

OFFICE OF CLIMATE CHANGE, SUSTAINABILITY AND RESILIENCY
CITY AND COUNTY OF HONOLULU

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EXECUTIVE DIRECTOR &
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March 1, 2022

The Honorable Tommy Waters
Chair and Presiding Officer
and Members
Honolulu City Council
520 South King Street, Room 202
Honolulu, Hawai'i, 96813

Dear Chair Waters and Councilmembers:

SUBJECT: Bill 9 (2022) Relating to Real Property Taxation

The Office of Climate Change, Sustainability and Resiliency ("CCSR") supports Bill 9 (2022), which seeks to establish a supplemental Empty Homes Tax (also known as "vacancy tax") for vacant residential properties by which the City and County of Honolulu ("City") can generate revenue for the development of affordable housing while also returning underutilized residential properties to the market.

O'ahu's housing development challenges, its nature as a vacation destination, and low property tax rates are market conditions that contribute to housing stresses that have and continue to lead to high costs of living. In 2018, O'ahu households spent 57 percent of their income on housing costs. Residents are at high-risk and considered housing-cost burdened when housing costs exceed 30 percent of income¹. O'ahu's residential vacancy rate is around nine percent, equivalent to over 34,000 units in 2020 sitting empty and unused for most of the year². There are underlying tensions across empty homes, foreign investments, short-term rentals, luxury development, and high-end investment properties, which bring certain revenues and economic activity, the benefits of which "need to be weighed against the costs associated with price inflation and limited supply of affordable housing for permanent residents, not only for vulnerable or low- to moderate-income residents, but also for middle class" working families³.

1 Barsch, A., et. al. (2020). *Housing in Honolulu: Analyzing the Prospect of Taxing Empty Homes*. UCLA Luskin School of Public Affairs: <https://ucla.app.box.com/s/q5zf0p9oluuosxucamcqzmo5f1cq196>.

2 U.S. Census Bureau. Decennial Census. 2020. Occupancy Status: <https://data.census.gov/cedsci/table?t=Vacancy&q=0500000US15003&y=2020&tid=DECENNIALPL2020.H1>.

3 City and County of Honolulu (2019). *O'ahu Resilience Strategy*, Action 1. Reduce Empty Homes and Increase Affordable Housing Funding" (p.30): https://resilientoahu.org/s/Ola_Oahu_Resilience_Strategy-lfrm.pdf.

By placing a supplemental Empty Homes Tax only on homes not occupied by long-term residents, Bill 9 (2022) will allow the City to curb the proliferation of vacant properties, while also directly funding future affordable housing development. Placing a tax on empty residential properties to generate revenue for new models of affordable housing is Resilience Action 1 of the City's *O'ahu Resilience Strategy*, co-developed with community, specific Working Groups, and City agencies, and established as a guiding policy document by the Honolulu City Council through the adoption of Resolution 19-233.

In 2020, the University of California Los Angeles Luskin School of Public Affairs prepared a report for the Mayor's Office of Housing (HOU) that provides foundational research on the potential impact of an Empty Homes Tax at the City⁴. In addition to evaluation of impacts specific to Honolulu, the report summarizes the impacts of existing vacancy tax policies in other cities, including Washington, D.C., Oakland, CA, and Vancouver, British Columbia, Canada, which first implemented a vacancy tax for residential properties in 2017.

CCSR and the Department of Budget and Fiscal Services (BFS) recently met with Vancouver staff to learn from their process of establishing, managing, and enforcing such a tax. The available research and these discussions show that additional community engagement, communications, and strategic planning will be required to stand up an effective Empty Homes Program at the City, along with increased capacity and resources within BFS. The Council's recognition of this by setting a future effective date in the bill would allow the City the time needed to build up the necessary capacity.

Bill 9 (2022) is one of a multitude of solutions necessary for increasing the amount of active, affordable, long-term rental stock for our local residents. CCSR looks forward to continued collaboration with our sister agencies at HOU, BFS, and others and engagement with the Council in the exploration of solutions to reduce costs of living and the number of individuals experiencing homelessness on O'ahu. The first pillar of the *O'ahu Resilience Strategy* is "Remaining Rooted". Ensuring an affordable future is essential for addressing climate resilience and equity needs and transformation.

⁴ Barsch, A., et. al. (2020). *Housing in Honolulu: Analyzing the Prospect of Taxing Empty Homes*. UCLA Luskin School of Public Affairs.

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Thank you for the opportunity to provide these comments in support of Bill 9 (2022).
Should you have any questions, please contact me at 768-2277 or
resilientoahu@honolulu.gov.

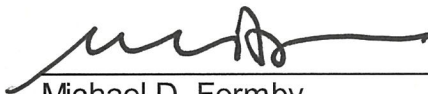
Sincerely,



Matthew Gonser
Executive Director and
Chief Resilience Officer

Digitally signed by Gonser,
Matthew
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APPROVED:



Michael D. Formby
Managing Director