



CITY COUNCIL

CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII 96813-3077

OAHU REAL PROPERTY TAX ADVISORY COMMISSION

Commissioners:
Robert Mould, *Chair*
Winston Wong, *Vice-Chair*
Tracy Bean
Jack Legal
James Peters
Calvin Foo Pham
Kenna StormoGipson

via HAND DELIVERY and E-MAIL

DATE: DECEMBER 29, 2021

TO: HONORABLE TOMMY WATERS, CHAIR & PRESIDING OFFICER
HONOLULU CITY COUNCIL

FROM: ROBERT "ROCKY" MOULD, CHAIR
OAHU REAL PROPERTY TAX ADVISORY COMMISSION

SUBJECT: Interim Report of the Commission

Aloha Chair Waters –

Please find attached, the *Interim Report* of the 2021 Oahu Real Property Tax Advisory Commission to the City Council. We appreciate your review and consideration of this report and look forward to working with the City Council and the City Administration towards implementing the recommendations discussed herein including an empty homes tax to help address the City's affordable housing crisis.

We also look forward to continuing our work in systematically reviewing the City's real property tax system, through the first half of 2022 to provide additional recommendations towards making our current system more equitable, efficient and transparent.

Respectfully submitted –

Rocky Mould, Chair
2021 Oahu Real Property Tax Advisory Commission

Enclosure

cc: 2021 Oahu Real Property Tax Advisory Commissioners

COUNCIL COM. 439
RPTAC

21DEC30 PM 1:41 CITY CLERK



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DATE: DECEMBER 29, 2021

TO: HONORABLE CHAIR WATERS AND COUNCILMEMBERS
HONOLULU CITY COUNCIL

FROM: OAHU REAL PROPERTY TAX ADVISORY COMMISSION

SUBJECT: **Interim Report and Initial Recommendations**

The purpose of this Interim Report ("Report") is to present initial recommendations of the Oahu Real Property Tax Advisory Commission ("Commission") to the Council of the City and County of Honolulu ("City Council"), specifically as they relate to:

- 1) The need for greater transparency in the processes and work of the Real Property Assessment Division ("RPAD") of the City and County of Honolulu ("City"), Department of Budget & Fiscal Services; and
- 2) A new or supplemental tax classification related to vacant (empty) home residential properties.

BACKGROUND

Under Resolution 17-112 (2017), as amended by Resolution 19-199 (2019), the City Council established the Commission consisting of seven citizens, with the purpose of conducting a systematic review of the City's real property tax system's valuation methodologies, classes, exemptions, credits, and minimum property tax, to make the current system more equitable and efficient.

The Commission acknowledges the repeated recommendation of prior Commissions regarding the need for additional time to thoroughly and competently conduct its review and make recommendations. As such, the Commission is grateful to the Council Chair Tommy Waters, as well as Council Budget Committee Chair Calvin Say, for their stated support in extending the reporting deadline provided in the authorizing resolutions, to allow the Commission adequate time to do its work.

As such, the Commission is submitting this Interim Report to address two matters that need no additional investigation or further deliberation, for which there is consensus amongst the Commissioners regarding the importance and timeliness with which these recommendations should be considered by the Council, and take action as appropriate.

As this is an interim report, the Commission remains in the midst of a comprehensive review of all credits and exemptions related to the City's real property tax system, as well as a holistic review of the City's entire rates and classifications system. In addition, the Commission is also currently looking into other significant issues related to equity in renewable energy projects; a Land Value Tax study; and the valuation and assessment of properties that are held in fee simple title versus leasehold.

This Interim Report (and its recommendations), however, stands on its own and should be considered independently and complimentary to future recommendations of the Commission in its Final Report to the Council.

I. RECOMMENDATION FOR GREATER TRANSPARENCY WITH PUBLIC AND INFORMATIONAL OUTREACH FROM RPAD TO TAXPAYERS

The Commission's first recommendation in this Report is relatively short in length, as it largely reflects and reiterates issues and concerns raised previously¹ by the Oahu Real Property Tax Advisory Commission ("ORPTAC") in 2019, that appear to have been ignored or not adequately addressed to-date.

In addition, the Commission believes that the valuation (assessment) and appellate processes of the RPAD within the City's Department of Budget & Fiscal Services could and should be more transparent and easily understandable to members of the general public and the taxpayers, for whom they serve.

A. Lack of Progress or Change from 2019 ORPTAC Report

The 2019 ORPTAC explicitly recommended to the Council that "[p]eople should be able to find out the basis for government decisions" and that greater efforts towards transparency and informing the public should be made as it relates to the real property tax assessment process.

Specifically, the 2019 ORPTAC recommended that the City's RPAD website should be updated and overhauled to be more user-friendly, and provide greater and more transparent access to public documents and the processes of the RPAD. To-date, there is still no explanation from RPAD regarding what, if any, changes have been made relating to the website and recommendations from the 2019 ORPTAC. These recommendations included providing homeowners a better understanding of how their

¹ Report of the 2019 Oahu Real Property Tax Advisory Commission, December 2, 2019, Council Communication 394 (2019), available at: <https://hnlidoc.ehawaii.gov/hnlidoc/document-download?id=2643>

properties are assessed, sample documents and basic layman information regarding the assessment process, and the City's use of a Marshall & Swift appraisal system. Even when this Commission requested such information from RPAD, we were still provided with unsatisfactory responses as reflected in Council Communication 426 (2021), attached as Appendix A. It remains unclear why many similarly situated municipalities across the United States have no issue sharing such information on their websites, but for some inexplicable reason, the City and County of Honolulu will not.

B. Lack of Transparency (still) in Valuation Process

The Commission is concerned that there is still no adequate or understandable description publicly available on how our properties are valued and assessed. Again here, other similarly situated municipalities in the United States do not appear to have any issue providing detailed and understandable information on how properties are assessed and valued by their cities.

For example, the city of Denver in Colorado publicly provides extensive information in an effort to be transparent with and helpful to, the taxpayer, including addressing relevant issues², explanations³ and trends.⁴ It remains unclear why RPAD seems so resistant to this type of transparency and public engagement and education.

C. Lack of Clarity in Appellate Process

The Commission has concerns that in addition to the perceived difficulty for a property-owning taxpayer to understand how their property is valued, they also have unnecessary obstacles and difficulties in understanding whether and how to appeal the assessment of their property, largely due to the cumbersome and complicated manner in which RPAD shares this information.

Presently, regarding a taxpayer's basis for appeal, the RPAD just provides the legal language pulled from the ordinance on their website, without further explanation:

"When you file an appeal, you must state the basis for your appeal. For real property tax cases, the ROH Section 8-12.3 specifies four grounds for appeal.

1. *Assessment of the property exceeds by more than 10 percent of the market value of the property, or*
2. *Lack of uniformity or inequality, brought about by illegality of the methods used or error in the application of the methods to the property involved, or*

² City of Denver public service message regarding valuations: <https://www.youtube.com/watch?v=kP7oz4wvTZ8>

³ City of Denver annual announcement of 2021 property valuations and general explanation, see: <https://www.denvergov.org/Government/Departments/Department-of-Finance/News/2021/Metro-Denver-Assessors-Announce-2021-Property-Valuations>

⁴ City of Denver, information on property value trends, see: <https://www.denvergov.org/Government/Agencies-Departments-Offices/Department-of-Finance/Our-Divisions/Assessors-Office/Property-Value-Trends>

3. *Denial of an exemption to which the taxpayer is entitled and for which such person has qualified, or*
4. *Illegality, on any ground arising under the Constitution or laws of the United States or the laws of the state or the ordinances of the city in addition to the ground of illegality of the methods used mentioned in clause 2."*

Absent obtaining legal advice from an attorney, an average taxpayer would likely be unable to accurately decipher what would or would not be a reasonable basis for appeal, based on the description above. In addition, it is very difficult, for example, to appeal under ROH subsection 8-12.3(2) noted above (whether there is a lack of uniformity or inequality that is brought about by illegality of methods used or error in application of the methods), when the methodology itself is unclear to the public.

In terms of equity in the real property tax process, to expect everyday taxpayers to retain or seek legal counsel for understanding how to deal with their annual real property tax assessment is unreasonable and unfair. Similarly, access to simplified information on the appellate review process is limited and cumbersome. When a property owner clicks on the "File an Appeal" link on the RPAD homepage, they are met with the following "unavailable" screen:



which then redirects them to a large menu of forms, including the "Board of Review Appeal Form"⁵ with no additional information or explanation.

SUMMARY CONCLUSION

Based on the observations and for the reasons discussed above, the Commission recommends that the RPAD develop a plan and budget to modernize its systems to be more efficient, clear and transparent, user-friendly and taxpayer-focused. We also suggest redoubling efforts in identifying funds from City, State and federal sources, including funding from the recently passed 2021 American Rescue Plan and Infrastructure Investment and Jobs Acts, as well as new potential administrative revenue sources from the Empty Homes Proposal recommended in Section II, below.

⁵ https://www.realpropertyhonolulu.com/media/1805/appeal-form-no-year-2022-11_1_2021-final.pdf

II. RECOMMENDATION ON A SUPPLEMENTAL PROPERTY TAX ON "EMPTY (VACANT) HOMES" ON OAHU

The Commission's second recommendation addresses the possibility of a new and supplemental tax classification related to vacant (empty) residential properties and recommends the City Council consider enactment of an ordinance similar in substance and structure to the "Empty Homes Tax" proposal ("Empty Homes Proposal") submitted to the Commission⁶ from community stakeholders and discussed at multiple public meetings of the Commission.

The Commission recommends the City Council forego further consideration of Bill 76 (2020) in favor of introduction and consideration of a bill similar to the Empty Homes Proposal attached to this Report, as Appendix B. In addition, the Commission is aware of a recently introduced measure, Bill 49 (2021), which is similar in concept to Bill 76 (2020) but does incorporate some elements from the Empty Homes Proposal. For the reasons discussed in greater detail below, the Commission stands by its recommendation for the City Council to consider the Empty Homes Proposal in its totality, as provided in Appendix B.

