



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 address the taxation of vacant residential properties in the City and County of Honolulu ("City").

This ordinance creates a supplemental "empty homes tax," which is intended to help address the City's dual crises of lack of affordable housing and homelessness that arise from inadequate housing supply and inadequate funding to address these problems. Property owners in the State of Hawai'i ("State") have among the lowest property taxes of property owners in any state in the nation, while the State struggles to fund programs to address the need for affordable housing and homelessness. The City has one of the nation's highest housing costs, with a median cost for a single-family home exceeding \$1,000,000, as of August 2021. The 2020 U.S. Census reports that the City has a housing vacancy rate of 9.2 percent, with 34,253 housing units unoccupied.

An empty homes tax would help ease these problems by: (1) encouraging existing owners to rent or sell vacant housing stock for use as homes for local residents; (2) increasing the City's supply of homes to better meet demand and reduce market pressures that cause high and unaffordable prices; and (3) raising funds for 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. The tax will increase affordable housing stock for residents by encouraging long-term rentals and providing funds for the construction of new affordable housing.

The supplemental 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 the City's rapidly increasing housing prices, as it would encourage productive investments and utilization of the City's 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. An empty homes tax can create a dedicated source of revenue for addressing affordable housing and homeless needs.



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SECTION 2. Chapter 8, Revised Ordinances of Honolulu 1990 ("Real Property Tax"), is amended by adding a new article to be appropriately designated by the Revisor of Ordinances and to read as follows:

"Article __. Taxation of Empty Homes

Sec. 8-__1 Definitions.

As used in this article:

"Accessory dwelling unit" means the same as the term is defined in Section 21-10.1.

"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 a residential property that has been unoccupied for more than six months during the previous tax year and does not qualify for any of the exemptions in Section 8-__4.

"Ohana dwelling unit" means the same as the term is defined in Section 21-10.1.

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

"Tax year" means the fiscal year beginning July 1 of each calendar year and ending June 30 of the following calendar year for which the tax on empty homes is imposed.



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Sec. 8-__2 Tax rate.

- (a) A tax for each tax year on every dwelling unit on residential property that is an empty home is levied and must be assessed and collected.
- (b) The tax rate for an empty home is 3 percent of the tax assessed value of the residential property for the applicable tax year.
- (c) The tax is payable annually, in addition to any other taxes applicable to the property and imposed by any other laws of the State or city.

Sec. 8-__3 Dedication of tax revenues.

- (a) Revenues from the tax collected under this article will be dedicated to the city's affordable housing fund and other city affordable housing initiatives intended to increase the city's supply of affordable homes and address homelessness.
- (b) Notwithstanding any provision to the contrary, up to 5 percent of the revenues from the tax may be used to support administrative costs of implementing and enforcing this article.

Sec. 8-__4 Exemptions.

A dwelling unit on residential property is an empty home unless it qualifies for any of the following exemptions:

- (1) The residential property is the principal residence of the registered 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 occupant of the property, for at least six months in the tax year. Two or more rental or occupancy periods may be accumulated for calculation of the six-month period; 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 before a court of competent jurisdiction, 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;



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- (4) An owner who occupied the residential property as their principal residence died during the tax year and the residential property transferred by will, intestate succession, or operation of law, to a new owner who would qualify for an exemption at the time of death of the deceased owner and for the subsequent tax year;
- (5) The owner or tenant of the parcel, or a portion thereof, is undergoing medical care or providing medical care as a caregiver, which requires the owner or tenant to reside in a place other than on the parcel, or portion thereof, for longer than six months during the tax year, and the owner or tenant has not previously used the exemption in the past five years;
- (6) The occupant who has legal occupancy rights to the residential property is deployed outside of the State on active duty with the armed forces of the United States for at least six months in the tax year;
- (7) The residential property is determined to be a "substandard building" as defined in Section 27-2.1, and has a pending application for a building permit for major construction, repair, or renovation to the dwelling unit that would resolve the conditions that render the property as a "substandard building"; provided however, that the exemption must 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 at a different property during construction; provided, however, that this exemption must 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, a listing in the multiple listing service, and related evidence of active sale efforts), or the property was sold or ownership was transferred during the tax year; provided however, that the exemption must not be used for the property for more than one tax year in any five-year period;
- (10) The property is owned or operated by a nonprofit organization as defined in Section 8-10.29 that is registered in the State and qualifies for a tax exemption from State and federal income taxes, and provides temporary housing for individuals as part of the organization's mission (e.g., a group living facility for victims of domestic abuse, homeless persons, mentally ill persons, or disabled persons); or



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- (11) The dwelling unit thereon is a State-licensed residential home for senior citizens, persons with medical or mental disabilities, or is a State-licensed halfway house.

