

TESTIMONY
for
11/29/21
ORPTAC MEETING



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**Testimony of Faith Action HousingNOW!
Regarding an Empty Homes Tax,
before the Oahu Real Property Tax Advisory Committee
on November 29, 2021 at 2:00pm**

Faith Action for Community Equity is an organization of religious and community organizations driven by a deep spiritual commitment to improving the quality of life for all the people of Hawaii by addressing the root causes of social inequities.

Faith Action HousingNOW! requests ORPTAC to approve and recommend to the City Council the Empty Homes Tax proposal that has been endorsed by the ORPTAC Subcommittee on Rates and Classifications, and that is item V.1.A on the meeting agenda.

The proposed Empty Homes Tax re can help address the major crises in affordable housing and homelessness that are endangering our entire community. This tax can assist by:

- Increasing our supply of housing stock by incentivizing owners of tens of thousands of vacant housing units to convert them into homes for Oahu residents
- Discouraging outside investment & speculation that cause high housing costs
- Creating dedicated tax revenues for affordable housing & homelessness solutions.

To those of you serving on the ORPTAC, thank you for helping support new solutions and bold changes to help improve the quality of our community.

Submitted on behalf of Faith Action HousingNOW!
By Ellen Godbey Carson

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: Monday, November 29, 2021

Aloha Commissioners,

Rates and Classification Subcommittee Report – Vacant Homes Tax

The recommendation is for the empty homes tax to be assessed retroactively. What would happen if the home were vacant for six months in the beginning of the fiscal year and then sold. By the time the empty homes tax would be assessed, the prior owners could be long gone, and it wouldn't be fair to assess that tax upon the new owners.

What happens if a property owner goes off island for a visit but is not allowed to return for more than six months. (This is a very real scenario that occurred during the COVID-19 pandemic.)

I think the provision requiring all property owners to receive an empty homes tax bill and declaration form creates a lot of extra work for the RPAD, and I wonder whether the benefit would be worth it.

Under Number 1 in Item E, the city administration would compare a homeowner occupancy in the regular RPT system to the declaration form. This sounds like a lot of extra work for the administration.

Under Number 2 in Item E, I absolutely oppose the requirement for a landlord to submit a lease agreement and proof of excise taxes paid. First of all, this will likely not be adequate to prove six months of occupancy. While initial lease agreements may be for a period of one year, it is common for them to carry on month to month after the year is up. Second, if a landlord has more than one property, it could be difficult to determine how much rent was collected on each property.

In addition, this would create more paperwork for landlords and could potentially mean that leases that would usually go on month to month for years would instead be renewed annually (potentially with increased rents), in order to meet the exemption requirements.

Valuation Subcommittee Report

It's disappointing to learn that once again an ORPTAC is being stonewalled by the city administration. I had hopes that under this new administration things would be different.

Oahu Real Property Tax Advisory Commission
November 29, 2021

Re: Empty Homes Tax Proposal

My name is John Kawamoto. I am a resident of Oahu, and I'd like to testify in support of the empty homes tax proposal.

Oahu is in a national and international market for housing. Oahu is such a desirable location that many rich non-residents have purchased luxury housing on Oahu, which has the effect of pushing up the price of housing in general. Housing prices have increased steadily for decades, while wages have stagnated. For those reasons, housing has become less and less affordable for more and more residents.

Oahu faces a housing crisis due to market failure. The market is creating an abundance of luxury homes for non-residents while virtually ignoring homes for residents. The empty homes tax proposal is an intervention that is designed to shift the market away from luxury homes for non-residents toward homes for residents.

Tens of thousands of luxury homes sit empty for most of the year because they are owned by non-residents who live in them for only part of the year. These luxury homes are unaffordable to the average family on Oahu.

The empty homes tax proposal would have the effect of raising prices on empty homes, thereby creating a disincentive to own them. To avoid the tax, owners of empty homes would fill them with residents through renting, or they would sell the homes. In this way, the empty homes tax would convert homes that are now empty to homes where residents live.

In the long term, the empty homes tax would have the additional effect of shifting Hawaii's housing development industry away from building so many luxury homes because demand would be reduced. Instead, the industry would build more homes for residents.

The empty homes tax proposal is preferable to Bill 76 because the empty homes tax is retrospective rather than prospective, so it has less potential for complications.

The affordable housing crisis is so large and complex that the empty homes tax should be viewed as one of a constellation of measures that should be adopted to create enough affordable housing for all of Oahu's residents.

Thank you for the opportunity to testify.