-7.5	No	\$320	\$4,001	(\$3,681)	\$320	2/2/11	Plaque not facing public way
25	29006022	Res	Res	R-7.5	No	\$300	\$2,063	(\$1,783)	\$300	2/2/11	AVV-no view point sign
26	29006024	Res	Res	R-7.5	No	\$300	\$3,173	(\$2,873)	\$300	2/2/11	See Note
27	29014031	Res	Res	R-7.5	No	\$300	\$5,908	(\$5,608)	\$300	11/10/10	No plaque
28	29015039	Res	Res	R-7.5	No	\$300	\$3,002	(\$2,702)	\$300	2/3/11	No plaque
29	29019011	Res	Com	R-7.5	No	\$300	\$14,487	(\$14,187)	\$300	4/17/13	
30	29019035	Res	Com	R-7.5	No	\$300	\$53,950	(\$53,650)	\$300	2/3/11	CUP
31	29032024	Res	Com	R-7.5	No	\$300	\$15,431	(\$15,131)	\$300	2/3/11	
32	29032030	Res	Com	R-7.5	No	\$4,694	\$17,623	(\$12,929)	\$300	4/25/08	
C&C of Honolulu Property Tax Revenue Subtotals:						\$26,430	\$358,590	(\$332,150)	\$19,203		

<sup>1</sup> Drive-by inspections performed. <sup>2</sup> Residential includes R-20, R-10, R-7.5, R-5, R-3.5. Preservation Restricted: P-1. Apt Medium-density: A-2. Apt Mixed Use Medium-density: AMX-2. <sup>3</sup> Properties marked 'yes' were not in compliance with RPAD historic dedication rules and ROH § 8-10-22 after initial inspection, but were in compliance on subsequent inspections. <sup>4</sup> Tax year 2012 net taxable assessed value/1,000\*3.5 (residential rate). Tax year 2012 net taxable assessed value/1000\*12. <sup>5</sup> (commercial rate). <sup>6</sup> Difference between 2012 tax assessed and tax that should have been assessed. <sup>6</sup> AVV-Alternative Visual Visitation; CUP-Conditional Use Permit. Note: Properties were not deemed as alternative visual visitation by RPAD, but in the auditor's opinion should have a viewing point made available to the public during the second Saturday of each month because the parcel is not viewable from the public way. Reviewed and physical inspection performed for 241 historic residential parcels.

