

BILL046(24)
Testimony

MISC. COMM. 343

COUNCIL

COUNCIL Meeting

Meeting Date: Aug 7, 2024 @ 10:00 AM

Support: 20

Oppose: 1

I wish to comment: 0

Name: Shellie Niles	Email: shellie.niles@catholiccharitieshawaii.org	Zip: 96822
Representing: Catholic Charities Hawaii	Position: Support	Submitted: Aug 2, 2024 @ 09:54 AM
Name: Christy MacPherson	Email: iainandaustin@hotmail.com	Zip: 96817
Representing: Self	Position: Support	Submitted: Aug 4, 2024 @ 12:20 AM
<p>Testimony:</p> <p>Aloha Chair Waters and Councilmembers,</p> <p>As a concerned local citizen, I am in STRONG support of Bill 046(24). We are all too aware that the housing crisis in our County has reached dismal levels. There seem to be very few realistic solutions that would create more affordable housing unit availability for our island residents at this time. However, the Empty Homes Tax is one that will have a significant and positive impact on the housing market here. After researching and discussing this tax proposal for a while now, we know what it can do for our people. We know that its benefits are two-fold in increasing housing supply and bringing in revenue for our County. Any noted flaws in Bill 046 can be addressed before its final reading and I look forward to the passage of this critical measure.</p> <p>Mahalo for your consideration,</p> <p>Christy K. MacPherson</p>		
Name: Shaun Campbell	Email: islolandia@gmail.com	Zip: 96813
Representing: Self	Position: Support	Submitted: Aug 4, 2024 @ 12:06 PM
<p>Testimony:</p> <p>I am in strong support of the Empty Homes Tax, Bill 46, BILL046(24). This bill provides for a fair tax increase on unoccupied luxury homes and so increases availability of our housing supply for local residents. This is just one way to mitigate our housing crisis here in Honolulu. Please pass this bill!</p> <p>Mahalo piha,</p> <p>Shaun Campbell Citizen Advocate</p>		
Name:	Email:	Zip:

Keith Webster	keithhawaii@yahoo.com	96744
Representing: Self	Position: Support	Submitted: Aug 4, 2024 @ 03:22 PM
Name: Andres Autrique	Email: Autrique12@gmail.com	Zip: 96815
Representing: Self	Position: Support	Submitted: Aug 4, 2024 @ 09:13 PM
<p>Testimony:</p> <p>Aloha e Councilmembers:</p> <p>I am a constituent of yours strongly encouraging you to support and pass the Empty Homes Tax, Bill 46, BILL046(24). This bill has the effect of increasing available rental inventories for local residents in our critically-constrained housing market. The generated funds will be so important to funding important affordable housing initiatives by the City. Indeed, this is an important step towards ameliorating our housing crisis here in Honolulu. Please pass this bill.</p> <p>Mahalo piha,</p> <p>Andres Autrique Citizen Advocate</p>		
Name: Calvin Pham	Email: cfpham@yahoo.com	Zip: 32803
Representing: Self	Position: Support	Submitted: Aug 5, 2024 @ 03:23 AM
<p>Testimony:</p> <p>Aloha,</p> <p>I am writing in support of Bill 46, the supplemental empty homes tax. This community's housing unaffordability problem has two economic directions for solutions: from the supply side and from the demand side. Bill 46 is a simple approach from the "demand side" by seeking to create a disincentive to leaving residential units unoccupied. A metaphor fitting for the Honolulu housing market is filling a bathtub. We know the only way to fill the tub is by pouring water into it-- or building/adding new housing units. However, the bathtub will never be full unless we plug the drain to keep water in the bathtub. Bill 46 is a plug in the bathtub. It is a simple method to help keep existing and new construction housing under the ownership of Honolulu residents or rented to Honolulu residents.</p> <p>The tax is necessary because a financial disincentive is how you can reduce the hogging of real estate simply for the purposes of investing. Traditionally, an investment in real estate simply meant that you owned the property and conducted business in and out of that property by leasing it to tenants. However, in Honolulu, the only significant cost of</p>		

owning real property is the property tax. Under the current tax model, an owner could purchase a property valued less than \$1 million and allow the asset's value to appreciate for the low price of 0.35% of the taxable value. Under the current model, it costs an investor less money to own a highly appreciating asset in Honolulu than it does to pay for most mutual funds in a retirement account of which a 0.35% expense ratio is considered exceptionally low cost. Honolulu's housing stock should not be a competitive investment against a highly diversified mutual fund for someone to simply park their money and allow a space built for human habitation to simply sit empty. It is time to close this loophole by adding a layer of taxation to prevent empty real estate investment. The tax revenue produced from this disincentive is the effective impact cost these types of investors have on the community, and therefore the funds should be allocated toward the City and County of Honolulu's financial commitments to the increase in supply of affordable housing development.