The concept of a "vacant home" or "empty home" tax has been an ongoing point of discussion for multiple years by the City, as reflected in documents supporting and adopting the implementation and justification for an empty homes tax. The first document is the *O'ahu Resilience Strategy*⁷ that states the reduction of empty homes and increase in affordable housing funding as its first goal and action. The City Council adopted the *O'ahu Resilience Strategy* as a guiding policy document for the City and County of Honolulu through Resolution 19-233.⁸

The second document is a report created for the City by graduate students of the UCLA Luskin School of Public Affairs, *Housing in Honolulu: Analyzing the Prospect of Taxing Empty Homes*⁹ ("UCLA Study"). Specifically, the UCLA Study sought to answer the question of "[w]hat type of vacancy tax is best suited to the needs of the population and capacity of the local government in the City and County of Honolulu?"

The study concluded that "[i]n creating a vacancy tax policy that has the most potential to positively impact Oahu's housing situation by generating revenue and lowering vacancy rates, we recommend that the City and County of Honolulu adopt a graduated

⁶ Miscellaneous Communication 599 (2021), available at: <https://hnlldoc.hawaii.gov/hnlldoc/document-download?id=12541>

⁷ Mayor's Message 119 (2019), available at: <https://hnlldoc.hawaii.gov/hnlldoc/document-download?id=2326>

⁸ Resolution 19-233, adopted October 9, 2019, available at: <http://www4.honolulu.gov/docushare/dsweb/Get/Document-240676/RES19-233.pdf>

⁹ Mayor's Message 83 (2020), available at: [http://www4.honolulu.gov/docushare/dsweb/Get/Document-270402/MM-083\(20\).pdf](http://www4.honolulu.gov/docushare/dsweb/Get/Document-270402/MM-083(20).pdf)

tax rate, focus the tax on residential properties, identify six-month vacancies as taxable properties, use mixed enforcement methods, and establish exemptions to ensure the equitability of the policy.”

The 2020 US Census reports that the City and County of Honolulu has a housing vacancy rate of 9.2%, with 34,253 housing units not occupied. Most recently real estate prices on Oahu have reached all-time highs, with median price of single-family homes at \$1,050,000, a 20.3% increase over the median price of \$872,500 in November, 2020; and median price of condominiums at \$500,000, a 19% increase from \$420,000 in the year-earlier period.¹⁰ In addition, the aggregate assessed valuation of properties classified as Residential increased from \$195.18 billion to \$211.24 billion, indicating an approximate increase of 8.2%; and properties classified as Residential-A increased from \$24.22 billion to \$33.66 billion, an increase of 39.0%.¹¹

A. Bill 76 (2020) Compared to Empty Homes Proposal

The Commission has been briefed upon and reviewed Bill 76 (2020), currently pending before the Council, which proposes the creation of a new property tax classification, “vacant residential,” under ROH Section 8-7.1, as amended by Ordinance 19-32.

The Commission has compared the strategy proposed in Bill 76 (2020) (and strategically similar Bill 49 (2021) as well) to the alternative vacant residential taxation strategy of the Empty Homes Proposal. The two strategies are summarized in the following table:

Bill 76 (2020) versus Empty Homes Proposal

Concept	Bill 76 (2020)	Empty Homes Proposal
Primary Action	Establishes a new tax classification (residential property could be classified exclusively as <i>Residential</i> , <i>Residential-A</i> , OR <i>vacant residential</i>)	Establishes a supplemental tax classification (residential property could be classified as <i>Residential</i> or <i>Residential-A</i> , AND classified as an Empty Home)

¹⁰ “The median price of a single-family home on Oahu jumps to \$1,050,000 from \$872,500,” Dave Segal, Honolulu StarAdvertiser, December 7, 2021, available at: <https://www.staradvertiser.com/2021/12/07/hawaii-news/the-median-price-of-a-single-family-home-on-oahu-jumps-to-1050000-from-872500/?HSA=0bba82d0a4640a9e6bbe352a1e49d865062ae18b&fbclid=IwARlwA5ArexYptunfuHxKDMrQejUykCWMdszIJYOZArAJoVnlbTP8iLE1zY>

¹¹ “City & County of Honolulu Sends 2022 Real Property Notice of Assessments,” Big Island Gazette, December 14, 2021, available at: <https://bigislandgazette.com/city-county-of-honolulu-sends-2022-real-property-notice-of-assessments/>

Concept	Bill 76 (2020)	<i>Empty Homes Proposal</i>
Enforcement	Not mentioned	Annual property status declaration, separate from annual property tax; defines documents to verify occupancy; offers an opportunity to appeal
Defined exclusions (or “exemptions”)	Occupied at any time in a 180-day period, owner under medical care, transferred, deceased owner, under renovation, or court order	Occupied by owner for more than six months, occupied by renter(s) for more than six months, court order, deceased owner, Armed Forces duty, substandard building (limited to one year every five), under renovation (limited to one year every five), actively listed for sale or sold/transferred (limited to one year every five), non-profit owner for temporary housing for non-profit mission, senior/disability/half-way housing
Administrative costs	Not mentioned	Up to 5% of empty homes tax revenues for administrative costs
Tax year	Applied to proximate fiscal year	Applied to prior fiscal year

B. Reasons for Recommending Empty Homes Proposal

The Commission believes the Empty Homes Proposal is preferable because Bill 76 (2020) creates a new property tax classification that may prove difficult to verify or provide vastly variable differences in tax liability. Under Bill 76 (2020), as properties shift between occupied residential (Residential or Residential-A) and vacant residential, projected property taxes could easily become misaligned with the actual use of the property for various reasons.

1. Taxing property based on its prospective value AND its prior use.

The Empty Homes Proposal establishes a supplemental property tax while leaving the existing property tax system in place. The Empty Homes Proposal does not interfere with the City’s existing rates and classification system, which Oahu homeowners are familiar with, such that properties maintain their existing classification as Residential or

Residential-A for the proximate fiscal year, but are also subject to a supplemental classification determined by the status of their property's use during the prior fiscal year.

This City's existing property tax system is structured in a manner that determines a property's assessed tax liability for the proximate fiscal year. However, there are numerous challenges posed by assessing a vacant property tax prospectively. For example, some property owners: may not know if their property will be vacant; may intend to have their property occupied but change their intentions after filing their property taxes; or could intentionally declare their property will be occupied in the future fiscal year while intending to leave the property vacant, and the City would have difficulty proving this to be the case and assessing a vacancy tax on the property.

In comparison, the Empty Homes Proposal is a supplemental tax assessed retroactively. This approach is advantageous to the approach proposed in Bill 76 (2020) because:

- A property would remain classified as Residential or Residential-A, with an empty homes tax assessed on top of the existing property taxes owed;
- The supplemental tax decouples the empty homes tax from a property's annual tax assessment that is based on future declared use of a property, allowing property owners to file a declaration based on the actual occupancy of the property in the preceding year instead of filing based on a prediction of the future occupancy; and
- Timing in assessment and declaration makes it more difficult for a property owner to avoid the tax. The act of retroactively taxing an empty home as a supplement allows a property to be taxed based on actual occupancy during a period that has already passed, avoiding asking property owners to proactively identify their property as vacant to meet the deadline for filing annual property taxes.

2. Enforcement of Empty Homes Proposal easier than Bill 76 (2020).

All property owners will receive an empty homes tax bill and declaration form with an empty homes tax amount due. An example exemption declaration form used by the city of Vancouver in British Columbia, Canada, for their empty homes tax is attached to this Report as Appendix C.

All property owners will have the opportunity to claim an exemption from the empty homes tax on the declaration form. If a property owner makes a valid claim for exemption, they are not subject to the empty homes tax. If a property owner does not claim an exemption, they are subject to the empty homes tax.

Since the Empty Homes Proposal relies on property owners to prove occupancy for a past period of time rather than speculating with uncertainty about the future occupancy of the property, declarations submitted with exemptions can be determined as false. If a property owner makes a false claim for exemption, they are subject to penalties. If a property owner does not pay their penalties on the empty homes tax, they are subject to penalties and possible foreclosure.

3. Establishes clarity on 180-day threshold related to vacancy.

The draft language of Bill 76 (2020) could be interpreted such that a residential property is exempt from the vacant residential classification if it is occupied at any time in a 180-day period. The Commission believes this language can be interpreted to mean a property occupied for one day in the 180-day period is not subject to the vacant residential classification.

By contrast, the Empty Homes Proposal sets the occupancy standard at a minimum of six months. The intent of the Commission is to not allow for language that suggests a property could be exempt if it is occupied simply at any point in that six-month period.

Rather, a property should be continuously occupied in the six-month period but language could be added to specify that intermittent periods of vacancy are reasonable for homeowner occupants and long-term renter occupants for instances such as travel away from home.

4. Exemptions in Empty Homes Proposal and Bill 76 (2020) are compatible.

The draft bill language presented in Appendix B lists exemptions from the proposed supplemental tax on empty homes. We have also included exemption language from Bill 76 (2020) related to medical care, requiring the owner or tenant to reside in a place other than the property at issue, for longer than 6 months during the previous tax year. The Commission understands the need to reasonably define and limit exemptions to prevent exploitation of the exemptions by property owners attempting to avoid empty homes tax liability.

It is the intent of the Commission to present the list of exemptions from the empty homes tax using standard language limiting certain claims to once every five years. The Commission believes this condition and other conditions limiting the exemptions can be modified with further discussion in a manner that is reasonable and does not substantially change the spirit of the listed exemptions.

