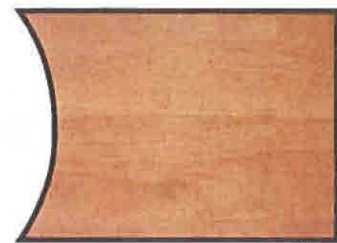


**Church  
of the  
Crossroads**  
United Church of Christ



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

'21OCT18 PM 1:58 CITY CLERK

**Testimony of Church of the Crossroads  
Regarding an Empty Homes Tax,  
before the Oahu Real Property Tax Advisory Committee  
on September 7, 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 needs major changes to our tax policy to help address our crises in affordable housing and homelessness. We encourage you to think boldly and broadly, for major changes that can help support our affordable housing needs. We believe an Empty Homes Tax provides the type of changes Honolulu needs.

An Empty Homes Tax offers many advantages not achieved by just increasing property taxes on all properties or on Residential A properties. These advantages include:

- This tax would shift our housing industry away from luxury properties for rich non-residents toward homes that are affordable to residents.
- Only persons who are not long-term residents would pay higher property taxes, as it applies only to properties that are not used as long-term housing.
- Owner-occupants and long-term residents/renters will not experience higher taxes for their home, so it does not increase their cost of housing.
- The tax creates an incentive to immediately convert existing housing stock into housing for long term residents.
- Converting existing investment properties into housing for local residents avoids the need for costly construction, long delays for development & permitting, and taking more land.
- The tax will increase tax revenues, and create a steady fund source to address affordable housing programs & homelessness.
- The tax will help control and potentially even lower our rapidly increasing housing prices, as it would discourage outside investment and speculation.
- The tax should help control rental prices; as housing supply increases, landlords will need to offer reasonable rent prices to secure renters to avoid the tax.

The Empty Homes Tax has received attention in recent news media stories, and would help related efforts to control the proliferation of vacation home rentals

- <https://www.khon2.com/always-investigating/empty-home-tax-gains-momentum-on-oahu-amid-affordable-housing-shortage/>

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



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

- <https://www.staradvertiser.com/2021/09/02/hawaii-news/short-term-rental-bill-gets-first-public-hearing/>

In our Resolution provided to you for your last hearing, we cited the 2020 Report to the Mayor's office on "Housing in Honolulu: Analyzing the Prospect of Taxing Empty Homes," which we append to our testimony for your consideration. Its findings show major positive implications for an Empty Homes Tax for Honolulu:

- "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. "
- "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."
- "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."

We appreciate the Commission's efforts to identify real property tax structures to better meet our housing needs. We hope the Commission 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.

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)



TO: Members of the Oahu Real Property Tax Advisory Commission

FROM: Natalie Iwasa, CPA, CFE  
Former Commissioner 2011 and 2019 ORPTACs  
808-395-3233

DATE: Tuesday, September 7, 2021

SUBJECT: Classifications, Valuation and Exemptions - **COMMENTS**

Aloha Chair Robert Mould and Commissioners,

Thank you for allowing testimony for your meeting today and checking the status of recommendations from prior commissions. Very few recommendations have been implemented. That is especially disappointing, given that several of the recommendations have been made more than once.

#### Exemptions

Exemptions should be the exception, yet over half of the properties on Oahu have some type of exemption. These exemptions cost us over \$164 million this year alone. Please take a careful look at Sections 8-10.10, charitable purposes, 8-10.24, credit unions and 8-10.33, for-profit child care centers.

Section 8-10.10 uses the term "charitable," but it includes other nonprofits such as unions and business leagues. These organizations are able to use funds saved on taxes and lobby to keep the exemptions in place. Two examples are the Hawaii Regional Council of Carpenters, located at 1311 Houghtailing Street, and the General Contractors Association of Hawaii, located at 1065 Ahua Street. Both of these properties are classified as commercial. Without the exemptions, their taxes for this year would be about \$57,000 and \$37,500, respectively, or almost \$95,000. Instead, they pay \$300 each. Please recommend revision of Sec. 8-10.10 to include a definition of "charitable" to be the same as that under IRC Sec. 501(c)(3).

The minimum tax for credit unions was increased from \$300 to \$1,000 several years ago, yet they cost us about \$3.4 million this year. (In 2011, their tax "benefit" was just under \$1.5 million. Credit unions compete directly with banks and should not receive this tax-favored treatment. Please recommend removal of this exemption.

In 2015 Bill 29 was introduced and would have removed the exemption under Sec. 8-10.33 for for-profit child care centers, the only for-profit industry that receives such an exemption. For-profit private entities are not required to release information on their operations. For example, we don't know how much they make, how much they pay their highest-paid employees or how they spend their money. Nonprofit

organizations, on the other hand, are required to disclose that type of information to the public in exchange for favorable tax treatment. Discussions of Bill 29 (2015) therefore included suggestions that these businesses apply for exempt status under IRC Sec. 501(c)(3), so they could obtain exemption as a nonprofit organization. These entities have had more than enough time to apply for exempt status and apply for exemption as a nonprofit organization. Please recommend that this exemption be removed.

In addition, please ask the administration to further break out organizations under Sec. 8-10.10 to include those that are not 501(c)(3) organizations, so that you and our elected officials can make good decisions about our county tax policy.

### Classification

The Residential A class has been problematic from the beginning, and I've testified in opposition to it many times. At the very least, the minimum threshold should be increased. According to the presentation provided by the administration, Residential A properties received a total of over \$1 billion in exemptions. This is despite the fact that these properties are not allowed to have a homeowner's exemption.

Please ask the administration to provide details on the exemptions provided to Residential A properties.