And for those who do not like the mere idea of paying a tax, I would like to remind everyone that if all you are doing is living in your home as any resident and member of the community, then you have nothing to worry about. If you are a mom-and-pop property owner who leases to renters, then you have nothing to worry about as long as you attract tenants at fair and affordable prices.

- Foo Pham

(member of 2021-2022 O'ahu Real Property Tax Advisory Commission)

Name: Ellen Carson	Email: ellenloveshawaii@gmail.com	Zip: 96814
Representing: Church of the Crossroads (Honolulu)	Position: Support	Submitted: Aug 5, 2024 @ 10:02 AM
Name: Ellen Godbey Carson	Email: egcarson@icloud.com	Zip: 96814
Representing: Self	Position: Support	Submitted: Aug 5, 2024 @ 11:10 AM
Name: Richard Tillotson	Email: rtillotson@hawaii.rr.com	Zip: 96822
Representing: Self	Position: Support	Submitted: Aug 5, 2024 @ 02:34 PM

Testimony:

I believe the EHT will generate more housing more quickly for local residents than any other legislation now pending before the Council or the State Legislature. It also will rectify the unfair tax structure that currently favors off-island investors over local residents. The op-ed column published in the Honolulu Star Advertiser on Sunday, August 4, 2024 provides an excellent summary of this legislation's many benefits. If you have not read it already, I urge you to do so, and I urge the Council to support the Empty Homes Tax and Bill 46.

Aloha,
Richard Tillotson

Name: Ross Isokane	Email: isokane@gmail.com	Zip: 96813
Representing: Self	Position: Support	Submitted: Aug 5, 2024 @ 03:59 PM

Testimony:

I strongly support Bill046(24) to institute an Empty Homes Tax.

Most agree our most pressing problem today is our long-running, persisting affordable housing crisis. The root cause of this issue is that we have an unhealthy imbalance between two factors:

- (A) Limited Supply (due, in part, to finite land + limited construction labor/resources + burdensome regulations) and
- (B) Overwhelming Demand (which includes owner-occupants, owner-landlords, and investors)

With respect to investors (e.g., those seeking to operate STRs or leave their investment unit vacant), such uses provide no clear public benefit with respect to housing residents and the extra demand results in higher prices (further hurting the affordability of units for owner-occupancy or long-term rentals).

Without a mechanism to disincentivize these speculative investments, developers will continue to be motivated to build market-rate (often luxury) units as they know the current demand pool is sufficient to clear the market. And our most precious resource (land) and our extremely limited construction resources (due to our local construction labor supply that is not sufficient for projected future needs) will be wasted on these projects that provide no clear public benefit (further constraining our ability to build affordable/deeply affordable housing for residents).

CONSIDERATION OF ALTERNATIVE VIEWPOINTS

I acknowledge that opponents of this bill would likely argue that building market-rate/luxury units (even if not used to house residents) still produces a benefit to our economy (and opponents would state that an Empty Homes Tax could discourage that activity). But I'd counter that those benefits only confer to a subset of our population (i.e., those in the development, construction, real estate, or finance industries).

And I would also point out that our City & County's economy seems like it's trending in the right direction (based on the latest QSER report from DBEDT) in that unemployment is down, GDP and household income has grown at a faster rate than inflation, and Oahu visitor counts are up. And our State legislature feels confident enough in our economy that they passed that exceptionally large tax cut.

Hence, I believe, in light of our affordable housing crisis being our most pressing problem today, an Empty Homes Tax (as

part of a multi-part campaign addressing demand-side and supply-side issues) is something we should support.

Name: Ashleigh Loa	Email: ashleighloa@gmail.com	Zip: 96782
Representing: Self	Position: Support	Submitted: Aug 6, 2024 @ 08:23 AM

Testimony:

Aloha,

I am writing in strong support of Bill 46, the supplemental empty homes tax.

Our community faces a significant challenge with housing affordability, and we must explore solutions from both the supply and demand side. Bill 46 addresses this issue from the demand side by creating a disincentive for leaving residential units unoccupied and ensuring that existing and new housing remains available to Honolulu residents, either as owners or renters.

It is unjust for our housing stock to be used as a tool for financial gain, especially when this practice exacerbates our housing shortage. Bill 46 seeks to rectify this by imposing a tax on empty properties, thereby encouraging their use as intended-for habitation. The revenue generated from this tax should be reinvested into maintaining and/or increasing affordable housing units.

For those concerned about the burden of additional taxes, it is important to note that this measure targets only those who leave properties unoccupied. This ensures that responsible property owners and residents are not unfairly penalized.

In conclusion, Bill 46 is a critical step towards managing our housing crisis by ensuring that existing and new housing units remain in the hands of Honolulu residents or are rented out to them. It provides a fair and effective disincentive against treating housing as a mere investment vehicle, thereby promoting a more sustainable and equitable housing market.

Mahalo plenty for considering my testimony in support of Bill 46.