5. Exemptions can be easily verified and collection of tax easily enforced.

The Commission believes there are reasonable methods for collecting the supplemental empty homes tax, investigating false claims for exemption, and issuing penalties. While

the draft bill language presented in Appendix B does not offer a set of procedures for enforcement against false claims for exemption, the Commission has the following suggestions related to the various exemptions provided for:

(a) *Homeowner Occupancy.*

- The property owner's annual empty homes tax declaration would be submitted to the tax department claiming a homeowner occupancy exemption.
- A list of empty homes tax exempt by homeowner occupancy could be compared to the homeowner's exemption claimant list for existing property tax assessments.
- If the property information does not match between the two lists (different addresses, multiple claims, etc.), then this should trigger stricter scrutiny by RPAD.

(b) *Long-term Renter Occupancy:*

- The property owner's annual empty homes tax declaration would be submitted to the tax department claiming a renter occupancy exemption.
- The completed declaration should include basic tenancy information that can be used to verify occupancy period exemption and the property owner's state tax identification number.

(c) *All other Exemptions:*

- The property owner's annual empty homes tax declaration would be submitted to the tax department claiming an exemption.
- The property owner should be prepared to provide relevant official documents supporting their exemption claim. The list of acceptable documents for each exemption should be specified by RPAD.

The Commission also believes enforcement against false empty homes tax exemption claims should include an annual quantity of random audits to be determined by the RPAD. This quantity could be raised or lowered in any year depending on the quantity of investigations triggered by exemption claim anomalies, and the capacity of RPAD to address them. Additional ideas and commentary for enforcement, investigations, and supporting documents can be reviewed in the UCLA empty homes tax report.

The Commission is aware of a short-term rental measure (Bill 41 (2021) presently pending before the City Council, and is in the midst of reviewing the measure as part of

our overall assessment of the City's entire rates and classifications system, which will be addressed and discussed in greater detail in our Final Report to the City Council. The Commission intends to take into account the impacts of the Empty Homes Proposal on short-term rentals and their property tax classification.

6. Funding for administration of Empty Homes Proposal provided for.

The draft bill language presented in Appendix B includes a mechanism for funding the administrative costs of the Empty Homes Proposal. The Commission believes it is important the bill includes a funding provision but is amenable to adjustment of the 5% amount included in the Commission recommendation, depending upon more detailed testimony and input from the RPAD.

The Commission attempted to obtain a projection on the administrative resources necessary, including staff time and funding, but were unable to get any additional information or estimates from RPAD regarding the administrative costs to sustain implementation and assessment of the proposed Empty Homes supplemental tax.

The draft bill language presented in Appendix B includes a direction for the allocation of funds for the revenues produced by the Empty Homes supplemental tax. The Commission believes the intent of the Empty Homes Proposal is to produce the following results: (1) return residential units to the local housing market; (2) raise revenues to develop housing that is affordable to low-income residents of the City who cannot compete in the speculative real estate market; and (3) address the growing crisis of homelessness within our communities.

7. Possible substantial revenue stream from Empty Homes Proposal.

The Commission engaged in discussion with the RPAD regarding projecting revenues based on the draft bill provided in Appendix B but did not receive any responses or assistance with such projections.

Short of verifiable data from the RPAD, the Commission believes there are possible methods of estimating a range of revenue forecasts based on the following factors, including: U.S. Census reported a vacancy rate on Oahu of 9.2% and reported vacancy rates by Census tracts; randomized modeling based on existing database of real property assessed values and an assumed 9.2% vacancy rate; randomized modeling based on existing database of real property assessed values and an assumed vacancy rate by Census tracts; and authorizing access to real property data to a third party (such as an academic researcher or institution) to model a projection.

If the Empty Homes Proposal passes into law, the City will be able to determine a more accurate vacancy rate and identify vacant properties. The implementation of this tax would enable the data collection that would allow for future projections related to the supplemental Empty Homes tax revenue based on actual data. The Commission

acknowledges the limitations of existing data sets and assumptions make it difficult to ascertain an accurate projection of revenues, however, the Commission does not believe these limitations justify rejection of this proposal.

8. Resources necessary will help modernize the current system.

No responses or comments were received from RPAD or the Department of Budget and Fiscal Services regarding a projection of resources that would be required to implement this new supplemental empty homes tax.

The commission recommends using a portion of the Empty Homes Tax revenue to offset the City's additional costs in administering the tax. The proposal has an initial suggestion, but the revenue figure should be modified an additional data is gathered and analyzed to develop accurate cost projections.

The Commission also believes an investment in technology to provide and allow for an electronic option to file the empty homes tax declaration form would make enforcement easier. A standardized form and electronic system would enable faster creation of databases and easier cross referencing of databases. The investment in technology should also allow for an automated review of declaration forms and supporting documentation. The system should output a list of flagged submissions for the RPAD to review or investigate manually. This automation would reduce the burden on staff and allow human resources to be more flexible in addressing the needs of the RPAD. However, this process should not preclude the Department of Budget and Fiscal Services from increasing its staffing to manage this new supplemental empty homes tax.

The City's investment in technology could also be expanded to offer an electronic filing option for existing property taxes. Electronic filing may improve ease of use and access to the public when submitting property tax documents while also providing a benefit to the City in efficiently and effectively managing its data and making its projections.

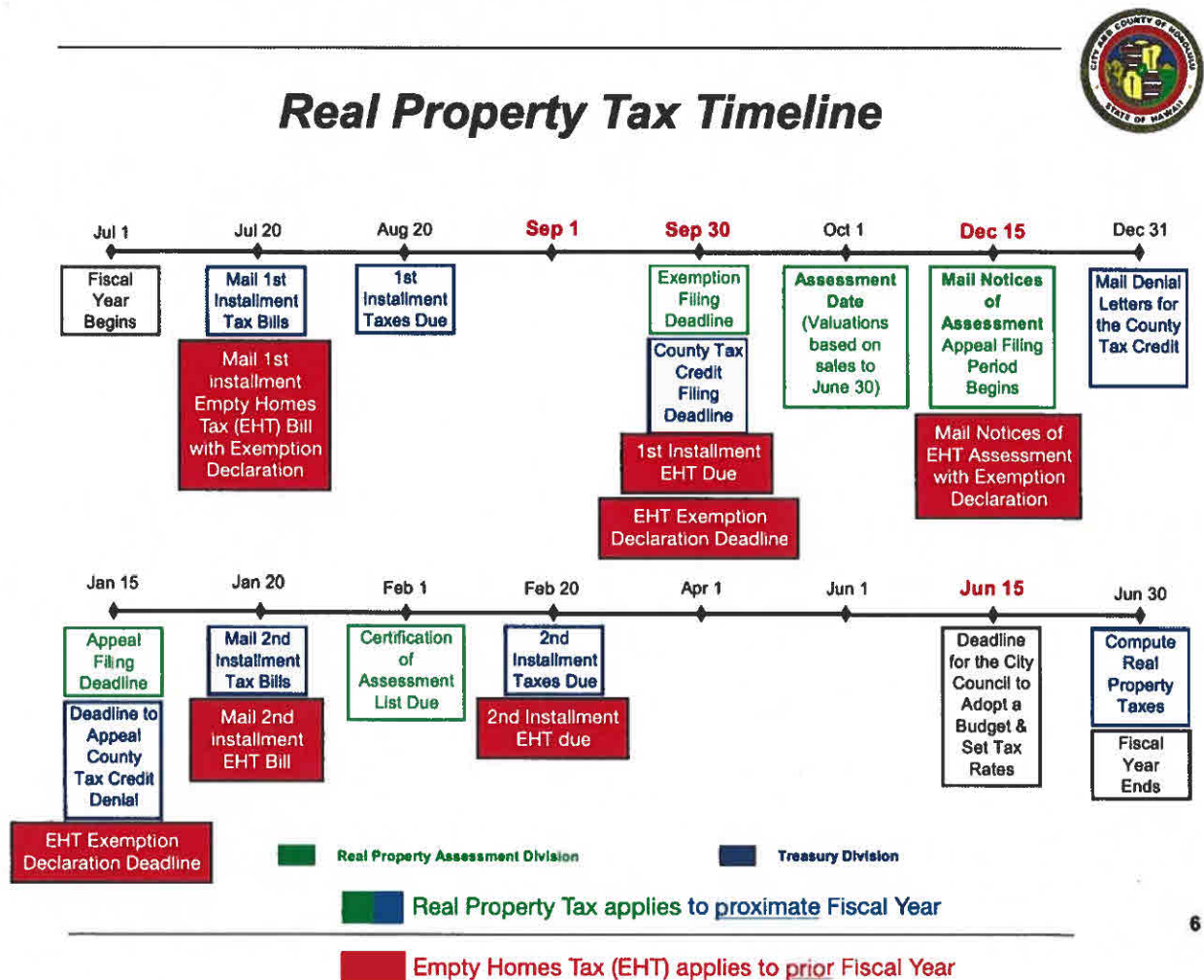
C. Reality of Implementing an Empty Homes Tax

The Commission believes it is reasonable to assume the Empty Homes Proposal would result in additional costs for the City to administer the tax, and additional costs for property taxpayers. Property taxpayers, even if ultimately exempt from the tax, may incur legal fees for professional services in the filing, declaring, appealing, or otherwise responding to this new Empty Homes Tax. The Commission also believes these costs should be weighed against the benefits the tax would have on the local rental and for-sale real estate market.

The Commission believes there is a need for clear communication to the public regarding how and when their property taxes are assessed, if a supplemental empty homes tax were to be implemented. There is potential for members of the public to be

confused by seeing two bills applicable to different years (proximate versus previous fiscal year) at the same time.

The following chart (revised from RPAD's current timeline¹² should provide clarity on implementation of this new supplemental empty homes tax, and how it can easily fit within RPAD's existing operational framework.



As noted in the Empty Homes Proposal (Appendix B), a notification to all taxpayers of the implementation of the new supplemental empty homes tax would eliminate the burden of tax appeals due to a lack of notification of the new tax.

