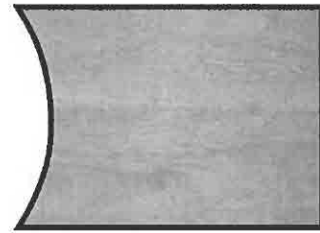


**Church  
of the  
Crossroads**  
United Church of Christ



***A Just Peace and Open and Affirming Congregation***

**Testimony of Church of the Crossroads  
Regarding an Empty Homes Tax,  
before the Oahu Real Property Tax Advisory Committee  
on August 17, 2021 at 2:00pm**

*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 your Committee's efforts to help our real property tax structure better meet our housing needs.

We believe a more comprehensive approach is needed to help revise our tax code to meet our housing needs. A Resolution is pending before you, 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 approach to modifying Honolulu's property tax to meet our affordable housing needs.

**Church of the Crossroads seeks approval of an 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 help address our critical needs, and would:

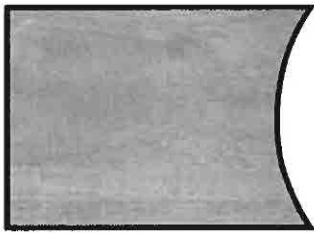
1. encourage existing owners to rent or sell vacant housing stock for use as homes for local residents;
2. increase our supply of homes to better meet demand and reduce market pressures that cause high costs; and
3. raise funds for essential affordable housing solutions.

Several jurisdictions already have vacancy or empty home taxes, including Oakland, California, Washington, DC and Vancouver, British Columbia. These taxes include

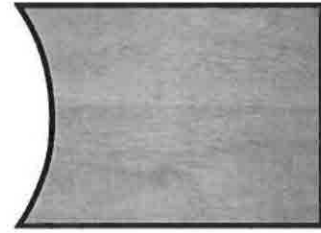
1212 University Avenue ♦ Honolulu, Hawai'i ♦ 96826

Phone: 808.949.2220 [www.churchofthecrossroadshawaii.org](http://www.churchofthecrossroadshawaii.org) Fax: 808.943.6719

MISC. COM. 550  
RPTAC



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



## ***A Just Peace and Open and Affirming Congregation***

reasonable short-term exemptions for various purposes to avoid unintended consequences, while still addressing affordable housing needs.

Two pending bills before you also seek to address this critical need. While the intent of those bills is good and they are a step in the right direction, we believe their impact would be minimal compared to an Empty Homes Tax.

- Bill 20 seeks to provide a progressive tiered tax for Residential A properties, to increase our housing supply for homes for Hawaii residents. StarAdvertiser recently reported only about 6,900 properties are subject to ResA taxes. Even if the number were twice that amount, the total revenues impact appears limited, while it could cause harsh unintended consequences for our residents who can't afford to own and will likely end up paying those additional taxes in higher rents.
- Bill 76 seeks to impose a higher tax on residential properties that have been vacant for more than 180 consecutive days. It too appears very limited and would be easy to evade by simply having one night of occupancy every 6 months (which could also encourage illegal vacation rental).

We hope your committee will consider the advantages of an Empty Homes Tax as providing a better "fit" for our housing crisis., while avoiding harsh consequences for our residents who rent because they cannot afford to own. We are aware implementation will have challenges in determining which properties are occupied by long term renters, but we already have a system for determining home-occupancy by owners, and other jurisdictions have created reasonable models to do both successfully. The UCLA report is helpful in showing potential methodology for such a tax.

Thank you for the opportunity to provide this testimony.

Submitted on behalf of the Church of the Crossroads

By Ellen Godbey Carson, member

Church Email: [office@churchofthecrossroadshawaii.org](mailto:office@churchofthecrossroadshawaii.org)

Church phone number (808)949-2220

## **RESOLUTION**

**REQUESTING THE DEPARTMENT OF BUDGET AND FISCAL SERVICES AND THE REAL PROPERTY ASSESSMENT DIVISION TO JOINTLY CONDUCT A STUDY OF AN EMPTY HOMES TAX.**

WHEREAS, Honolulu is facing dual crises of affordable housing and homelessness, fueled by steadily increasing prices for homes on Oahu, as evidenced by a median sale price of \$979,000 for single-family homes in June 2021 and \$460,000 for condominiums, which are not affordable for most Oahu families; and

WHEREAS, the 2019 Housing Planning Study by the Hawaii Housing Finance Development Corporation (HHFDC) determined Honolulu needs more than 22,000 additional housing units from 2020 through 2025, and over half of these units need to be for low-income families who earn 80% or less of Area Median Income; and

WHEREAS, the high costs of housing and lack of affordable housing have contributed significantly to a loss of over 13,000 residents – many of whom are our children and vital members of our workforce - through outmigration from the State of Hawaii over the past several years, and this loss far exceeds the number of people migrating to Honolulu; and

WHEREAS, the efforts of the City and County of Honolulu (City) to create substantial new housing stock have been hampered by limited City funds, high costs of new construction, and delays in developing and permitting new construction, as these factors often result in years of delay for housing construction, and a mis-match of housing prices and affordability needs; and

WHEREAS, a 2017 American Community Survey found that 4.1% of Honolulu's housing units serve as vacation rental units, totaling over 14,000 units, so over half of the homes we need already exist, but are being used for vacation rental units and hence not available to meet critical housing needs of Honolulu residents; and

WHEREAS, Honolulu also has one of the highest vacancy rates of housing in the nation, including second homes for those living overseas, vacation rentals (most of which are illegal), corporate retreats, speculative buying, and blighted properties, and an evening view of our city shows the "lights are out" in the majority of units in some of our high rise developments; and