Please also see and discuss the attached proposed recommendation I had made regarding long-term leases as an option to changing the definition of the Residential A classification. Note it is better policy to increase the threshold on Residential A properties rather than somehow give properties that are rented out long-term a homeowner's exemption.

### Valuations

The city should make it clear how they are valuing properties.

**OAHU REAL PROPERTY TAX ADVISORY COMMISSION  
RECOMMENDATION TO PROVIDE EXEMPTION FOR RESIDENTIAL PROPERTIES WITH  
LONG-TERM LEASES  
THURSDAY, NOVEMBER 21, 2019  
By Commissioner Natalie Iwasa**

According to the 2018 Hawaii Data Book, of the 311,451 total housing units in Honolulu that were occupied, 138,209 or 44.4% were renter occupied.<sup>1</sup>

According to data from the U.S. Census Bureau's American Community Survey of Financial Characteristics for 2013 – 2017, significantly more renters pay 30% or more of their household income for housing costs than owners do -- 54% for renters compared to 30% for owners across all income levels. For the \$35,000 - \$49,999 income bracket, the percentages are even less favorable for renters, with approximately 78% paying 30% or more of their income toward housing compared to 50% for owners.

Residential properties occupied by homeowners currently have an exemption of either \$80,000 or \$120,000. Effective with tax years beginning July 1, 2020, the exemption amounts increase to \$100,000 and \$140,000 respectively. These exemptions are not allowed for owners who rent their properties.

At current tax rates of \$3.50/\$1,000, starting with fiscal years beginning July 1, 2020, property owners who lease out their properties will pay \$350 to \$490 per year more than homeowner-occupants. If the property falls into the Residential A classification, which also includes parcels that have two single-family dwelling units, the disparity is greater – an additional \$1/\$1,000 for assessed values up to \$1 million and \$7/\$1,000 for assessed values of \$1 million or more.

One other benefit provided to homeowner-occupants that is not available to renters or their landlords is a credit for low-income owners. This credit limits their tax to 3% of the titleholders combined gross income.

**RECOMMENDATION**

In recognition of this disparity in treatment between residential properties, the Commission recommends the following:

Homeowners who lease out their residential properties for one year or more be granted an exemption in the same amounts offered to homeowner occupants.

The Commission further recommends that properties with such an exemption be excluded from the Residential A classification.

<sup>1</sup> Table 21.17 – Summary Housing Characteristics, by County: 2013 – 2017.

**White, George**

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**From:** John Kawamoto <jk1492@gmail.com>  
**Sent:** Monday, September 6, 2021 12:17 PM  
**To:** White, George  
**Subject:** Empty Homes Tax testimony

CAUTION: Email received from an **EXTERNAL** sender. Please confirm the content is safe prior to opening attachments or links.

Dear Mr. White,

I'd like to submit the following testimony in support of the Empty Homes Tax that will be considered at the meeting of the Oahu Real Property Tax Advisory Commission on September 7, 2021.

John Kawamoto

.....

#### EMPTY HOMES TAX TESTIMONY

John Kawamoto

Hawaii faces a shortage of 50,000 homes, with much of the shortage on Oahu. The shortage disproportionately affects working families because the price of housing has steadily increased for decades, while wages have stagnated. The growing gap between housing prices and wages has made housing less and less affordable for more and more families, until we now find ourselves in a housing crisis.

The Covid pandemic has made the crisis even worse. The Aloha United Way commissioned a study of the ALICE population (Asset Limited, Income Constrained, Employed). An update of the study during the Covid pandemic concludes that 59% of Hawaii's households do not have enough income to cover all of the necessities of daily living. These families have to cut back on food, health care, child care, or other necessities in order to get by. A reduction in housing prices would help all of them because housing is the single largest item in a typical family's budget.

Housing is a complex issue, and there is no single silver bullet that will solve the housing crisis, but the empty homes tax can be used as an element of a multi-faceted solution.

Due to the desirability of living in Hawaii, housing in Hawaii is in the national and international housing markets. Many rich people use housing as an investment, living only a small part of the year in their Hawaii homes. It's a good financial investment because the price of housing in Hawaii has a long history of increasing, and the property tax is low compared with other jurisdictions.

Hawaii's housing industry is geared toward this luxury market because that's where the biggest potential profits are. As a result, insufficient attention is given to the residential housing market, especially housing for Hawaii's working families.

The Empty Homes Tax seeks to reorient the housing market by reducing the incentive for non-residents to own homes in Hawaii by using the tax system. Taxes are frequently used as disincentives for undesirable products. For example, cigarettes are taxed because they are a health hazard.

Experience in other jurisdictions with an empty homes tax shows that the annual tax rate must be at least 1% of the assessed value of the property in order to be effective.

An effective empty homes tax would represent a major step toward making more housing affordable to Oahu's working families.

## White, George

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**From:** Sally Meditz <dmeditz@hawaii.rr.com>  
**Sent:** Thursday, September 2, 2021 9:22 AM  
**To:** White, George  
**Cc:** Kiaaina, Esther  
**Subject:** TAX CREDITS

CAUTION: Email received from an **EXTERNAL** sender. Please confirm the content is safe prior to opening attachments or links.

Regarding the property tax credit for low income; not owing any other property: The intent of the 3% is to protect our citizens from losing their property due to taxes. As they charge the 3% PLUS taxes on the difference from last year to this year, the amount is scary. People with unlimited money are buying our homes causing the assessed value to sky rocket. We ask you eliminate this tax on the difference and just let us pay the 3%. Sincerely, Sally Meditz, Kailua Senior