¹² Provided in CC-585, RPAD Presentation – ORPTAC Overview FY 21-22, page 6, available at: <https://hnlidoc.hawaii.gov/hnlidoc/document-download?id=11675>

As proposed, property owners would still be subject to the traditional property tax assessment for the proximate fiscal year, but would also be subject to the “empty homes tax” for the previous fiscal year. This proposed empty homes tax assessment (based on the previous fiscal year) would be provided at the same time that the traditional property tax assessment (for the proximate fiscal year) will be provided to the property owner at the same time. Property owners would submit an empty homes tax declaration form that substantiates an exemption. It is the Commission's intent for this proposed empty homes tax to be set by ordinance and not required to be reviewed annually and set via City Council resolution like existing real property tax rates are.

D. Frequently Asked Questions

- *What is the definition of an “empty home”?*

The draft bill language presented in Appendix A includes Sec. 8-____.1 and Sec. 8-____.4 Exemptions. These sections define all dwelling units as an empty home unless an exemption condition applies.

- *Does the supplemental empty homes tax apply to vacant or undeveloped properties with no dwelling unit upon it?*

It is the Commission's desire to define the tax for Residential and Residential-A classified properties improved with dwelling units. The question of whether unimproved lots with these classifications may need to be clarified as an exemption or not by the City Council.

SUMMARY CONCLUSION

The need to take strong local action to address the City's housing affordability crisis is beyond urgent – it is an emergency. A perverse mix of long-standing, local structural issues is combining with near-term pandemic induced home buying and price inflation and only make the problem worse.

According to a recent report by *CoreLogic*, single-family home annual rent growth has hit a sixth consecutive year-over-year record in October with a 10.9 percent jump.¹³ This is three times the annual increase from just a year earlier. Add this to recently elevated inflation across the board, and the burden on our community is becoming unbearable and forcing some local families to leave our island home for other locales, changing the fabric of our communities and society.

¹³ "Single-Family Annual Rent Growth Hits Sixth Consecutive Record," Molly Boesel, Principal Economist, Office of the Chief Economist, CoreLogic, December 21, 2021, available at: <https://www.corelogic.com/intelligence/single-family-annual-rent-growth-hits-sixth-consecutive-record/>

A supplemental tax on "empty homes" will help alleviate these issues by increasing the supply of rental properties, channeling outside investments to more productive and equitable uses, and raising funds to invest in more affordable housing. For these reasons and the reasons stated above, the Commission asks that the City Council seriously consider our recommendations

CONCLUSION

The Commission humbly submits this Interim Report to the City Council for its consideration and looks forward to working with Councilmembers, the City Administration, and staff, in furtherance of the recommendations respectfully submitted herein.

APPENDICES

A, B and C



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII 96813-3077

'21DEC14 PM 1:59 CITY CLERK
**OAHU REAL PROPERTY TAX
ADVISORY COMMISSION**

Commissioners:
Robert Mould, *Chair*
Winston Wong, *Vice-Chair*
Tracy Bean
Jack Legal
James Peters
Calvin Foo Pham
Kenna StormoGipson

DATE: NOVEMBER 15, 2021

TO: ADMINISTRATOR STEVEN TAKARA, Real Property Assessment Division
Department of Budget & Fiscal Services

FROM: OAHU REAL PROPERTY TAX ADVISORY COMMISSION ("ORPTAC")
Council of the City and County of Honolulu

SUBJECT: Requests & Query Related to Valuation

Aloha Administrator Takara –

Please find below, two requests and one query from the ORPTAC Subcommittee on Valuation:

- 1) Please provide two complete sample property valuations for residential properties including, but not limited to:
 - cards or work papers showing appraisals of buildings and improvements;
Open link: <https://www.realpropertyhonolulu.com/media/1119/ca320a.pdf>
[Exhibit A attached]
 - comparable land sales analysis reports (MK127); and
Open link: <https://www.realpropertyhonolulu.com/media/1120/mk127.pdf>
[Exhibit B attached]
 - any other information or materials that would typically be provided to a taxpayer attempting to understand their appraisal and assessment.
- 2) Please provide a copy of the Marshall and Swift manual, as well as a summary explanation of how the model is implemented in the Real Property Assessment Division's appraisals.

The City has a user license agreement with Marshall & Swift/BOECKH, LLC prohibiting us from satisfying this inquiry. For requested items, please contact Mr. Randy Cook at (213) 399-1444 or via email, rcook@corelogic.com.

**COUNCIL COM. 426
ORPTAC**

**Oahu Real Property Tax Advisory Commission
November 15, 2021**

- 3) What is the Real Property Assessment Division's official position on its use and consideration of the income valuation method for commercial, industrial, and hotel appraisals and appeals?

RPAD does not have an "official position on its use and consideration of the income" approach to value. Rather, RPAD follows all applicable laws, including ROH Sec. 8-7.1, which requires all properties to be annually assessed by the market data and cost approaches to value. While applicable law also prohibits the City from using the income approach at the assessment stage, during appeals RPAD does occasionally use the income approach in order to rebut an appellant's alleged valuation using the income approach.

Thank you in advance for your time, attention and effort in responding to these requests. Please don't hesitate to contact Commission Aide, George White, at Ext. 83861 or via email at george.white@honolulu.gov, should you have questions or need for further follow-up.

Nov. 2, 2011
08:33 AM

PARCEL 3-9-062-051-0000
ALT ID

RESIDENTIAL / RURAL REVIEW DOCUMENT
C&C HONOLULU, HI
CARD NO. 1 OF 1 TAX YEAR 2011
FIELD REVIEW FLAG

PAGE: 1
CA320

TAX CODE 1 ZONING U/05/00 TAX DIST CCH CITY AND COUNTY OF HONOLULU MUNICIPALITY

ADDRESS 959 MANINIKOLO ST

NEIGHBORHOOD 3947-1

LAND USE CODE 100

LIVING UNITS 1

CLASS 1

BOOK/PAGE:

----- PROPERTY FACTORS -----

TOPO 1 / / LEVEL

UTILITY 1 / / ALL

STR/RDS 1 / / PAVED

FRT

LOC

PARKING TYPE

AVAIL

----- BUILDING PERMIT RECORD -----
DATE NUMBER

RESTRICTIONS

-----OWNER INFORMATION-----

KENNEDY, PAUL K

LOT 340 KAMILOIKI VALLEY SUBD UNIT 2

SPOT LOC

PROXIMITY

SALES INFORMATION

DATE TYPE PRICE SRC VAL

15-OCT-02 475,000

18-DEC-90

16-DEC-90

--- ENTRANCE INFORMATION ---

DATE CODE INFO CD ID

01/01/88 R3 3 ILR

----- NOTES -----

NOTE CD:

NOTE CD: R Converted from Residential

NOTES: 001/NN: RENBHD FOR '94

NOTES:

NOTES:

NOTES:

----- LAND DATA -----

TY AC/SQFT/UNIT

PE LN CD FRONT DEPTH

S 1 11 5.915

PRIMARY SITE/P

PRICE INFL-FAC

81

SIZE CLASS

5,000

----- C A L P T A B L E -----

BASE INCR CHG

RATE /DECR RSN

94 9.40

23.50

LAND-VAL

478600

----- DWELLING DESCRIPTION -----

STORY HEIGHTS 1.00

EXT. WALL 1 FRAME

STYLE 04 CONTEMPORARY

YR BLT/RMDL/EFF 1970 / / 1971

TOT RM 6 BDRM 4 FRMS 0

FBTHS 2 HBTH 0 ADDN 2 TOT-FIX 8

KIT/BATH RMDL

BASEMENT 1 NONE

HEATING 1 NONE

FUEL TYPE

SYSTEM

ATTIC 1 NONE

PHYS. COND 4 AVERAGE

INTERIOR/EXTERIOR

MAS TRIM 0 0

UNFIN.AREA 0 0

REC. ROOM AREA 0 0

FBLA 0 0

Fireplaces by LF 0 0

WBFP STACK 0 OPENINGS 0

PREFAB FIREPLACE 0 0

BSMT.GAR. (NO CARS) 0 0

MISC O.F. DESC QUAN. 0

MISC O.F. DESC QUAN. 0

NOTES1 F01373

NOTES2 F01571

G.F.L.A. 1,373

GRADE FACTOR 4 1.00

COST/DESIGN FACTOR *

CDU AV

--- CONDOMINIUM DATA ---

LEVEL

TYPE CLASS:

VIEW RSN :

COMPLEX NO:

Condo Parking Space

Condo Style

Condo Common Proper

Exterior Wall 3-PLYWOOD

Framing 3-DOUBLE WALL

Roof Design 2-HIP

Roof Structure 1-WOOD

Roof Material 3-SHINGLE

Occupancy 1-SINGLE-FAMILY

Foundation 1-CONCRETE

Floor Construction 2-CONCRETE SLAB

Flooring 3-RESIL. TILE

MISC IMPROV 0

TOTAL OBY & MISC IMPROV. VALUE 0

GROSS BUILDING SUMMARY

DESCR VALUE 0

GROSS LN CD VALUE
TOTAL ACRES .1358
TOTAL SIZE ACRES N/MDL 3157 ZONE 0
LAND ADJ LOC 0 UTILITY 0 STREET 0

EXHIBIT A

Nov. 2, 2011
08:33 AM

PARCEL 3-9-062-051-0000

ALT ID

G.F.L.A.

S.F.L.A.