Ashleigh Loa

Name: Ted Kefalas	Email: tkefalas@grassrootinstitute.org	Zip: 96813
Representing: Grassroot Institute of Hawaii	Position: Oppose	Submitted: Aug 6, 2024 @ 09:10 AM

Name: Rebecca Soon	Email: rebecca.ji.soon@gmail.com	Zip: 96817
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Representing: Self	Position: Support	Submitted: Aug 6, 2024 @ 09:11 AM
Name: Heather Lusk	Email: hlusk@hhrc.org	Zip: 96813
Representing: Hawaii Health and Harm Reduction Center	Position: Support	Submitted: Aug 6, 2024 @ 04:46 PM
<p>Testimony:</p> <p>Aloha Councilmembers,</p> <p>I am writing in strong support of Bill 046(24) which would provide revenue on empty homes to help s Honolulu is ranked in the top 5 of "impossible unaffordable" housing areas in the WORLD and yet the most recent census noted that there are almost 35,000 homes empty. Other Hawaii counties have implemented a tax on such homes and those dollars can support building affordable housing and other services for our community.</p> <p>Thank you for allowing me to testify</p> <p>Heather Lusk, LCSW</p>		
Name: Susan Le	Email: susan@hihac.org	Zip: 96816
Representing: Hawaii Housing Affordability Coalition	Position: Support	Submitted: Aug 7, 2024 @ 07:31 AM
Name: Summer-Lee Yadao	Email: summer@kpkoa.org	Zip: 96706
Representing: Self	Position: Support	Submitted: Aug 7, 2024 @ 08:29 AM
<p>Testimony:</p> <p>Aloha councilmembers, I'm writing in support of this "empty homes tax" as many of the properties sold in Hawai'i are to people who do not live, work or truly appreciate or know our island homes culture and uniqueness. Those that do not contribute to our economy in forms of income tax or otherwise, and are only profiting from buying and selling properties that our local people need to work and thrive here. Maui has done great work through their county doing community engagement which resulted in a comprehensive affordable housing plan. Tax rates were raised in certain areas and situations and they now have a 50 million + budget to really tackle the housing crisis. More needs to be done throughout the islands, but passing this tax on vacant properties is a necessary first step to stop the out migration of our people, and the continued depletion of housing only for profit. Big changes are needed and are coming, hopefully being stuck in a mindset of profit driven only, will make way for the very real need for housing for people, our local workforce, our Kanaka Maoli to stay in Hawai'i. All of us have benefited from the care and discernment of Kanaka Maoli kupuna and especially from Aunty Twinkle Borge who recently passed away. She is the epitome of what Aloha looks like and it's time for all of us to embody more of what she stood for and lived by. Mahalo.</p>		

Name:	Email:	Zip:
Kimie Korenaga	kimiekorenaga@gmail.com	96792
Representing:	Position:	Submitted:
Self	Support	Aug 7, 2024 @ 08:49 AM
<p>Testimony:</p> <p>Aloha Chair Waters and Council Floor Leader Radiant Cordero,</p> <p>I am submitting testimony in SUPPORT for Bill 46 (2024), which creates a supplemental "empty homes tax".</p> <p>Born and raised on Oahu and working for a non-profit in the social field, I have not only experienced first-hand the almost impossibility of owning a home in Hawaii for myself, but for many clients as well. I work with countless houseless individuals and many families who struggle to raise their children in small apartments and high-rises.</p> <p>The empty homes tax may aid in pushing owners to sell or rent to those who need housing to prevent them from moving to the mainland and leaving our economy-- the economy that we as residents need to sustain.</p> <p>Living on the west side, I am aware of many homes that would be considered empty under the definition in this bill that are used for short term rentals (illegally and legally).I understand that this is business for many, however, at what point do we as a collective decide that it is time to put our local people before often-foreign profits?</p> <p>There is much work to be done in this realm of housing and property sales, however I do believe that Bill 46 (24) is a good start to "get the ball rolling" toward strengthening the livelihood of our people.</p> <p>Mahalo,</p> <p>Kimie Korenaga</p>		
Name:	Email:	Zip:
Shaun Campbell	islolandia@gmail.com	96813
Representing:	Position:	Submitted:
Self	Support	Aug 7, 2024 @ 09:05 AM
<p>Testimony:</p> <p>Aloha e Councilmembers:</p> <p>I am strongly encouraging you to support and pass the Empty Homes Tax, Bill 46, BILL046(24). This bill has the effect of increasing available rental inventories for local residents in our critically-constrained housing market. The generated funds will be so important to funding important affordable housing initiatives by the City. Indeed, this is an important step towards ameliorating our housing crisis here in Honolulu. Please pass this bill.</p> <p>Mahalo piha,</p> <p>Shaun Campbell</p>		
Name:	Email:	Zip:

Allison Finn	afinn@pacthawaii.org	96734
Representing: Self	Position: Support	Submitted: Aug 7, 2024 @ 09:33 AM
<p>Testimony:</p> <p>Walking around my neighborhood seeing all the empty houses of the wealthy that they use for a week or two per year is very upsetting. Not to mention the amount of water they are using for automated irrigation systems to water a property that is mainly uninhabited and for someone who doesn't actually live here.</p>		
Name: Claire Gearen	Email: clairegearen@gmail.com	Zip: 96826
Representing: Self	Position: Support	Submitted: Aug 7, 2024 @ 09:46 AM
<p>Testimony:</p> <p>Aloha mai kakou,</p> <p>Plans to build new affordable housing have not kept pace with demand in the last many decades. We have available housing stock, but homes sit empty.</p> <p>I write in strong support of this tax on empty homes. It is one of the best strategies I know to increase housing stock.</p> <p>Mahalo, Claire Gearen</p>		
Name: Chris Okumoto	Email: cokumoto@pacthawaii.org	Zip: 96818
Representing: Self	Position: Support	Submitted: Aug 7, 2024 @ 09:53 AM
<p>Testimony:</p> <p>I support Bill 46, as I believe it will help to reduce the staggering cost of housing in Hawaii and provide more opportunities and living spaces for our local residents. Without the assistance of my family, I would have a difficult time finding housing I can afford, so I understand the need to take action. Thank you!</p>		



CATHOLIC CHARITIES HAWAII

TO: Honolulu City Council
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i
RE: Bill 46 (2024) - **IN SUPPORT**

Chair Tommy Waters and Council Floor Leader Radiant Cordero:

Mahalo for the opportunity to testify in Support of Bill 46 (2024), which creates a supplemental "empty homes tax". This is intended to help address the City's crises of the lack of affordable housing and homelessness. I am Rob Van Tassell with Catholic Charities Hawai'i.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for 77 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. Catholic Charities Hawai'i has a long history of working in the areas of affordable housing and homelessness.

Catholic Charities Hawai'i gets daily calls from Oahu residents desperate to find affordable housing. We have provided over \$170 million in pandemic rent relief, but the housing crisis remains due to the inadequate supply of housing and increasing rents. Our Kupuna are being hard hit by rising rents and have no place to go. Our urgent waitlist (homeless or at imminent risk of homelessness) has doubled over the last year to more than 100 elders, many of whom are often long-term renters who have been displaced. National studies have indicated a 300% rise in homeless for elders over the next 10 years. We must step up our efforts to prevent our Kupuna, other vulnerable populations, and families from falling into homelessness.

An empty homes tax could promote housing for local residents by encouraging these owners to change their units to long-term rentals. This could produce more housing without the long waits needed to develop new housing. This new tax could provide significant funding for the construction of new affordable housing. More available housing supply could potentially stabilize and even lower Oahu's increasing rental prices. Dedicated funding like this is also needed to scale up solutions to homelessness. Additional resources are essential to help vulnerable populations access services and housing, ultimately achieving stability through permanent supportive housing. These are critical for the public to see a reduction of homelessness on the streets of Oahu.

This tax would not be imposed on owner occupied homes and properties used for long-term housing. It could have a major impact on the City's ability to address the basic needs of residents for affordable housing and an end to homelessness. Catholic Charities Hawai'i urges your support for Bill 46.

Please contact Shellie Niles, Director of Advocacy and Community Relations
shellie.niles@catholiccharitieshawaii.org if you have any questions.



CLARENCE T. C. CHING CAMPUS • 1822 Ke'eaumoku Street, Honolulu, HI 96822



To: Honolulu City Council
From: Keith Webster
Re: Bill 46 (2024) – IN SUPPORT

Chair Tommy Waters and Council Floor Leader Radiant Cordero:

I'm writing to strongly support bill 46, the Empty Homes tax. It is time to prioritize our housing to house Oahu's people. My wife and I have been living and working in Hawaii for 35 years. Our young adult son moved to the west coast 3 years ago because of the cost of housing in Hawaii. He didn't see a way to build a future given the cost of housing here. He wants to live in Hawaii, and we want our family together, but Oahu's untenable housing costs make this impossible. The Hawaii economy also desperately needs hardworking people like him.

My employer finds it difficult to fill needed positions even though it is considered a good place to work. Our families are being torn apart and our economy will continue to struggle because our paychecks are increasingly insufficient to cover the cost of housing on top of the other costs of living here.

We can make a big improvement with an Empty Homes tax. This bill will provide a major incentive for property owners to house local families. This much-needed increase in housing supply is already built, it's just not being effectively used. Those who choose to keep their properties mostly empty will help fund building new affordable housing for our families.

Housing is a big part of many of our community's challenges including homelessness, mental health issues and financial insecurity. Increasing our available housing supply will help all the people of Hawaii in many ways. This bill will significantly increase our useful housing supply by simply using the housing we already have to house residents. This bill will support our economy by providing housing priced for the paychecks Oahu's residents are receiving. This will help our businesses attract and retain the workers we all need.