**Sample Results - Historic Residential Dedicated Properties - Non-Compliance (Tax Year 2012)**

#	TMK <sup>1</sup>	RPAD Class	Use Class	Zone <sup>2</sup>	Comply w/ Rules <sup>3</sup>	2012 Tax Assessed	Should Have Assessed <sup>4</sup>	Loss Revenue <sup>5</sup>	Owner Payment	RPAD Inspect	Comments <sup>6</sup>
33	29033005	Res	Res	P-1/R-7.5	No	\$300	\$6,194	(\$5,894)	\$300	11/27/01	AVV-no view point sign. Complete TMK: 290330050004
34	29039001	Res	Com	R-10	No	\$300	\$8,084	(\$7,784)	356	2/3/11	No plaque
35	29048007	Res	Com	R-10	No	\$300	\$3,870	(\$3,570)	\$300	9/8/11	No plaque
36	31015053	Res	Com	R-3.5	No	\$300	\$7,527	(\$7,227)	\$300	9/8/11	Complete TMK: 310150530004
37	31020019	Res	Res	R-20	No	\$300	\$6,691	(\$6,391)	\$300	7/18/07	No plaque. See Note
38	31033013	Res	Res	R-5	No	\$300	\$4,990	(\$4,690)	\$300	12/17/93	No plaque
39	31033046	Res	Res	R-5	No	\$300	\$4,926	(\$4,626)	\$300	11/26/91	AVV-no view point sign
40	31033048	Res	Res	R-5	No	\$300	\$3,954	(\$3,654)	\$300	1/1/88	See Note
41	31033051	Res	Res	R-5	No	\$300	\$4,344	(\$4,044)	\$300	12/17/93	AVV-no view point sign
42	31036009	Res	Res	R-5	No	\$300	\$16,633	(\$16,333)	\$300	2/1/95	AVV-no view point sign
43	31040061	Res	Res	R-7.5	No	\$300	\$3,452	(\$3,152)	\$300	12/16/94	Inadequate AVV sign-8/11/12. No AVV sign-11/10/12
44	32017044	Res	Res	R-5	No	\$300	\$5,105	(\$4,805)	\$300	2/4/11	Inadequate AVV sign
45	33016066	Res	Com	R-5	No	\$1,014	\$12,394	(\$11,380)	\$1,014	2/3/11	
46	33026009	Res	Com	R-10	No	\$300	\$12,869	(\$12,569)	\$300	12/27/90	
47	33027008	Res	Res	R-10	No	\$300	\$3,020	(\$2,720)	\$300	1/1/88	See Note
48	35007001	Res	Res	R-5	No	\$7,184	\$7,184	-	\$317	1/1/88	No plaque
49	36003012	Res	Com	R-10	No	\$300	\$41,417	(\$41,117)	\$300	6/25/10	CUP. No plaque-7/24/12. Plaque-12/12. See Note
50	43003091	Res	Res	R-10	No	\$300	\$12,168	(\$11,868)	\$300	9/12/11	Obstructed view
51	43004064	Res	Com	R-10	No	\$300	\$13,528	(\$13,228)	\$300	10/28/10	AVV-no view point sign
52	43022014	Res	Res	R-10	No	\$300	\$21,170	(\$20,870)	\$300	11/16/10	Complete TMK: 430220140001. See Note
53	44006009	Res	Res	R-10	No	\$300	\$7,900	(\$7,600)	\$300	11/15/89	See Note
54	49008012	Res	Res	R-5	No	\$791	\$3,108	(\$2,317)	\$791	2/4/11	AVV-no view point sign. No plaque-7/20/12. Plaque-9/8/12
55	91095025	Res	Res	R-5	No	\$300	\$1,194	(\$894)	\$300	9/19/00	Obstructed view
56	91095033	Res	Res	R-5	No	\$719	\$1,139	(\$420)	\$761	8/13/99	No plaque. Obstructed view. See Note
57	91095046	Res	Res	R-5	No	\$300	\$1,132	(\$832)	\$300	2/10/11	Obstructed view
58	91095048	Res	Res	R-5	Yes	\$300	\$300	-	\$300	10/2/07	Tree obstruction-8/24/12. No obstruction-11/13/12
59	91095055	Res	Res	R-5	No	\$300	\$1,160	(\$860)	\$300	2/10/11	Obstructed view
60	91095111	Res	Res	R-5	No	\$300	\$1,037	(\$737)	\$300	2/10/11	Obstructed view. No plaque-8/24/12. Plaque-11/13/12
61	91095150	Res	Res	R-5	No	\$300	\$1,259	(\$959)	\$300	9/22/11	Obstructed view
62	91096062	Res	Res	R-5	Yes	\$300	\$300	-	\$300	2/10/11	No plaque-8/24/12. Plaque-11/13/12
63	91096077	Res	Com	R-5	No	\$300	\$4,349	(\$4,049)	\$308	2/10/11	
64	91096079	Res	Res	R-5	No	\$300	\$1,239	(\$939)	\$300	10/2/07	Tree obstruction
C&C of Honolulu Property Tax Revenue Subtotals:						\$18,109	\$223,637	(\$205,528)	\$11,347		

<sup>1</sup> Drive-by inspections performed. <sup>2</sup> Residential includes R-20, R-10, R-7.5, R-5, R-3.5. Preservation Restricted: P-1. Apt Medium-density: A-2. Apt Mixed Use Medium-density: AMX-2. <sup>3</sup> Properties marked "yes" were not in compliance with RPAD historic dedication rules and ROH § 8-10.22 after initial inspection, but were in compliance on subsequent inspections. <sup>4</sup> Tax year 2012 net taxable assessed value/1,000\*3.5 (residential rate). Tax year 2012 net taxable assessed value/1000\*12. <sup>5</sup> Difference between 2012 tax assessed and tax that should have been assessed. <sup>6</sup> AVV-Alternative Visual Visitation; CUP-Conditional Use Permit. Note: Properties were not deemed as alternative visual visitation by RPAD, but in the auditor's opinion should have a viewing point made available to the public during the second Saturday of each month because the parcel is not viewable from the public way. Reviewed and physical inspection performed for 241 historic residential parcels.