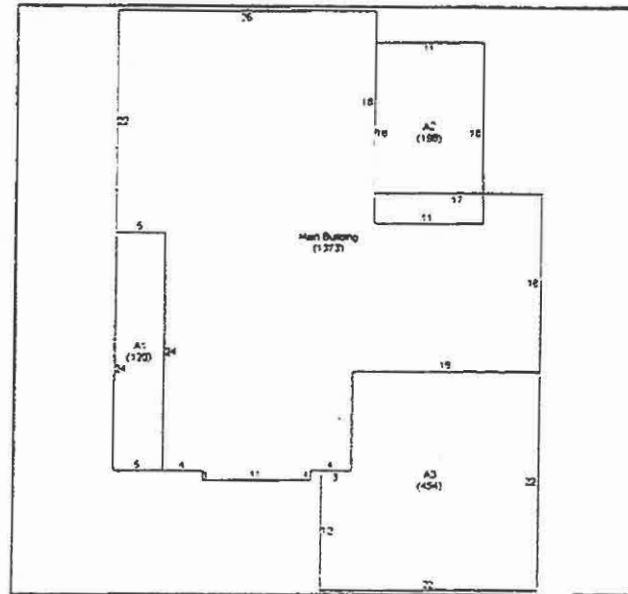
----- DWELLING COMPUTATIONS -----
BASE PRICE 240,020
BASEMENT 1 NONE 0
HEAT 1 NONE 0
PLUMBING (TOT= E 4,035
ATTIC 1 J 0
OTHER FEATURES 0

*SUB TOTAL 244,060
GRADE FACTOR 4 1.00
C & D FACTOR X 0 %
CDU AV
RCN PER SF 158.46 248.941
USER FACTOR 1.02
USER AMOUNT 0
ADDITIONS RCNLD 41,738
PERCENT GOOD X 55 %
RCNLD PER SF 113.72 178,656
PERCENT COMPLETE X 100 %
DWELLING FACTOR X 1.0000
SUB TOTAL 178,700
O.B. & Y. VALUE 0
GROSS IMPRV. 0
TOTAL CARD VALUE 178,700
CONDO BASE VALUE 0
CONDO ADJ. VALUE 0

RESIDENTIAL / RURAL REVIEW DOCUMENT
C&C HONOLULU, HI

PAGE: 2
CA320

MAP/ROUTE 403 CARD NO. 1 OF 1 TAX YEAR 2011 TIEBACK
FIELD REVIEW FLAG



----- SKETCH VECTORS -----
A0CU24L5U22R26D18R17D18L19D10L4D1L11U1L4
A1CL5X24
A2U43R21CR11X18
A3R19CU10R19D22L22U12R3

----- PARCEL SUMMARY COST VALUE -----

TOTAL LAND VALUE 478,600
TOTAL BLDG VALUE 178,700
TOTAL COST VALUE 657,300

----- ADDITIONS -----												
LINE	LOW	1ST	2ND	3RD	AREA	YRSLT	EFFYR	GRADE	CDU	%COMP.	RSN	VALUE
0					1373							
1		14			120							6,324
2		110			198							45,798
3		71			454							23,766

----- CURRENT LAND 478,600 BUILDING 175,300 TOTAL 653,900 -----
ASSESSED LAND 478,600 BUILDING 175,300 TOTAL 653,900
REVIEW CODE 2 MARKET APPROACH REVIEW REASON
REVIEW DATE 30-SEP-00 REVIEWER ID
ESTIMATE LAND BUILDING TOTAL
REVIEW CODE REVIEW REASON
REVIEW DATE REVIEWER ID
REVIEW STATUS 7
DATA MAILER: SENT 00/00/00 RECEIVED 00/00/00 MAINTAINED ON 30-JAN-10

EXHIBIT A

02-NOV-11
08:32 AM

- COMPARABLE SALES ANALYSIS REPORT FOR TAX YEAR - 2011 -
CITY AND COUNTY OF HONOLULU

PAGE: 1
MK127

=====		=====				
SUBJECT PARCEL		COMPARABLE-1	COMPARABLE-2	COMPARABLE-3	COMPARABLE-4	COMPARABLE-5
=====		=====				
Parcel Id	390620510000	390620520000	390620860000	390610840000	390610810000	390590670000
Card	1					
	959	963	978	1000	1012	834
	MANINIHOLO	MANINIHOLO	LUNALILO HOME	KALAPAKI	KALAPAKI	MANINIHOLO
	ST	ST	RD	ST	ST	ST

Model	338	338	338	338	338	338
Cluster	3392	3392	3392	3392	3392	3392
Group	3397	3397	3397	3397	3397	3397
Neighborhood	3947-1	3947-1	3947-1	3947-1	3947-1	3947-1
Land Area (SF)	5915	5501	6481	5331	5675	5850
DWELLING DESCRIPTION						

Roof	3-SHINGLE	3-SHINGLE	1-COMPOSITION	3-SHINGLE	7-CONCRETE TILE	4-SHAKES
Exterior	3-PLYWOOD	3-PLYWOOD	3-PLYWOOD	3-PLYWOOD	6-STUCCO	8-8" H.T
Frame	3-DOUBLE WALL	3-DOUBLE WALL	3-DOUBLE WALL	3-DOUBLE WALL	3-DOUBLE WALL	6-MASONRY
Year Built/Eff	1970/1971	1971/1991	1971/1976	1972/1992	1971/1976	1970/
Central Air	1-NONE	1-NONE	1-NONE	1-NONE	1-NONE	1-NONE
Quality Rating	4	4	4	4+	4+	4
CDU	AV-AVERAGE	GD-GOOD	FR-FAIR	AV-AVERAGE	GD-GOOD	GD-GOOD
Bedrooms	4	4	4	4	4	4
Full Baths	2	2	2	2	2	2
Half Bath						1
Living Area	1571	1362	1687	1362	1889	1937
Basement	1-NONE	1-NONE	1-NONE	1-NONE	1-NONE	1-NONE
Enc Porch Area	0	0	0	0	0	0
Opn Porch Area	120	318	120	318	120	0
Garage Area	454	454	460	442	442	400
Carpport Area	0	0	0	0	0	0
Deck Area	0	0	0	0	0	0
Pool Area	0	0	0	0	0	0
Fireplace	0	0	0	0	0	0
Other OB&Y	0	0	0	0	0	0
Gross Bldg	0	0	0	0	0	0
PRICING DATA						

Land Asmnt	478600	498400	483900	473100	476400	454100

VALUATION						

Sale Date		04-JUN-2010	23-MAR-2010	09-MAR-2010	09-OCT-2009	21-DEC-2009
Sale Price	0	765000	650000	727000	750000	695000
Market Est	661,140	759,320	672,850	715,820	763,080	716,890
Adj Price		666,820	638,290	672,320	648,060	639,250
Weighted Est	652,490					
Comparability		13	16	19	28	28
Market Value	653,900					
=====						

EXHIBIT B



A BILL FOR AN ORDINANCE

RELATING TO REAL PROPERTY TAXATION

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose. The purpose of this ordinance is to create a new "Empty Homes Tax." This tax is to help address Honolulu's dual crises of lack of affordable housing and homelessness, which arise from inadequate housing supply and inadequate funding to address these problems. Hawaii has the lowest property taxes of any state in the nation and struggles to fund programs to address affordable housing and homelessness. Honolulu has one the nation's highest housing costs, at over \$1,000,000 median cost for a single-family home as of August 2021. The 2020 US Census reports that the City and County of Honolulu has a housing vacancy rate of 9.2%, with 34,253 housing units not occupied.

An Empty Homes Tax would ease these problems by helping:

- (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 and unaffordable prices; and
- (3) raise funds for addressing affordable housing and homelessness solutions.

An Empty Homes Tax can help convert existing investment properties into housing for local residents without the need for costly construction, long delays for development and permitting, and taking more land for development. This tax will increase affordable housing stock for residents by encouraging long-term rentals and providing funds for construction of new affordable housing.

The Empty Homes Tax would only be imposed on properties not used as long-term housing, and would not raise taxes on homes occupied by long-term residents. The Empty Homes Tax can help control and potentially lower Honolulu's rapidly increasing housing prices, as it would encourage productive investments and utilization of our housing supply. An Empty Homes Tax should help renters, as housing supply increases, landlords will need to offer reasonable rent prices to secure renters to avoid the tax. And an Empty Homes Tax can create a dedicated source of revenues for addressing affordable housing and homeless needs,



A BILL FOR AN ORDINANCE

SECTION 2. The Revised Ordinances of Honolulu 1990, is amended by adding a new article to be appropriately designated by the revisor of ordinances and to read as follows:

"Chapter 8___. TAXATION OF EMPTY OR VACANT HOMES

Sec. 8-___.1 Definitions.

As used in this article:

"Dwelling unit" means a room or rooms connected together, constituting an independent housekeeping unit for a family and containing a single kitchen. Two or more essentially separate structures, except for a token connection, such as a covered walkway or a trellis, do not constitute a single dwelling unit.

"Empty Home" means any dwelling unit on residential property that does not qualify for any of the exemptions in Section 8-___.4 of this Ordinance.

"Principal residence" means the usual place where a person lives, makes his or her home and conducts his or her daily affairs, and is generally the residential address used on documentation related to billing, paying bills and receiving mail, identification, taxation and insurance purposes, including, without limitation, income tax returns, driver's licenses, personal identification, vehicle registration and utility bills. A person may only have one principal residence.

"Residential property" means property zoned residential or dedicated for residential use, including without limitation any property improved with a dwelling unit, condominium unit, apartment building, duplex, ohana unit, or auxiliary dwelling unit.

"Tax year" means the fiscal year beginning July 1st of each calendar year and ending June 30th of the following calendar year for which the Empty Homes Tax is imposed.

Sec. 8-___.2 Tax Rate.

- (a) An empty homes tax shall be imposed for each tax year on every dwelling unit on residential property that is an "Empty Home," as defined in Section 8-___.1, in accordance with this Article.
- (b) The rate of the tax shall be 3% of the taxable assessed value of the residential property for the applicable tax year.



A BILL FOR AN ORDINANCE

- (c) The Empty Homes Tax shall be payable annually, in addition to any other tax or taxes applicable to the property.

Sec. 8-____.3 Dedication of Tax Revenues.

