

Bill 20 (2021) Testimony

MISC. COM. 426

BUD



**Church
of the
Crossroads**
United Church of Christ



A Just Peace and Open and Affirming Congregation

Testimony of Church of the Crossroads Regarding Bill 20, before the Honolulu Committee on the Budget on July 21, 2021 at 9:00am

The Church of the Crossroads was founded in 1922, as Hawaii's first intentionally multicultural church. With approximately 190 members, our mission includes pursuing peace, justice, and stewardship of our environment.

Honolulu is in a housing crisis which is growing each year, due to shortages of housing supply. We have one of the nation's highest long-term housing vacancy rates, along with some of the nation's highest housing costs. We appreciate the Budget Committee's efforts to adjust our real property tax structure to help meet our housing needs.

While the intent of Bill 20 is good insofar as it seeks to increase our housing supply for homes for Hawaii residents, we are very concerned Bill 20 would have a harsh unintended consequence by raising rental costs for those who cannot afford to own their own homes. Property owners will likely pass on these higher taxes to their renters.

We believe a more comprehensive approach is needed to help revise our tax code to meet better meet our housing needs. A Resolution is pending before the Dept of Budget and Fiscal Services, and the Real Property Assessment Division, to conduct a study of an Empty Homes Tax, including study of Bill 20, Bill 76, and findings from the UCLA 2020 Report "Housing in Honolulu: Analyzing the Prospect of Taxing Empty Homes," with a report requested by December 1. That report could provide the needed comprehensive look at the best means of modifying Honolulu's property tax to meet affordable housing needs.

We believe Bill 20's intent can be improved by instead adopting an Empty Homes Tax, to better serve Hawaii's housing needs. Church of the Crossroads seeks approval of:

Empty Homes Tax: A progressively increasing and substantial tax rate structure for all residential properties that are not owner-occupied nor occupied at least six months each year by person(s) for whom it is their primary residence.

The proceeds of this tax should be earmarked to address our affordable housing crisis. This tax would be imposed on residential properties that are vacant for most of the year, blighted, or used predominately for vacation rentals or as second homes. This would incentivize property owners to devote housing to those living in Hawaii, and would:



**Church
of the
Crossroads**
United Church of Christ



A Just Peace and Open and Affirming Congregation

1. encourage existing owners to rent or sell vacant housing stock for use as homes for local residents;
2. increase our supply of homes to better meet demand and reduce market pressures that cause high costs; and
3. raise funds for essential affordable housing solutions.

Several jurisdictions already have vacancy or empty home taxes, including Oakland, California, Washington, DC and Vancouver, British Columbia, and include reasonable short-term exemptions for various purposes to avoid unintended consequences, without detracting from the intent of helping address affordable housing needs.

Thank you for the opportunity to provide this testimony.

Submitted on behalf of the Church of the Crossroads

By Ellen Godbey Carson, member Email: office@churchofthecrossroadshawaii.org

Phone number (808)949-2220



Comments on BILL 21-20

Aloha Committee on Budget,

Faith Action HousingNOW! provides the following comment on Honolulu City Council Bill 21-20 relating to real property taxation.

According to the 2019 American Community Survey 5-Year Estimates *Table DP04*, published by the U.S. Census Bureau, 56.7 percent of Honolulu County renters are housing cost burdened. Housing cost burdened households (as defined by the U.S. Department of Housing and Urban Development) pay more than 30 percent of their household incomes toward housing costs including utilities, which causes them to make decisions to reduce spending on other necessities.

Renters live at the mercy of property-owning lessors whose decisions are affected by the whims of the local real estate market. Real property-owning residents may claim homeowner exemptions on property taxes as well as federal mortgage interest deductions, while renters do not reap such benefits. Given the surging cost of residential property ownership in Honolulu County, it remains difficult for low-income renters to be alleviated of their housing cost burdens and gain the household budgeting flexibility to save for down payments. While homeownership is a means of protecting locals, it does not protect local renters.

Property taxes paid by owners on Residential A-classified properties are effectively paid by the renters. The aim of Bill 20 appears to create a progressive property tax structure that puts greater liability on real property investors and property owners who do not use the property as their primary residence. This goal should include provisions that incentivize Residential A owners to lease their properties to locals at affordable rates (less than 30 percent of the renting household's incomes). This bill should be leveraged to protect local renters while still meeting budgetary needs for the City and County of Honolulu.

It is unlikely high-value Residential A properties would be rented to low-income locals at affordable rates. Therefore, the right balance of a progressive tax structure is important for protecting our local low-income renters while allowing a greater tax burden to be borne by high-income renters, investment property speculators, vacation homeowners, etc. If Residential A property taxes could actually be lowered for property owners leasing to low-income renters, then steps should be taken to ensure these benefits are passed onto the renters such as ensuring rental rates do not exceed 30 percent of the renting household's income.