This approach was tested in Vancouver B.C. and found effective. Our housing problem is even bigger. Let's house our people, strengthen our economy and keep our families together.

Respectfully submitted,

Keith Webster
Kaneohe, Hawaii



A Just Peace and Open and Affirming Congregation

Testimony In Support of Bill 46 (2024) Empty Homes Tax, before the Honolulu City Council on August 7, 2024 @ 10:00am

The Church of the Crossroads was founded in 1922, as Hawaii's first intentionally multi-racial church. With approximately 190 members, our mission includes pursuing peace, justice, and stewardship of our environment.

Church of the Crossroads believes our lack of affordable housing and homelessness are major justice and equity issues that hurt our entire community. We need big bold changes, not incremental adjustments to a tax structure that does not address Honolulu's needs.

Our congregation has unanimously voted to SUPPORT an Empty Homes Tax for Honolulu, now set forth in Bill 46 (2024). We urge you to help move this Bill forward with your full support.

Local Residents are Priced Out of Hawaii. Little Wonder:

\$1,000,000: Median home price in Honolulu.

\$85,857 Median household income in Honolulu. (2020 Census)

Investors are hoarding our local housing:

34,253 Vacant Housing Units - NOT Occupied in Honolulu (2020 Census)

9.2% vacancy rate for Oahu housing units (almost 1 in 10 units)(2020 Census)

Our Tax System is Broken. Let's help fix it, with an Empty Homes Tax.

1. We have the lowest property tax in the nation. This encourages outside investors to buy up our housing and hoard it for their own profits. This drives up our cost of housing while depriving local residents of affordable homes.
2. A well designed Empty Homes Tax, like Bill 46, will impose tax only on properties that are NOT occupied at least 6 months of the year by persons who use it as their home (principal residence).
 - a. No one who rents, owns or occupies their home as their principal residence would need to pay this tax for their own home.
 - b. The tax would apply to properties NOT used for homes - those left vacant or blighted, or used for purposes other than homes for local residents.
 - c. The tax will encourage property owners and investors to convert existing



A Just Peace and Open and Affirming Congregation

- vacant properties into homes for Hawaii residents, all **without** taking new land, **without** public subsidies, **without** NIMBY, and **without** permitting delays and costs, all of which stifle other major housing efforts.
- d. Property owners who wish to keep a property vacant or use it for other than a home may continue to do so, but would pay a substantial tax to help address harms caused by our severe lack of available homes.
 - e. Revenues from this tax should be dedicated to programs to address affordable housing and homelessness.
 - f. Short-term equitable exemptions are provided (such as death of owner-occupant, major construction, sale or transfer of a property, military deployment, litigation related to property title, extended medical care, etc).
3. Lack of affordable housing is a crisis that continues to grow in our entire state. Failure to amend our laws to provide sufficient affordable housing for our local residents is morally wrong and economically unsustainable.
- a. Pricing local families out of affordable housing forces our families to live in overcrowded conditions or to leave our islands, tearing families apart.
 - b. Our economy is based primarily on local service jobs, most of which are not high paying. Yet our housing prices are being influenced by international speculation in Hawai'i real estate. The people buying at these high prices are often not living or working in Hawai'i.
4. What others say:
- a. The Oahu Real Property Tax Advisory Commission (ORPTAC) unanimously recommended implementing an Empty Homes Tax to positively impact our housing situation.
 - b. The UCLA Luskin School of Public Affairs report for Honolulu identified the Empty Homes Tax as the form of tax best suited to the needs of our community and the capacity of local government.

While there is no one magic solution to our affordable housing and homelessness crises, an Empty Homes Tax can help address these problems, by increasing our supply of housing and creating dedicated revenues to address these problems.

Thank you for your consideration of this testimony and for your efforts to create a more equitable and fair community for us all.

Submitted on behalf of the Church of the Crossroads

By Mano Nguyen, Moderator (President)

Email: office@churchofthecrossroadshawaii.org

**TESTIMONY OF ELLEN GODBEY CARSON
IN SUPPORT OF BILL 46, EMPTY HOMES TAX,**

To the Honolulu City Council
For Hearing on August 7, 2024 at 9:00 am

I strongly support Bill 46, the Empty Homes Bill. While I write as an individual, I have served as a volunteer president of the Institute for Human Services, Hale Kipa Youth Services, and the Hawaii State Bar Association. For many years, I have been engaged in seeking effective solutions for our housing crisis and homelessness needs. The Empty Homes Tax is an effective tool that can help address our housing needs.