- (a) Revenues from this tax shall be dedicated to the City's Affordable Housing Fund and other programs to increase the City's supply of affordable homes and to address homelessness.
- (b) Notwithstanding any other provision of law, up to 5% of the revenues of the Empty Homes Tax may be used to support administrative costs of implementing and enforcing this ordinance.

Sec. 8-____.4 Exemptions.

A dwelling unit on residential property is an Empty Home for purposes of this Ordinance unless it qualifies for any of the exemptions stated below:

- (1) the residential property is the principal residence of an owner of the property for at least six months in the tax year;
- (2) the residential property is the principal residence of a renter or other permitted occupier of the property, for at least six months in the tax year. Two or more rental or occupancy periods may be cumulated for this six months, provided that any rental or occupancy of the property for a term that is less than three months cannot be counted toward the six months;
- (3) the residential property is subject to a probate court proceeding or the title to the property is the subject of pending litigation, for at least six months of the tax year, or the property is subject to a court order that prohibits occupancy for at least six months in the tax year;
- (4) an owner who occupied the residential property as their principal residence died during the tax year and the residential property transferred by inheritance or will to a new owner who would qualify for an exemption at the time of death of the preceding owner and subsequent tax year;
- (5) an owner or tenant of the parcel, or portion thereof, is undergoing medical care or providing medical care as a caregiver, requiring the owner or tenant to reside in a place other than on the parcel, or portion thereof, for



A BILL FOR AN ORDINANCE

longer than six months during the tax year, and the owner or tenant has not previously used this exemption in the past five years;

- (6) the occupant who has legal occupancy rights for the property is deployed outside of Hawaii on active Armed Forces duty for at least six months in the tax year;
- (7) the residential property is determined to be a "substandard building" as defined in Section 27-9.1 and has a pending application for a building permit for major construction, repair or renovation to the dwelling unit that would resolve the condition(s) defining the property as a "substandard building"; provided, however, that this exemption shall not be used for the property for more than one tax year in any five year period;
- (8) the property has an open building permit for major construction, repair or renovation to the dwelling unit that reasonably requires the occupant to reside in a different property during construction; provided, however, that the this exemption shall not be used for the property for more than one tax year in any five year period;
- (9) the property is the subject of active efforts during the tax year to sell the property (as evidenced by active advertising of the property, an MLS listing, and related evidence of active sale efforts) or the property was sold or ownership transferred during the tax year; provided, however, that this exemption shall not be used for the property for more than one tax year in any five year period;
- (10) for property owned or operated by a non-profit organization registered in the state of Hawaii, which qualifies for tax exemption from state and federal property tax, and who provides temporary housing for individuals as part of the non-profit mission (i.e, half-way house for domestic abuse, homeless persons, mentally ill or disabled persons); and
- (11) for state licensed residential homes for seniors, persons with medical/mental disabilities, and half-way houses.

Sec. 8-____.5 Calculation of Assessable Value for Multiple dwelling units on a single property.

- (a) Where a residential property has multiple dwelling units that are not on separate parcels with separately established tax assessed values, then the assessed



A BILL FOR AN ORDINANCE

value for each dwelling unit that is an Empty Home on such residential property shall be the taxable assessed value for the entire residential property, multiplied by the proportionate square footage for each dwelling unit that is an Empty Home, in accordance with the subsection (b) in this section.

- (b) Proportionate square footage of a dwelling unit on a residential property that has multiple dwelling units, shall be determined by the square footage of the dwelling unit that is an Empty Home, divided by the cumulated total square footage of all dwelling units on the entire residential property.
- (c) For example purposes, if a residential property has a tax assessed value of \$4,000,000, a total 5,000 square feet for all dwelling units on the residential property, and a dwelling unit of 1,000 square feet that is an Empty Home, then the proportionate square footage of that Empty Home is 20% (1,000 divided by 5,000); the tax assessed value attributable to that Empty Home would be \$800,000 (\$4,000,000 times 20%), and the 3% Empty Homes Tax would be \$24,000 (\$800,000 times 3%).

Sec. 8-____.6 Administration.

- (a) On or before _____ of each year, the City shall cause to be mailed to each registered owner of residential property whose name appears on the real property tax roll, at the owner's address appearing on the real property tax roll, either a property status declaration form or instructions on how and when to make a property status declaration online. Such mailing shall be deemed to have been received by the registered owner five days after mailing.
- (b) The City may perform audits and investigations to determine the validity of property status declarations made for any residential property, and may require owners or occupants of the property to provide information at any time up to three years after the tax year in which the Empty Homes Tax is due.
- (c) To assist with its audits and investigations, the City may require a registered owner of residential property, and any purported tenant or occupier of the property, to submit additional evidence to verify a property status declaration and the status of the property. Such evidence may include copies or certified copies of documentation and sworn declarations relevant to any claim of exemption made by the owner regarding the Empty Homes Tax, including without limitation:
 - (1) proof of principal residency of the owner or occupant, including vehicle registration, government-issued personal identification, driver's license;



A BILL FOR AN ORDINANCE

- utilities records and mailing address used for personal bank and credit accounts;
- (2) tenancy agreements, occupancy agreements, and proof of taxes paid for rental income;
 - (3) Proof of receiving or providing medical care by the owner or tenant that precluded occupancy of the property;
 - (4) proof of sale or transfer of ownership; sale activity efforts and MLS listing of the property;
 - (5) death certificate;
 - (6) court orders and proceedings;
 - (7) proof of military orders of deployment; and
 - (8) building permits and applications.
- (d) The City is authorized to conduct inspections of residential property for the purpose of determining the accuracy of information stated about the property and whether the property is subject to the Empty Homes Tax, upon advance written notice to the registered owner of the residential property.
- (e) Based on the owner's property status declaration and other information, the City shall cause an Empty Homes Tax Notice of Assessment to be mailed to each registered owner of property on or before _____ of each year. Such Notice shall state the City's initial determination of whether an Empty Homes Tax is payable and if so, the amount of Empty Homes Tax owing and the manner and deadline for payment of such tax. Such Notice shall also state that the City's initial determination is subject to future potential investigation and audit, and shall state the amount of Empty Homes Tax payable for the tax year if the residential property is found not to qualify for any exemption.
- (f) If as a result of investigation, audit or other information, the City determines that its initial determination of the Empty Homes Tax was not accurate, the City shall issue a Supplemental Notice of Assessment for Empty Homes Tax, stating the subsequent determination of any Empty Homes Tax owing, and stating a due date by which such tax is payable.



A BILL FOR AN ORDINANCE

- (g) The City shall promulgate rules for owners of residential property to appeal any Notice of Assessment or Supplemental Notice of Assessment.
- (h) The City shall notify all property owners of the new Empty Homes supplemental tax assessment and rate, informing them that their upcoming property tax liability is subject to increase absent an applicable exemption..

Sec. 8-____.7 Responsibilities of owners of residential property

- (a) A registered owner of residential property shall submit a completed annual property status declaration to the City on or before _____ each year, and shall accurately attest to the use and status of the property during the tax year, and shall truthfully state whether the property qualifies for any exemption from the Empty Homes Tax.
- (b) The registered owner shall not make a false property status declaration nor fail to correct within 15 days a previously filed property status declaration that the owner later learns is false.
- (c) To assist the City in determining the assessed value for each dwelling unit on residential property parcels containing multiple dwelling units, including but not limited to apartment buildings, duplex units and properties with auxiliary dwelling units, the registered owner of such property shall annually report on the property status declaration form the total number of dwelling units on the residential property, the apartment number or other designated name of each dwelling unit; the total square footage associated with each dwelling unit, and the occupancy status of each dwelling unit on the residential property.
- (d) A registered owner or other owner or purported tenant or occupier must provide any information and submit any evidence, including any sworn declaration, that is requested by the City as authorized by law, relevant to the determination of whether the Empty Homes Tax is payable, within the time requested by the City.
- (e) The Empty Homes Tax is due and shall be paid by the registered owner of the property on or before the due date set forth in the Empty Homes Tax Notice of Assessment or Supplemental Notice of Assessment.

Sec. 8-____.8 Enforcement

- (a) Notwithstanding any other provision of law, a residential property is considered to be an Empty Home and is subject to the Empty Homes Tax if the registered



A BILL FOR AN ORDINANCE

owner fails to submit a timely property status declaration as required by this ordinance, or makes a false claim of exemption from the Empty Homes Tax.

- (b) Penalties: A person is guilty of a violation of this ordinance and liable for the penalties imposed under this section, if such person:
- (1) violates any provision of this ordinance, or does any act or thing which violates any provision of this ordinance, or acts in concert with any other person to do any act or thing which violates any provision of this ordinance;
 - (2) neglects to do or refrains from doing anything required to be done by any provision of this ordinance; or
 - (3) fails to comply with a request, order, direction, or notice given under any provision of this ordinance, or acts in concert with any other person to fail to comply with a request, direction, or notice given under any provision of this ordinance.
- (c) Any person who violates this ordinance is punishable by a civil fine of up to \$25,000.00 per day, for each offense. Any person who engages in a continuing violation of this ordinance, including making a false declaration and failing to correct it; or failing to provide evidence when requested to support a claimed exemption from the empty homes tax, is punishable by a civil fine of up to \$25,000.00 for each day that such offense continues.
- (d) The City shall have the right to foreclose on any residential property for which the Empty Homes Tax or any related fines are not paid following Notice of Assessment or notice of fines owing related to the residential property."



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ORDINANCE _____
2021 ORPTAC
BILL RECOMMENDATION

A BILL FOR AN ORDINANCE

SECTION 3. This ordinance takes effect upon its approval and applies to the tax years beginning July 1, 2023 and thereafter.

INTRODUCED BY:

DATE OF INTRODUCTION:

Honolulu, Hawai'i

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____ day of _____, 20 _____.