Mahalo for accepting our input,

Foo Pham
Faith Action
HousingNOW! Chair

From: CLK Council Info
Sent: Tuesday, July 20, 2021 1:22 PM
Subject: Budget Testimony

Written Testimony

Name Kim Coco Iwamoto
Phone (808) 672-2943
Email kimcoco@kimcoco.com
Meeting Date 07-21-2021
Council/PH Committee Budget
Agenda Item Bill 20 (2020)
Your position on the matter Support
Representing Self
Organization

Written
Testimony

I am an owner/shareholder of several residential investment properties on Oahu. I support the 5 tiered progressive tax outlined in Bill 20, even if that means I would have to pay more in taxes. There is a growing affordable housing shortage made worse by those who profit from real estate investments - with those greater profits, should come greater responsibility. Profiteers of land commodification have the responsibility to mitigate the collateral damage created: homelessness and unsustainably high rental prices that keep going up as new investors have larger mortgages they need to pay. Honolulu should also ensure that those resident homeowners on a fixed income are given larger individual resident tax-exemptions that keep up with rising property taxes so they are not put in a position where they might lose their home.

Testimony
Attachment

Accept Terms
and Agreement 1

IP: 192.168.200.67

From: CLK Council Info
Sent: Tuesday, July 20, 2021 2:06 PM
Subject: Budget Testimony

Written Testimony

Name Lorna Takehara Strand
Phone 415 823-0909
Email lorna.strand@gmail.com
Meeting Date 07-21-2021
Council/PH Committee Budget
Agenda Item Bill 20 (2020)
Your position on the matter Support
Representing Self
Organization

Written Testimony Please approve Bill 20, CD1, creating a new property tax tier for properties valued in excess of \$5 million. As a property owner in Aiea, I am shocked that I have to pay the same rate as homes costing \$10 million. A progressive property tax rate is fair to the working class and retirees (like me).

Testimony Attachment

Accept Terms and Agreement 1

IP: 192.168.200.67

TO: Members of the Committee on Budget

FROM: Natalie Iwasa, CPA, CFE
808-395-3233

DATE: Wednesday, May 19, 2021

SUBJECT: Bill 20 and Proposed CD1, Residential A Classification for Real Property Taxes – **SUPPORT Increase in Threshold**

Aloha Chair Say and Councilmembers,

Thank you for allowing testimony on Bill 20, CD1, which would increase the assessed valuation threshold for Residential A properties from \$1 million to \$1.3 million as well as provide a three-tiered tax rate for this classification.

I appreciate this attempt at providing some relief to property owners who provide homes for many of our residents, but more can, and should be done. For example, millions of dollars in reduced taxes are given to organizations such as business leagues, labor unions and credit unions annually. At least two of the recent Real Property Tax Advisory Committees have recommended that some of these exemptions be reduced or removed altogether.

Please make our real property tax system more equitable by reducing exemptions and deductions.

Please also increase the threshold as noted in this bill but amend it to tie it to an index. One index that might be used is from the Federal Housing Finance Agency, <https://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index-Datasets.aspx#qat>. I'm sure there are others that would work as well.

From: CLK Council Info
Sent: Tuesday, July 20, 2021 6:56 PM
Subject: Budget Testimony

Written Testimony

Name Dylan Ramos
Phone 8085516999
Email dylanpk.ramos@gmail.com
Meeting Date 07-21-2021
Council/PH Committee Budget
Agenda Item Bill 20 (2020)
Your position on the matter Support
Representing Self
Organization

Aloha,

Written
Testimony

I am writing in support of Bill 20, CD1, creating a new property tax tier for properties valued in excess of \$5 million. It doesn't make sense to tax a \$3 million and \$10 million home at the same rate while our community faces a growing housing shortage. While it makes sense to keep our property tax rate low, as one of the lowest tax rates in the country, for homes more likely to be owned by local families, it is also good policy to create a new tax tier for homes valued over \$5 million. Shifting to a progressive property tax rate would help keep housing affordable for local residents, by keeping their property tax down, while increasing revenue from the types of properties most likely to be used for offshore and absentee investment. The revenue generated can in turn be used to provide the services our community needs, and it can be used to further invest in affordable housing. We need to create 22,000 new housing units by 2025 to meet our island's housing needs, so it is important that we take action now to ensure that local families have a place to live. This is in line with Action 4 from Oahu's Resilience Strategy.

Mahalo,
Dylan Ramos
District 5

Testimony
Attachment

Accept Terms
and Agreement

1

From: CLK Council Info
Sent: Wednesday, July 21, 2021 1:44 PM
Subject: Budget Testimony

Written Testimony

Name Nanea Lo
Phone
Email naneaclo@gmail.com
Meeting Date 07-21-2021
Council/PH Committee Budget
Agenda Item Bill 20 (2020)
Your position on the matter Support
Representing Self
Organization

Hello,

Written
Testimony

I am writing in support of Bill 20, CD1, creating a new property tax tier for properties valued in excess of \$5 million. It doesn't make sense to tax a \$3 million and \$10 million home at the same rate while our community faces a growing housing shortage. While it makes sense to keep our property tax rate low, as one of the lowest tax rates in the country, for homes more likely to be owned by local families, it is also good policy to create a new tax tier for homes valued over \$5 million. Shifting to a progressive property tax rate would help keep housing affordable for local residents, by keeping their property tax down, while increasing revenue from the types of properties most likely to be used for offshore and absentee investment. The revenue generated can in turn be used to provide the services our community needs, and it can be used to further invest in affordable housing. We need to create 22,000 new housing units by 2025 to meet our island's housing needs, so it is important that we take action now to ensure that local families have a place to live. This is in line with Action 4 from Oahu's Resilience Strategy.

<https://resilientoahu.org/resilience-strategy>

Thank you,
Nanea Lo

Testimony
Attachment

Accept Terms
and Agreement

1