**Sample Results - Historic Residential Dedicated Properties - Non-Compliance (Tax Year 2012)**

#	TMK <sup>1</sup>	RPAD Class	Use Class	Zone <sup>2</sup>	Comply w/ Rules <sup>3</sup>	2012 Tax Assessed	Should Have Assessed <sup>4</sup>	Loss Revenue <sup>5</sup>	Owner Payment	RPAD Inspect	Comments <sup>6</sup>
65	91096080	Res	Res	R-5	No	\$300	\$1,401	(\$1,101)	\$300	10/2/07	No plaque
66	91096116	Res	Res	R-5	No	\$300	\$1,237	(\$937)	\$300	10/2/07	Obstructed view
67	91096121	Res	Res	R-5	Yes	\$300	\$300	-	\$300	2/26/10	No plaque-8/24/12. Plaque-11/13/12
68	91097001	Res	Res	R-5	No	\$300	\$1,274	(\$974)	\$300	2/10/11	Plaque not correctly positioned
69	91097010	Res	Res	R-5	No	\$300	\$1,214	(\$914)	\$300	10/2/07	Obstructed view
70	91097019	Res	Res	R-5	No	\$300	\$1,149	(\$849)	\$300	5/23/00	Obstructed view-8/24/12. OK-11/13/12
71	91097027	Res	Res	R-5	Yes	\$300	\$300	-	\$300	10/2/07	Obstructed view-8/24/12. No obstruction-11/13/12
72	91097033	Res	Com	R-5	No	\$300	\$4,670	(\$4,370)	\$300	5/17/12	No plaque
73	91097040	Res	Res	R-5	Yes	\$300	\$300	-	\$300	2/10/11	No plaque-8/24/12. Plaque-11/13/12
74	91101015	Res	Res	R-5	Yes	\$300	\$300	-	\$300	2/10/11	Obstructed view-8/24/12. No obstruction-11/13/12
75	91101043	Res	Res	R-5	No	\$300	\$1,304	(\$1,004)	\$300	2/10/11	Obstructed view
76	91101044	Res	Res	R-5	Yes	\$300	\$300	-	\$300	2/10/11	No plaque-8/24/12. Plaque-11/13/12
77	91101046	Res	Res	R-5	No	\$300	\$1,387	(\$1,087)	\$16	2/10/11	Obstructed view
78	91101058	Res	Res	R-5	No	\$300	\$1,354	(\$1,054)	\$300	2/10/11	Plaque not correctly positioned
79	91101059	Res	Res	R-5	No	\$300	\$1,561	(\$1,261)	\$300	2/10/11	Unable to verify addr. Obstructed view. Plaque placement.
80	91101060	Res	Res	R-5	No	\$300	\$1,460	(\$1,160)	\$300	2/26/10	Plaque not correctly positioned. Obstructed view.
81	91101061	Res	Res	R-5	No	\$300	\$1,602	(\$1,302)	\$300	2/10/11	Plaque not correctly positioned
82	91101064	Res	Res	R-5	Yes	\$300	\$300	-	\$300	2/26/10	Plaque placement/fence obstruction-8/24/12. OK-11/13/12
83	91101065	Res	Res	R-5	No	\$300	\$1,273	(\$973)	\$300	2/10/11	Obstructed view.
84	91101070	Res	Res	R-5	No	\$300	\$1,042	(\$742)	\$300	10/2/07	No plaque
85	91101072	Res	Res	R-5	Yes	\$300	\$300	-	\$300	1/28/10	No plaque-7/10/12. Plaque-8/24/12
C&C of Honolulu Property Tax Revenue Subtotals:											
						\$6,300	\$24,029	(\$17,729)	\$6,016		
Pages 1-2 Subtotals:						\$44,539	\$582,217	(\$537,678)	\$30,551		
<b>C&amp;C of Honolulu Property Tax Revenue Totals:</b>						<b>\$50,839</b>	<b>\$606,246</b>	<b>(\$555,407)</b>	<b>\$36,567</b>		