RICK BLANGIARDI, Mayor
City and County of Honolulu

1 Please refer to the instruction sheet when completing this form.

WARNING

If the registered owner does any of the following, the property will be deemed vacant and subject to the tax and the registered owner may also be subject to fines of up to \$10,000 per day:

- Fails to make a property status declaration
- Makes a false property status declaration or fails to correct a false property status declaration
- Fails to provide required information or submit required evidence to the Collector of Taxes
- Provides false information or submits false evidence to the Collector of Taxes

PERSONAL INFORMATION	
Surname	Given name
I am declaring as: (check one) <input type="radio"/> Property owner <input type="radio"/> On behalf of owner <input type="radio"/> Corporation	
I declare that the property status identified and all information provided on this form are true. I declare that I have read and understood the Warning above and the Privacy Statement (see Instructions, page 5). I agree that the City of Vancouver can use the personal information I provide on my Property Status Declaration and any related personal documentation and information, as may be required, for the purposes of administering the Empty Homes Tax (Vacancy Tax) program.	
Signature	
Date (YYYY/MM/DD)	Phone number
Email address (optional)	

HOW TO SUBMIT A DECLARATION

- Send completed property status declaration form to:
 City of Vancouver
 PO Box 7747, Vancouver, BC V6B 8R1
 (Note: a confirmation receipt will not be provided if submitting property status declaration through the mail)
 - Your declaration must be received by the City by the due date. Postmarks are not accepted as receipt on time, and mail lost or delayed by the post office will be subject to penalty.
- For more information on the Empty Homes Tax (Vacancy Tax), or to submit your declaration online, visit vancouver.ca/ehf. If you require assistance when filling out this form, or for questions, phone 3-1-1 (outside Vancouver phone 604-873-7000).

ONLY CHECK ONE BOX on this property status declaration.

A

This property was:

- 1 ☐ The principal residence of an owner for at least six months of 2020.
- 2 ☐ The principal residence of a family member, friend, or other permitted occupier for at least six months of 2020.
- Name(s) of family member, friend or other permitted occupier:

Phone number of permitted occupier:

- 3 ☐ Occupied by an arm's length tenant(s) or subtenant(s) for residential purposes for at least six months of 2020, in periods of at least 30 consecutive days.

Number of tenancy agreements in 2020:

Name(s) on tenancy agreement(s):

- 4 ☐ Used as a principal residence for part of 2020 and occupied by an arm's length tenant(s) or subtenant(s) for residential purposes in periods of at least 30 consecutive days for part of 2020 for an aggregate of at least six months.

Name(s) of (i) all principal residents during the period, (ii) name(s) on tenancy agreement(s):

If you checked one of the boxes in section A, please fill in your personal information and provide your signature.

If you did not check any of the boxes in section A, please move on to section B.

ONLY CHECK ONE BOX on this property status declaration.

If you checked one of the boxes on the previous page, **DO NOT** check any of the boxes on this page.

B

This property was unoccupied for more than six months in 2020 because:

Transfer of property

- 5 ☐ One hundred per cent of the legal interest in the property was transferred (property was sold) during 2020.

Property undergoing redevelopment or major renovations

Building or development permit:

☐ - ☐ - ☐ - ☐ - ☐ - ☐ - ☐ - ☐

Description of renovation/redevelopment project:

The property was:

- 6 ☐ Undergoing redevelopment or major renovation diligently and without unnecessary delay with permits issued.
- 7 ☐ Unimproved lands without existing dwelling units, but a rezoning enquiry or application or development permit application is under review.
- 8 ☐ A heritage property to be conserved and rehabilitated with rezoning enquiry or application or permit application under review.

Unimproved lands without existing dwelling units, and part of a phased development with:

- 9 ☐ Approved rezoning, and construction has commenced.
- 10 ☐ Approved rezoning, but permits under review.
- 11 ☐ Rezoning enquiry or application under review.

Rental restriction or prohibition

- 12 ☐ It was subject to a strata bylaw, in place as of November 16, 2016, that prohibited rentals altogether or restricted the number of strata units that may be rented and that number had been reached.

Limited use residential property

- 13 ☐ A residential building cannot be constructed on the property as a result of its size, shape, or inherent limitation.
- 14 ☐ The lawful use of the property is limited to vehicle parking.

Property of owner in care

- 15 ☐ All occupiers who were previously occupying the residential property as a principal residence or all tenants or subtenants who were previously occupying the residential property for residential purposes were residing in a hospital, long term or supportive care facility. This exemption shall not be allowed for more than two consecutive years.

Name of person receiving care:

Care facility information:

Name
Address
Phone number

Property forming part of estate of deceased

- 16 ☐ The death of a registered owner in the 2020 vacancy reference period or immediately preceding vacancy reference period. This exemption shall not be allowed for more than two consecutive years.

Occupancy for full-time employment

The registered owner's principal residence was outside of Greater Vancouver, but the registered owner occupied the property for residential purposes for at least six months because they were employed full-time in Greater Vancouver. The nature of that employment required a physical presence in Greater Vancouver.

- 17 ☐ Self-employed, but the nature of the full-time employment required a physical presence in Greater Vancouver.
- 18 ☐ Employed full-time by a company with offices in Greater Vancouver, and the nature of the employment required a physical presence in Greater Vancouver.
- 19 ☐ Employed full-time by a company with offices outside of Greater Vancouver, but the nature of the employment required a physical presence in Greater Vancouver.

Employer information:

Name
Address
Phone number

Court order

- 20 ☐ The property was under a court order, court proceedings or order of governmental authority prohibiting its occupancy and actions to permit occupancy were carried out diligently and without delay in accordance with any timelines in the order.

Court file/order number:

Combined period of redevelopment or renovation and occupation by tenant

- 21 ☐ The property was undergoing redevelopment or major renovations where permits had been issued and occupied by an arm's length tenant or subtenant for residential purposes.

This property was vacant

- 22 ☐ It was neither the principal residence of a registered owner, family member, friend or permitted occupant nor occupied by a tenant or subtenant for residential purposes for at least six months and no exemptions apply.

If you checked one of the boxes in section B or C, please fill in your personal information on the first page and provide your signature. If you did not check any of the boxes in section B or C, please go back to section A.

Property Status Declaration for 2020

INSTRUCTION SHEET

The City of Vancouver may impose an Empty Homes Tax (Vacancy Tax) in accordance with the Vacancy Tax By-law No. 11674. A property status declaration is required to be submitted for all Class 1 Residential properties by February 2, 2021.

The City can impose a Vacancy Tax on a parcel of residential property but the City cannot tax individual dwellings within a parcel. Owners of multiple parcels of land, which have separate property tax folios, will be required to submit a property status declaration for each parcel.

Please note: A parcel refers to a taxable piece of property and each parcel is identified by a unique folio number.

All property status declarations may be subject to an audit. If your property is selected for an audit, you will be asked to provide information and evidence in support of your declaration.

1. Use the table below to identify property status and required information
2. Go to section and box number to view details for claiming that property status
3. Check only one box on the Property Status Declaration Form
4. Sign and date the Property Status Declaration Form

Section	Box #	Applicable Status
Occupied for at least six months of 2020		
A	1-2	Principal residence Name and contact details for family member, friend, or other permitted occupier
	3	Tenanted Enter full name of tenant(s) listed on each of the tenancy agreements
	4	Combination of occupancy Enter full name of all principal residents and tenant(s) listed on each of the tenancy agreements
Exempt: Unoccupied for more than six months		
B	5	Transfer of Property
	6-11	Property undergoing redevelopment or major renovations Building or development permit number and short description of project
	12	Rental restriction or prohibition
	13-14	Limited use residential property
	15	Property of owner in care Name of person receiving care and care facility details
	16	Property forming part of estate of deceased
	17-19	Occupancy for full-time employment Contact details of your employer
	20	Court order Court file/order number
	21	Combined period of redevelopment or renovation and occupation by tenant Building or development permit number and short description of project Enter full name of tenant(s) listed on each of the tenancy agreements
Vacant		
C	22	This property was vacant

VACANT PROPERTY

If you checked box 22, the property was unoccupied for more than six months of 2020, and neither used as a principal residence by a registered owner, family member, friend or permitted occupier, nor occupied for residential purposes by a tenant or subtenant and no exemptions apply. Based upon the information provided in your declaration, and pending confirmation from the Collector of Taxes, a Vacancy Tax will apply for this property for the 2020 reference period. Once reviewed and confirmed by the Collector of Taxes, a Vacancy Tax Notice will be issued in February 2021 for 1.25% of the 2020 assessed taxable value of the property. Payment of the amount on the tax bill is due by April 16, 2021.

PRIVACY STATEMENT

All personal information collected by the City of Vancouver for the purposes of administering the Empty Homes Tax (Vacancy Tax) is collected, used, stored, shared and protected in accordance with the Freedom of Information and Protection of Privacy Act of British Columbia.

Questions regarding the collection and use of personal information provided as required by the Empty Homes Tax (Vacancy Tax) should be addressed to the Director, Access to Information and Privacy, City of Vancouver, 453 West 12th Avenue, Vancouver, BC V5Y 1V4 or phone 3-1-1 within Vancouver or 604-873-7000 outside of Vancouver.

PERSONAL INFORMATION

Surname and given name of declarer

You must write your full name, including surname and given name, on the lines provided to confirm who is making the property status declaration.

Signature

You must sign your usual signature in the declaration section and provide the date that the property status declaration form was signed (YYYY/MM/DD).

False declarations may result in fines of up to \$10,000 per day of the continuing offence, in addition to payment of the tax.

Daytime phone number

The City requires personal contact information of the declarer to request further information where required.

Email address (optional)

The City is required to notify the declarer if the property status declaration is selected for audit, and in addition to a mailed letter, may do so using the email address on file.

Identification

The declarer is required to specify their relationship to the folio number listed on the property status declaration form.

Property owner: you are declaring as the registered owner of the property whose name appears on the title.

On behalf of: you are declaring as a representative of a personal registered owner.