Empty Homes Hurt Honolulu. The US Census bureau (2020) reports that Oahu has 34,253 empty homes and a 9.2% housing vacancy rate. *That's more than the total new homes needed on Oahu to end our housing shortage.* Where are these empty homes? All over our island. In my viewplane in lower Makiki, hundreds of condo units are dark *every night* in some of the highest demand areas - Kaka'ako, Ala Moana and downtown. An earlier downtown condo where I lived, two top floor units had *never* been built out or lived in - for over 40 years! A nearby Pensacola street house has been blighted for years, creating constant health and safety hazards. These are all empty homes. They all hurt Honolulu.

Empty homes can be converted into homes for our local residents now, with no public subsidies, no new construction, no taking of new lands, and no years of delays in Permit and Planning. How? With an Empty Homes Tax.

The Empty Homes Tax can address this problem and - for the first time - prioritize Oahu's housing for Oahu's residents.

Our tax policy is broken: it fails to prioritize Oahu's housing for Oahu's residents. Hawaii's property taxes are the lowest in the nation, attracting investors who buy large numbers of our properties for profit and enjoyment, without using them as homes. Competition from worldwide investors drive our prices ever higher, creating an "impossibly unaffordable housing" crisis that is the 5th worst in the entire world. The result is unsustainable and downright cruel to our local residents, causing 1,000s to leave the islands or become homeless.

The Empty Homes Tax would not be paid by anyone who uses their housing as a home, whether they own, rent, or occupy as ohana. Those who own empty homes could choose whether to keep an empty home and pay the

tax, or rent the property as a home for a local resident. Either way, Oahu wins – more homes, more tax revenues for affordable homes -- or both.

What's been the experience of other jurisdictions with Empty Homes and Vacancy Taxes? Bill 46 is most similar to Vancouver's Empty Homes tax, which has resulted in a 54% reduction of vacant homes and \$140+ million in new tax revenues for affordable housing initiatives, since 2018. (This, despite having only 2,193 empty homes initially – less than 10% of Honolulu's empty homes.) Vancouver's annual reports show the EHT is administratively successful too:

The EHT non-compliance rate has steadily fallen from 7.5% in 2017 to 0.7% in 2023, based on over 10,000 audits per year.

EHT revenues are sufficient to cover one-time implementation costs of \$7.5 million and estimated annual operating costs of \$2.5 million

<https://vancouver.ca/files/cov/empty-homes-tax-annual-report-2023.pdf>

A similar British Columbia vacancy/speculation tax (2%) has generated \$300+ million in revenues for affordable housing since 2018, and has helped convert over 20,000 condos into rental housing for local residents.

<https://dailyhive.com/vancouver/bc-speculation-vacancy-tax-metro-vancouver-condo-rental-conversion-statistics>; <https://vancouver.sun.com/business/real-estate/three-years-in-has-b-c-s-speculation-and-vacancy-tax-made-a-difference>

Some critique empty homes taxes as not solving all the affordable housing problems, but there is no one solution for that. Some say they prefer a simple or incremental adjustments to our existing tax structure. Sadly, small incremental changes will not create big changes, including proposals to reduce taxes for long term rentals (LTR). For example, Maui has dire housing needs but its LTR law creates budget deficits while failing to incentivize owners to convert empty homes to rentals. A new housing development of 975 units in Wailea plans 90% of the units for short-term rental and snow-birds, with no priority for local residents. So Maui is now considering mandates. An Empty Homes Tax is a better approach.

Yes, any new tax has challenges. Thankfully, Bill 46 is already modeled on the best empty homes tax in the world. Honolulu has a \$500k RFP for an empty homes tax expert to assist with implementation and enforcement. We can do this!

Every year we go without an empty homes tax, we are forcing our residents to live with this housing crisis, while foregoing millions of dollars in potential

revenues that could be building more affordable housing. Let's welcome the results that bold changes can bring. We will never do great things for the people of this island if we are unwilling to take bold new steps for a better future.

This bill deserves our strong support. Let's give it a chance to work in Honolulu.

Respectfully submitted, Ellen Godbey Carson
Honolulu, Hawaii

Aug. 7, 2024, 9 a.m.

Honolulu Hale

To: Honolulu City Council

Tommy Waters, Chair

Esther Kia'āina, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: Bill 46 (2024) — RELATING TO REAL PROPERTY TAXATION

Aloha Chair Waters, Vice-Chair Kia'āina and other members of the Council,

The Grassroot Institute of Hawaii **opposes** [Bill 46 \(2024\)](#), which would create a so-called empty homes tax as a supplement to any other property taxes currently paid by owners of certain properties in Honolulu's residential zoning districts.

The surcharge would be equal to 1% of the property's assessed value for the first year the tax is in effect, 2% for the second year and 3% for all tax years thereafter.

The stated goals of Bill 46 (2024) are to encourage owners to rent or sell vacant homes, increase the supply of homes and raise funds for affordable housing and homelessness.

Grassroot believes that an empty homes tax would be difficult to administer, create substantial paperwork problems for Honolulu residents — to the extent even of comprising an invasion of privacy — and likely not achieve its housing goals.