Sec. 8-___.5 Calculation of assessed value for multiple dwelling units on a single residential 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 value for each dwelling unit that is an empty home on the residential property will be the tax 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 subsection (b).
- (b) Proportionate square footage of a dwelling unit on a residential property that has multiple dwelling units must be determined by the square footage of the dwelling unit that is an empty home, divided by the cumulative square footage of all dwelling units on the entire residential property.

For example, if a residential property has a tax assessed value of \$4,000,000, a total of 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: the proportionate square footage of that empty home is 20 percent (1,000 divided by 5,000); the tax assessed value attributable to that empty home would be \$800,000 (\$4,000,000 times 20 percent); and the empty homes tax would be \$24,000 (\$800,000 times 3 percent).



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Sec. 8-__6 Administration.

- (a) On or before _____ of each year, the city must mail 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. The mailing is deemed to have been received by the registered owner five days after mailing.
- (b) The city may conduct 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 tax is due.
- (c) To assist with the city's audits and investigations, the city may require a registered owner of residential property, and any purported tenant or other occupant of the property, to submit additional evidence to verify a property status declaration and the status of the property. The evidence may include copies or certified copies of any documentation and sworn declarations relevant to any claim of exemption made by the owner regarding the tax, including but not limited to:
 - (1) Proof of principal place of residence of the owner, tenant or other occupant, including vehicle registration, government-issued personal identification, driver's license; utilities records and mailing address used for personal bank and credit accounts;
 - (2) Tenancy agreements, occupancy agreements, and proof of income and general excise 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 listing in the multiple listing service for the property;
 - (5) Death certificate;
 - (6) Court orders and proceedings;
 - (7) Proof of military orders of deployment; and
 - (8) Building permits and applications.



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- (d) Upon advance written notice to the registered owner of the residential property, the city may conduct inspections of residential property for the purpose of determining the accuracy of information provided about the property and whether the property is subject to the empty homes tax.
- (e) Based on the owner's property status declaration and other information, the city shall mail a notice of assessment to each registered owner of property on or before _____ of each year. The notice must state the city's initial determination of whether a tax under this article is payable, and if so, the amount of the tax owing and the manner of and deadline for payment of the tax. The notice must also state that the city's initial determination is subject to future potential investigation and audit, and must state the amount of the 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 the city's initial determination of the empty homes tax was not accurate, the city shall issue a supplemental notice of assessment for the tax, stating the subsequent determination of the tax, if any, owing and a due date by which the tax is payable.
- (g) The director shall adopt 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 supplemental tax assessment and rate, informing them that their upcoming property tax liability is subject to increase absent an applicable exemption.



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Sec. 8-__7 Responsibilities of owners of residential property.

- (a) A registered owner of residential property shall:
- (1) Submit a completed annual property status declaration to the city on or before _____ each year;
 - (2) Accurately attest to the use and status of the property during the tax year; and
 - (3) Truthfully state whether the property qualifies for any exemption from the tax, and, if so, which exemption and the ground for claiming the exemption.
- (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 was 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 accessory dwelling units or ohana dwelling units, the registered owner of the 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 occupant of residential property shall 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 tax is payable, within the time requested by the city.
- (e) The tax is due and shall be paid by the registered owner of the property on or before the due date set forth in the notice of assessment or supplemental notice of assessment.



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Sec. 8-__8 Enforcement.

- (a) Notwithstanding any provision to the contrary, a residential property is considered to be an empty home and is subject to the empty home tax if the registered owner fails to submit a timely property status declaration as required by this article or makes a false claim of exemption from the tax.
- (b) Penalties: A person is guilty of a violation of this article and liable for the penalties imposed under this section if the person:
 - (1) Violates this article or does any act or thing which violates this article, or acts in concert with any other person to do any act or thing which violates this article;
 - (2) Neglects to do or refrains from doing anything required to be done by this article; or
 - (3) Fails to comply with a request, order, direction, or notice given under this article, or acts in concert with any other person to fail to comply with a request, direction, or notice given under this article.
- (c) Any person who violates this article is punishable by a civil fine of up to \$25,000 per day, for each offense. Any person who engages in a continuing violation of this article, including making a false declaration and failing to correct the false declaration, or failing to provide evidence when requested to support a claimed exemption from the tax, is punishable by a civil fine of up to \$25,000 for each day that the offense continues.
- (d) The city shall have the right to foreclose on any residential property for which the tax or any related fines are not paid following the city's mailing of a notice of assessment, supplemental notice of assessment, or notice of fines owing related to the residential property."



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SECTION 3. This ordinance takes effect upon its approval and applies to the tax years beginning July 1, 2024 and thereafter.

INTRODUCED BY:

Tony Waters B/R

DATE OF INTRODUCTION:

FEB 1 2022

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

FILED
FEB 1 2024
PURSUANT TO ROH Sec. 1-2.4