WHEREAS, the health and safety of our island community requires an adequate supply of affordable housing for those who live and work here, and our lack of housing supply is causing ever increasing housing costs and long-term degradation that are harmful to our workforce, families, kupuna, and the future of our island; and

WHEREAS, while no single effort will "fix" our affordable homes and homelessness crises, important new measures could address this problem, including

changes to our tax policy to incentivize using housing for much-needed homes for residents; and

WHEREAS, Hawaii is reported to have the lowest property tax of any state in the nation, making it very attractive for overseas investors, by incentivizing the purchase of residential property for investment and profit-making activities (such as vacation rentals); and

WHEREAS, an empty homes tax, sometimes also called a vacant property tax, is a tax assessed on residential properties left empty for a designated period in any given year, which can help address our current housing crisis by encouraging the return of empty or under-used residences to active use as homes for residents and providing a dedicated revenue source to support affordable housing solutions on the island; and

WHEREAS, the great majority of Honolulu residents support solutions to affordable housing and homelessness, and they would not be affected by a tax that does not apply to owner-occupants or to those who rent and maintain their primary residence here; and

WHEREAS, other jurisdictions, including Oakland, California; Washington, DC, Vancouver Canada; and Melbourne, Australia have imposed some form of empty homes tax or vacancy tax, for similar purposes and benefits.

WHEREAS, in response to our critical housing needs, in 2019-2020, the Honolulu Mayor's Office on Housing commissioned a team of graduate students at the University of California, Los Angeles to study a vacancy tax specifically for Honolulu, and that team issued in June 2020 a report entitled, "Housing in Honolulu: Analyzing the Prospect of Taxing Empty Homes" (hereinafter "UCLA Report"); and

WHEREAS, the UCLA Report includes the following salient findings:

- "High residential vacancy rates are a major facet of Honolulu's housing problem. Because Hawaii has the lowest property tax rate in the nation, international investors are incentivized to purchase property for speculation or use the island as a tax haven. Additionally, wealthy individuals from the mainland and neighboring countries purchase vacation homes for seasonal use. These practices lead to homes sitting empty where they are much needed in high-density urban areas like Honolulu County. "
- "From 2008-2015, almost 30% of all housing units sold in Hawaii were purchased by out-of-state residents. These units were notably more expensive than those purchased by local residents. In fact, homes bought by international buyers were 65% more expensive than those bought by local buyers."
- "In Honolulu, 15% of housing sales were made to out-of-state buyers in 2018. ... In a 2019 survey of out-of-state property owners, 39% described their property

as an investment and 62% saw their property as a vacation home for friends and family. Vacation rental units (VRUs) have become a leading cause of the reduction of available housing for Hawaii residents and are also accountable for driving up rental costs.”

- “Vacation rentals and investment properties thus affect affordable housing in two key ways. First, they constitute units taken out of the overall housing market, not only locally, but statewide, ultimately limiting the supply and increasing the price of available units. Second, the prominent use of vacation rentals has the ability to inflate demand for new construction, providing developers with the opportunity to concentrate on building more profitable luxury units at the exclusion of lower-priced units. Evidence indicates that developers target their marketing to individuals who have over \$1 million to spend on condominium units.”
- “The prevalence of short-term, vacation, and high-end rentals constrict the supply of moderate-to-affordable housing in Honolulu. The aim of a vacancy tax is to generate revenue from properties that investors will continue to keep vacant in the interest of maintaining equity value as well as encourage the return of vacation and short-term rentals to the housing stock.”; and

WHEREAS, no bills have yet been introduced to incorporate the specific findings of the UCLA Report, although some bills are related, such as Bill 20 introduced in 2021, and Bill 76 introduced in 2020; and

WHEREAS, a well-designed tax structure could increase our supply of homes and generate additional revenues for addressing our homelessness and affordable housing crises, without significant financial harm to Oahu residents;

NOW THEREFORE, BE IT RESOLVED that the Department of Budget and Fiscal Services and the Real Property Assessment Division jointly conduct a study of the feasibility of an empty homes tax based on the findings of the UCLA Report, experiences in other jurisdictions that have adopted an empty homes tax, and a consideration of the substance of bills that have been introduced in the Honolulu City Council related to the empty homes tax, and such other relevant information may be deemed appropriate; and

BE IT FURTHER RESOLVED that the study include identification of estimated costs and benefits, including potential tax revenues and increase in housing supply for homes for local residents, by levying a substantial and progressively increasing (tiered) real property tax on all residential properties that are not owner occupied nor occupied for a minimum period of time (such as six months a year) by person(s) for whom the property is their primary residence; and

BE IT FURTHER RESOLVED that the study also include identification of reasonable temporary exemptions for equity needs (such as recognized in other

jurisdictions), as well as proposed methods of implementation and enforcement that would be most reasonable in light of the City's current real property tax structure; and

BE IT FURTHER RESOLVED that the study also include a draft bill that implements an empty homes tax for Honolulu based on these considerations, in a manner to maximize beneficial outcomes, with revenues being earmarked to address solutions to affordable housing and homelessness; and

BE IT FURTHER RESOLVED that the Department of Budget and Fiscal Services and the Real Property Assessment Division submit the study report and draft bill to the Honolulu City Council no later than March 31, 2022; and

BE IT FINALLY RESOLVED that copies of this Resolution be transmitted to the Mayor, the Managing Director, the Director of the Department of Budget and Fiscal Services, and the Administrator of the Real Property Assessment Division.