The first problem here is definitional: What is an empty home? The bill states that "a dwelling unit on residential property is an empty home unless it qualifies for any of the following exemptions."

It then proceeds to list 14 exemptions, including for homes used as principal residences for more than six months a year; rented for more than six months a year; for sale or recently sold; subject to court proceedings;

determined to be a “substandard building”; licensed by the state as a halfway house; and other discretionary reasons.

Basically, there could be more than 14 exemptions, there could be fewer — as shown by the variations in other jurisdictions that have been experimenting with such a tax.¹

Beyond that, this proposed empty homes tax would leave it to the Honolulu Department of Budget and Fiscal Services to determine whether a property was truly vacant.

Under the bill, the department would be required to mail a form to all owners of residentially zoned properties on Oahu that the owners would have to fill out and declare whether their homes are empty.

Basically, the presumption would be that a dwelling on Oahu is empty unless its owner qualifies for an exemption, which would put the burden squarely on property owners to prove their status.

Further, according to the bill, the department would be empowered to conduct “audits and investigations to determine the validity of property status declarations made for any residential property,” and could 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.”

Such information would include but not be limited to government-issued personal identification, driver’s license, vehicle registration, utilities records, mailing addresses used for personal bank and credit accounts, tenancy agreements, occupancy agreements, proof of income and general excise taxes paid for rental income; proof of receiving or providing medical care by the owner or tenant that precluded occupancy of the dwelling unit, death certificates, court orders and proceedings, proof of military orders of deployment, and possibly many other personal records.

Frankly, we at the Grassroot Institute think most people would consider having to provide such information as a condition of living in their own homes an egregious if not unconstitutional invasion of privacy.

Privacy concerns aside, the magnitude of all this required paperwork, investigating and enforcement would be enormous. For fiscal 2025, there are 251,787 parcels in Honolulu’s Residential class and 28,058 in its Residential A class.² This doesn’t count short-term rentals or bed and breakfasts that might exist in residential zones.

¹ Jensen Ahokovi and Mark Coleman, [“The empty homes theory of Hawaii’s housing crisis: A tax on empty homes might increase rental occupancies and generate tax revenues, but there is no evidence showing it would increase the state’s housing supply or reduce housing or rental prices.”](#) Grassroot Institute of Hawaii, May 2023, p. 8.

² [“Number of Records by Land Use Class for Tax Year 2024-2025,”](#) City and County of Honolulu, July 2024.

It seems reasonable to ask whether the Department of Budget and Fiscal Services has or could ever have the staff to sort through more than 280,000 annual declarations. There is no mention in the bill of how many new full-time employees the city might have to hire to implement and enforce this proposed new tax.

And consider how this might affect homeowners who for some reason forget to fill out the annual declaration or make a so-called “false claim.” The bill proposes a civil penalty of “not less than \$250 and not more than \$10,000 for each day that the violation continues, upon reasonable notice,” with the “penalties under this section [to] become a part of the empty homes tax and must be collected as a part thereof.”

Bill 46 (2024) would provide a grace period for owners who forget to file, but this would only exist for the first year of the empty homes tax; all forgetful homeowners in future years would have to file appeals that could be costly and time-consuming.

In addition, the bill says, any person who fails to timely pay the real property empty homes tax would be subject to nonpayment penalties equal to 1% of the empty homes tax due and payable within the first year of nonpayment, 2% within the second year of nonpayment, and 3% of all accrued empty homes taxes for the third year.

After three years of nonpayment, the city would be allowed to seize the property in question and sell it to raise the money needed to pay the delinquent tax amount.

As for the goal of providing more housing, Grassroot pointed out in its May 2023 policy brief, “[The ‘empty homes’ theory of Hawaii’s housing crisis](#),” that there have been only two robust econometric studies of the effectiveness of empty homes taxes in serving this goal, and they reached contradictory conclusions.³

Grassroot’s study did acknowledge such a tax could be useful for generating tax revenue, but it would be almost impossible to quantify how much.

Do we really want to create a headache for the city administration and city property owners in hopes of raising an unquantified sum of money — especially when there are easier ways to go about raising revenue?

Moreover, there are effective ways to produce affordable housing — at no cost to Oahu taxpayers. Grassroot discussed some of those ways in its December 2023 report “[How to facilitate more homebuilding in Hawaii](#),” which essentially recommended removing or updating the many state and county regulations that hinder homebuilding.

We encourage the Council to adopt those recommendations before turning to an untested, administratively complicated new tax.

³ Jensen Ahokovi and Mark Coleman, “[The ‘empty homes’ theory of Hawaii’s housing crisis](#),” p. 11.

Please consider, too, that Honolulu already has an implicit empty homes tax.

The fact is that anyone choosing to leave their home empty for more than six months out of the year is already forgoing more than \$12,000 in rental income, based on average rents.⁴

This suggests that anyone who leaves their home empty has good reason to do so, and that an empty homes tax surcharge might not move these properties onto the rental or for-sale market.