<sup>1</sup> Drive-by inspections performed. <sup>2</sup> Residential includes R-20, R-10, R-7.5, R-5, R-3.5. Preservation Restricted: P-1. Apt Medium-density: A-2. Apt Mixed Use Medium-density: AMX-2. <sup>3</sup> Properties marked "yes" were not in compliance with RPAD historic dedication rules and ROH § 8-10.22 after initial inspection, but were in compliance on subsequent inspections. <sup>4</sup> Tax year 2012 net taxable assessed value/1,000\*3.5 (residential rate). Tax year 2012 net taxable assessed value/1000\*12. <sup>5</sup> Difference between 2012 tax assessed and tax that should have been assessed. <sup>6</sup> AVV-Alternative Visual Visitation; CUP-Conditional Use Permit. Note: Properties were not deemed as alternative visual visitation by RPAD, but in the auditor's opinion should have a viewing point made available to the public during the second Saturday of each month because the parcel is not viewable from the public way. Reviewed and physical inspection performed for 241 historic residential parcels.

Source: Office of the City Auditor

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# Appendix 9 Sample Results - Hotel and Resort Properties - Questionable (Tax Year 2012)

#	TMK <sup>1</sup>	RPAD Class	Use Class	Zone <sup>2</sup>	Potential Illegal Land Use <sup>3</sup>	RPAD Last Inspection	Comments <sup>4</sup>
1	23017011	H&R	H&R	AMX-3	√	2011	
2	23017016	H&R	H&R	AMX-3	√	2004	
3	23018022	H&R	H&R	A-3	√	1999	
4	23037037	H&R	H&R	Public P	√	1993	Raised platform
5	230380020001	H&R	H&R	BMX-3	√	No Record	Condotel. Requires CUP
6	260070260004	H&R	H&R	AMUSP	√	1991	Vacation rental
7	26008002	H&R	H&R	RMUP	√	2001	Business. Property exemption-\$80,000
8	26008031	H&R	H&R	RMUP	√	2001	1992 sq ft H&R parcel assessed \$100, minimum tax paid
9	26008037	H&R	H&R	RMUP	√	2001	1317 sq ft H&R parcel assessed \$100, minimum tax paid
10	26008038	H&R	H&R	RMUP	√	2001	3751 sq ft H&R parcel assessed \$100, minimum tax paid
11	26009011	H&R	H&R	RMUP	√	2001	37984 sq ft H&R parcel assessed \$100 for land
12	26010015	H&R	H&R	Public P	√	1988	Roadway
13	260110080030	H&R	Res	AMUSP	√	1997	Classified H&R, but taxed at residential rate
14	260110200001	H&R	H&R	AMUSP	√	1997	
15	260120030005	H&R	H&R	AMUSP	√	No Record	
16	26012005	H&R	H&R	AMUSP	√	2002	
17	260140320017	H&R	H&R	Apt Prec	√	1997	
18	26015001	H&R	H&R	AMUSP	√	2003	
19	26015002	H&R	H&R	AMUSP	√	1999	
20	26015003	H&R	H&R	Apt Prec	√	1998	Hotel parking lot
21	26015004	H&R	H&R	Apt Prec	√	1998	Hotel parking lot
22	26015005	H&R	H&R	Apt Prec	√	1988	Hotel parking lot
23	26015006	H&R	H&R	Apt Prec	√	1998	Hotel parking lot
24	260160390001	H&R	H&R	Apt Prec	√	2001	
25	260160460001	H&R	H&R	AMUSP	√	1988	
26	26017007	H&R	H&R	Apt Prec	√	2002	
27	260170280001	H&R	H&R	Apt Prec	√	1988	
28	260170280089	H&R	H&R	Apt Prec	√	No Record	
29	26017049	H&R	H&R	Apt Prec	√	2002	
30	26020015	H&R	H&R	Apt Prec	√	1998	Hotel parking lot
31	26020016	H&R	H&R	Apt Prec	√	1993	Hotel parking lot