Corporation: you are declaring as an authorized signatory of a society or corporation

PERSONAL INFORMATION	
Surname	Given name
I am declaring as: (check one) <input type="radio"/> Property owner <input type="radio"/> On behalf of owner <input type="radio"/> Corporation	
I declare that the property status declaration and all information provided on this form are true. I have read and understood the Warning about the Privacy Statement (see instructions, page 3) and that the City of Vancouver can use the personal information I provide on my Property Status Declaration and related personal documentation and information as may be required, for the purposes of administering the Empty Homes Tax (Vacancy Tax) program.	
Signature	
Date (YYYY/MM/DD)	Phone number
Email address (optional)	

A

This property was:

1-2 Principal residence

A principal residence is defined as:

"... the usual place where an individual lives, makes his or her home and conducts his or her daily affairs, including, without limitation, paying bills and receiving mail, and is generally the residential address used on documentation related to billing, identification, taxation and insurance purposes, including, without limitation, income tax returns, driver's licences, personal identification, vehicle registration and utility bills."

An occupier is defined as "a registered owner or a person who occupies residential property with the permission of the registered owner but is not a tenant or subtenant."

For the purposes of Vacancy Tax, an occupier can only have one principal residence.

3 Tenanted

Rented to a tenant or subtenant for residential purposes for at least six months of the year, in periods of 30 or more consecutive days. A property is not required to be the principal residence of the tenant or subtenant.

This requirement can be met by:

- Short term leases in periods of at least 30 consecutive days, for a total of six months of the reference year
- Long term leases of at least six months of the reference period

You are required to provide the primary name of those listed in the tenancy agreement. If there is more than one name on the tenancy, please separate the names by a comma. If the property is tenanted to a property management company, information on each sub-tenancy will need to be provided.

Note: A tenancy agreement is a written contract between a property owner and a tenant specifying the terms and conditions of their rental agreement.

4 Combination of occupancy

The principal residence of an occupier for part of the year and occupied by a tenant or subtenant for residential purposes in periods of at least 30 consecutive days for part of the year for an aggregate of six months of the year. This would occur in situations where an occupier who was a principal resident or a tenant or subtenant for residential purposes moved from the property.

If you checked one of the boxes in section A of the form, please fill in your personal information and provide your signature.

If none of the statuses in section A apply, go to section B of the form.

This property was unoccupied for more than six months in 2020 because:

5 Transfer of property

One hundred per cent of the legal interest in the property transferred during the year between January 1, 2020 and December 31, 2020. This exemption applies only when the title of the property has transferred and a new title number has been issued.

This exemption does not apply to properties that were issued a new Land Title Number solely because of a name or address change. The use of "transfer" is based on the definition of "transfer" in the Land Title Act, being a conveyance, a grant or an assignment.

6-11 Property undergoing redevelopment or major renovations

The property was either undergoing redevelopment or major renovations where permits had been issued by July 1, 2020 or the lands are unimproved without dwelling units, are heritage property or part of a phased development with applications submitted by July 1, 2020 and under review.

6 Major renovation

This exemption applies only if the property is undergoing redevelopment or major renovation and permits have been issued by the City. Minor renovations do not qualify for an exemption. There are many types of renovations that may make occupancy unsafe or impractical; however, very few of these will require the home to be unoccupied for more than six months. Rather, the vast majority of renovation projects can be completed in less than six months time.

7 Unimproved land

This exemption applies to a property where there is no existing dwelling unit, a permit or rezoning application has been applied for and is under review and the application is being diligently pursued.

For unimproved land requiring rezoning, submission of a full and complete letter of enquiry package and full payment of the required fee by the registered owner will meet this requirement.

8 Heritage preservation

This exemption applies to a property that is heritage property as it is defined in the Vancouver Charter (property that, in the opinion of Council or its delegate, either "has sufficient heritage value or heritage character to justify its conservation" or "is protected heritage property") and has a development permit or heritage alteration permit application for the rehabilitation and conservation of heritage property, which has been applied for and is under review.

9-11 Phased development

This refers to the development of one or more parcels of residential property where the Director of Planning has agreed that the development will be undertaken in phases over time under more than one development permit.

12 Rental restriction or prohibition

It was subject to a strata bylaw in place prior to November 16, 2016 that prohibited rentals altogether or restricted the number of units that may be rented and the maximum allowable number of rentals had already been reached. The exemption is not applicable to strata units where there is a restriction on the minimum duration of a rental agreement. This exemption does not apply to properties when the number of permitted strata rentals had decreased on or after November 16, 2016. The registered owner must be able to submit evidence that they were unable to rent the residential property during the vacancy reference period due to this restriction.

13-14 Limited use residential property

The property was limited to vehicle parking or limited as a result of the size, shape, or other inherent limitation of the parcel, and a residential building could not be constructed on the property. This exemption applies only when the land survey or legal description of the parcel clearly illustrates the limiting aspects of the property.

15 Property of owner in care

All occupiers who were previously occupying the residential property as a principal residence or all tenants or subtenants who were previously occupying the residential property for residential purposes were residing in a hospital, long term or supportive care facility. This exemption applies only to properties that were left unoccupied to receive medical care elsewhere and does not apply to second homes that are occupied part-time to receive medical care in Vancouver. This exemption can only be claimed for two consecutive years. All occupants must be residing in a care facility for the exemption to apply.

16 Property forming part of estate of deceased

The death of a registered owner in the 2020 vacancy reference period or immediately preceding vacancy reference period. This exemption shall not be allowed for more than two consecutive years.

17-19 Occupancy for full-time employment

The registered owner's principal residence was outside of Greater Vancouver, but the registered owner occupied the property for residential purposes for at least six months because they were employed full-time in Greater Vancouver. The nature of that employment required a physical presence in Greater Vancouver. This exemption applies only to the registered owner and can be calculated as a combination of days that add up to six months in the year where the owner was required to be in Greater Vancouver for work purposes.

This exemption does not apply if the property was solely used as office space and was not otherwise occupied.

Greater Vancouver as defined in the Vacancy Tax Bylaw refers to Village of Anmore, Village of Belcarra, City of Burnaby, City of Coquitlam, City of Delta, City of Langley, Township of Langley, Village of Lion's Bay, City of Maple Ridge, City of New Westminster, City of North Vancouver, District of North Vancouver, City of Pitt Meadows, City of Port Coquitlam, City of Port Moody, City of Richmond, City of Surrey, Tsawwassen First Nation, City of Vancouver, District of West Vancouver, City of White Rock, University Endowment Lands, and the University of British Columbia.

20 Court order

The property was under a court order, court proceedings or order of a governmental authority prohibiting its occupancy and actions to permit occupancy were carried out diligently and without delay in accordance with any timelines in the order.

21 Combined period of redevelopment or renovation and occupation by tenant

The property was undergoing redevelopment or major renovations where permits have been issued and occupied by an arm's length tenant or subtenant for residential purposes.

22 This property was vacant

If this property was neither the principal residence of a registered owner, family member, friend or permitted occupier nor occupied by a tenant or subtenant for residential purposes for at least six months and no exemptions apply.

If you checked one of the boxes in section A or B of the form, please fill in your personal information and provide your signature. If none of the statuses in section A or B apply, go to section C of the form.

False declarations may result in fines of up to \$10,000 per day of the continuing offence, in addition to payment of the tax.

If you selected a box numbered 1 - 21, based upon the information provided in your declaration, and pending confirmation from the Collector of Taxes, the Vacancy Tax will not apply for this property for 2020. Your declaration will be reviewed by the Collector of Taxes and at any time up to December 31, 2022, you may be required to provide additional information or evidence to verify your property status declaration. Failure to do so will result in the application of the tax and may attract additional fines or penalties.

The City will not accept information or evidence at the time that you make your property status declaration. If the property is selected for an audit, you will be notified and the City will request information or evidence in support of the declaration at that time.

The types of information or evidence that the City may request to verify a property status declaration and the status of the property, may include, but are not limited to the following:

Principal residence	<ul style="list-style-type: none">• ICBC vehicle insurance and registration• Government-issued personal identification, including, driver's licence, BCID card, BC Services Card• Insurance documentation• Employment contracts, pay statements or records of employment• Income tax returns and notices of assessment
Tenant	<ul style="list-style-type: none">• Tenancy agreement(s)• Income tax returns or notices of assessment stating rental income• Bank statements showing recurring rental income• Insurance certificates for tenant's insurance• Information from a long-term tenant proving occupancy
Combination of occupancy	<ul style="list-style-type: none">• See above documentation for principal residence and tenant
Rental restriction or prohibition	<ul style="list-style-type: none">• Copy of strata bylaws• Minutes of strata meetings• Letter from strata council confirming the maximum number of units have been rented• Copy of waitlist confirming owner made attempt to rent the property
Occupancy for full-time employment	<ul style="list-style-type: none">• Address of your principal residence• Contact information for Greater Vancouver employer• Letter from Greater Vancouver employer confirming full-time employment status and required physical presence for purposes of work
Property undergoing redevelopment or major renovations	<ul style="list-style-type: none">• Building or development permit/application number
Property of owner in care	<ul style="list-style-type: none">• Contact information for care facility• Letter from care facility confirming that the occupier resided in a hospital, long term, or supportive care facility
Property forming part of estate of deceased	<ul style="list-style-type: none">• Death certificate of registered owner
Limited use residential property	<ul style="list-style-type: none">• Land survey or legal description of parcel that clearly illustrates the limiting aspects of the property
Court order	<ul style="list-style-type: none">• Copy of the court order• Copy of order of governmental authority• In cases where an order or a governmental authority prohibits occupancy, the owner must be able to show that they have acted diligently to meet the requirements of the order
Transfer of property	<ul style="list-style-type: none">• Title search or certificate of title showing the date that title was transferred• Provincial property transfer tax form
Combined period of redevelopment or renovation and occupation by tenant	<ul style="list-style-type: none">• See above documentation for property undergoing redevelopment or major renovations and tenant