<sup>1</sup> Physical inspection performed. <sup>2</sup> Zone: RMUP - Resort Mixed Use Precinct; AMUSP - Apartment Mixed Use Subprecinct; Apt Prec - Apartment Precinct; BMX-3 - Business Mixed Use Community; AMX-3 - Apartment Mixed Use High Density; A-2 - Apartment Medium Density; A-3 - Apartment High Density; Public P - Public Precinct. <sup>3</sup> Under the land use ordinance, hotels are not permitted uses or structures in the apartment and public precincts. <sup>4</sup> CUP - Conditional Use Permit. Reviewed and physical inspection performed for 208 hotel and resort parcels.

**Sample Results - Hotel and Resort Properties - Questionable  
(Tax Year 2012)**

#	TMK <sup>1</sup>	RPAD Class	Use Class	Zone <sup>2</sup>	Potential Illegal Land Use <sup>3</sup>	RPAD Last Inspection	Comments <sup>4</sup>
32	26020017	H&R	H&R	AMUSP	√	1993	
33	26020018	H&R	H&R	AptPrec/AMUSP	√	2008	
34	26020022	H&R	H&R	Apt Prec	√	2007	
35	26020025	H&R	H&R	Apt Prec	√	1996	Hotel parking lot
36	26020066	H&R	H&R	Apt Prec	√	1998	Hotel parking lot
37	260210110001	H&R	H&R	Apt Prec	√	1995	
38	260210110228	H&R	H&R	Apt Prec	√	1988	
39	260210160011	H&R	H&R	Apt Prec	√	1997	
40	260210260006	H&R	H&R	Apt Prec	√	1997	Hotel and vacation rentals
41	26021028	H&R	H&R	Apt Prec	√	1999	
42	26021029	H&R	Res	Apt Prec	√	1999	Student dormitory. Requires CUP
43	26021068	H&R	H&R	Apt Prec	√	1999	
44	26021078	H&R	Res	AMUSP	√	2004	Student dormitory. Requires CUP
45	26021081	H&R	Res	Apt Prec	√	1998	Dormitory parking lot. Requires CUP
46	26021099	H&R	H&R	AMUSP	√	2004	
47	260211020001	H&R	H&R	Apt Prec	√	1997	Vacation rental
48	26021107	H&R	H&R	Apt Prec	√	2002	
49	26023057	H&R	H&R	RMUP		1997	4125 sq ft H&R parcel assessed \$100, minimum tax paid
50	26023058	H&R	H&R	RMUP		1997	4125 sq ft H&R parcel assessed \$100, minimum tax paid
51	26023061	H&R	H&R	RMUP	√	2003	Off-site parking lot. Requires CUP
52	260250050013	H&R	H&R	Apt Prec	√	1997	
53	26025024	H&R	H&R	Apt Prec	√	2008	
54	260280110038	H&R	H&R	Apt Prec	√	1997	
55	260280110345	H&R	H&R	Apt Prec	√	1997	
56	31031001	H&R	H&R	A-2	√	2007	
57	31032014	H&R	H&R	A-2	√	2004	
58	31032015	H&R	H&R	A-2	√	2004	
59	31032016	H&R	H&R	A-2	√	2006	
60	31032018	H&R	H&R	A-2	√	1999	
61	310320290001	H&R	H&R	A-2	√	2007	
62	310320290002	H&R	H&R	A-2	√	1988	

<sup>1</sup> Physical inspection performed. <sup>2</sup> Zone: RMUP - Resort Mixed Use Precinct; AMUSP - Apartment Mixed Use Subprecinct; Apt Prec - Apartment Precinct; BMX-3 - Business Mixed Use Community; AMX-3 - Apartment Mixed Use High Density; A-2 - Apartment Medium Density; A-3 - Apartment High Density; Public P - Public Precinct. <sup>3</sup> Under the land use ordinance, hotels are not permitted uses or structures in the apartment and public precincts. <sup>4</sup> CUP - Conditional Use Permit. Reviewed and physical inspection performed for 208 hotel and resort parcels.

Source: Office of the City Auditor



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# Appendix 10

## Council Resolution 10-269

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**CITY COUNCIL**  
CITY AND COUNTY OF HONOLULU  
HONOLULU, HAWAII

No. 10-269

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### RESOLUTION

---

REQUESTING THAT THE CITY AUDITOR CONDUCT A PERFORMANCE AUDIT OF THE REAL PROPERTY ASSESSMENT DIVISION OF THE DEPARTMENT OF BUDGET AND FISCAL SERVICES.

WHEREAS, according to "2009 Departmental and Agency Reports of the City and County of Honolulu," ("Report") the real property assessment division of the department of budget and fiscal services ensures real property assessment values are fair and equitable, based on market value and in accordance to applicable standards and laws; and

WHEREAS, the Report also states that the division's mission is to annually provide the city council with a certified assessment roll, which the council uses to set the tax rates for the various land classes and generate property tax revenues for the city; and

WHEREAS, real property taxes are the primary source of revenues for the city's general fund; and

WHEREAS, the council needs assurance that the certified assessment roll is accurate because the council relies on this information to set the real property tax rates at appropriate levels; and

WHEREAS, for tax year 2010-11, the real property tax assessment division reclassified a number of properties from residential to the industrial or commercial class of real property after many years of classification as residential; and

WHEREAS, according to the department of budget and fiscal services, reclassification is an ongoing activity to correct errors in classification of real property; and

WHEREAS, errors in classification and assessment have raised serious questions regarding the accuracy of the city's tax records and the assessment process; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that it requests that the city auditor conduct a performance audit of the real property assessment division of the department of budget and fiscal services regarding its process of classification, reclassification, valuation, and assessment of real property for taxation purposes; and



CITY COUNCIL  
CITY AND COUNTY OF HONOLULU  
HONOLULU, HAWAII

No. 10-269

RESOLUTION

BE IT FINALLY RESOLVED that copies of this Resolution be transmitted to the city auditor, the mayor, the managing director, and the director of budget and fiscal services.

INTRODUCED BY:

*[Handwritten Signature]*

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\_\_\_\_\_  
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DATE OF INTRODUCTION:

**SEP 20 2010**

Honolulu, Hawaii

Councilmembers

5010 2E5 50 0411: 02  
CITY OF HONOLULU  
CITY CLERK

CITY COUNCIL  
CITY AND COUNTY OF HONOLULU  
HONOLULU, HAWAII  
CERTIFICATE

**RESOLUTION 10-269**

Introduced: 09/20/10 By: DONOVAN DELA CRUZ

Committee: EXECUTIVE MATTERS  
AND LEGAL AFFAIRS

Title: RESOLUTION REQUESTING THAT THE CITY AUDITOR CONDUCT A PERFORMANCE AUDIT OF THE REAL PROPERTY ASSESSMENT DIVISION OF THE DEPARTMENT OF BUDGET AND FISCAL SERVICES.

Links: [RES10-269](#)  
[CR-328](#)

EXECUTIVE MATTERS AND LEGAL AFFAIRS	10/06/10	CR-328 – RESOLUTION REPORTED OUT OF COMMITTEE FOR ADOPTION.							
COUNCIL	10/13/10	CR-328 AND RESOLUTION 10-269 WERE ADOPTED.							
ANDERSON	Y	APO	Y	CACHOLA	Y	DELA CRUZ	Y	DONOHUE	Y
GARCIA	Y	KOBAYASHI	Y	OKINO	Y	TAM	Y		

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

  
BERNICE K. N. MAU, CITY CLERK

  
TODD K. APO, CHAIR AND PRESIDING OFFICER

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