All things considered, the Grassroot Institute of Hawaii urges you to reject this Bill 46 (2024) and focus on alternatives that have good track records at meeting the goal of producing more housing.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

⁴ [“What is the average rent in Honolulu, HI?”](#) Apartments.com, accessed Aug. 2, 2024.

August 6, 2024

Honorable Tommy Waters, Chair
Members of the Honolulu City Council
City Council, City and County of Honolulu

RE: Strong Support for Bill 46

Aloha Chair Waters and Members of the Honolulu City Council:

I am submitting testimony in **strong support** of Bill 46. I further encourage its referral to the Committee on Housing, Sustainability and Health as an appropriate venue to ensure this important issue is evaluated within the overall housing policy framework of the City & County of Honolulu.

Mahalo to Chair Waters and Budget Chair Cordero for their leadership in introducing Bill 46, which provides the opportunity for bold action by this Council to bring desperately needed units currently sitting vacant into their intended use as housing. This bill specifically addresses Residentially zoned properties, not commercial or other uses, which by definition should be within residential use - *housing residents* - to be in alignment with the zoning and intended use determined by the people of O‘ahu.

The 2019 housing gap study identified over 22,000 units needed on O‘ahu for housing local families. The study also described that those projections included a decrease in demand due to out-migration - said another way: local people leaving Hawai‘i largely because the cost of living is simply too high and housing is unachievable. Despite the demand, over 34,000 units sit vacant according to the U.S. Census, and more units that ultimately sit vacant are built every year. Bill 46 does not prohibit a unit from sitting vacant; rather, in addition to carving out various equity exemptions, the Bill utilizes the tools available to incentivize the use of these units as intended and encourages future developments to prioritize housing for those living in Hawai‘i.

This is the third attempt by the Council to address vacant units in the past 5 years. We know that O‘ahu residents want to see action taken to bring these units into housing for local families, and while the policy has always been sound, prior efforts have struggled with implementation. I applaud Chair Waters and Budget Chair Cordero not only for introducing this measure but also for the work done to find a pathway that the Administration can support implementation. While I do hope that as this bill progresses we can find a way to ensure the revenue generated goes towards developing affordable housing and the necessary infrastructure, this is the right policy decision, and I am excited this Council is willing to take it on.

Mahalo for the opportunity to share support for this measure.

Mahalo,



Rebecca J. 'I. Soon



Hawai'i Housing Affordability Coalition

Testimony of the Hawai'i Housing Affordability Coalition
Support for Bill 046(24) – Empty Homes Tax
General Council Meeting
Wednesday, August 7, 2024, at 10:00AM

Aloha Chair Waters and Council Floor Leader Radiant Cordero,

HIHAC is submitting testimony in STRONG SUPPORT for Bill 46 (2024), which creates a supplemental “empty homes tax”.

Honolulu is facing a dire housing crisis, with the 2020 U.S. Census reporting 34,253 vacant housing units – nearly 1 in every 10 housing units on our island. Our current property tax policies fail to prioritize housing for Hawaii’s residents. An Empty Homes Tax is a critical step towards remedying this issue, encouraging property owners to utilize their properties as homes for local residents, and increasing the supply of available housing to better meet local demand.

Bill 46 (2024) establishes a tax levied on vacant properties that are not used as a principal residence for an O’ahu resident at least 6 months of the year. This creates an immediate incentive for property owners to convert vacant units into homes for long-term residents. This approach offers increased supply in available housing units without the need for new development that would require lengthy permitting, costs of construction, and circumvents the need for government subsidies.

By discouraging the use of properties as underutilized investments, the tax will shift the housing market towards making more homes available and affordable for local residents. This could potentially stabilize and even lower our rapidly escalating housing prices by deterring outside investors and speculative activities. Landlords, aiming to avoid the Empty Homes Tax, will also be encouraged to offer reasonable rental prices to secure long-term local renters.

Implementing this tax will generate substantial new tax revenues. Honolulu’s Bill 46 (2024) is closely modeled after Vancouver’s empty homes tax, which has seen remarkable success. Over the past five years, Vancouver’s tax has generated over \$115 million in revenue for affordable housing projects and resulted in a 36% decrease in vacant homes. Given Oahu’s larger number of empty homes, we can anticipate even greater revenue and a significant reduction in vacancies here. I highly encourage the council to consider earmarking the funds specifically for affordable housing and homelessness programs. A dedicated steady funding source is crucial for addressing these issues effectively.

Importantly, the tax will not increase the cost of housing for Oahu residents who are homeowners or renters. Properties that serve as the principal residence for local residents for at least six months a year will be exempt from this tax. Instead, it targets second homes, vacation homes, blighted properties, corporate retreats, and investment properties that do not serve as homes for Hawaii residents.

No single solution can solve our housing and homelessness crises entirely, but the Empty Homes Tax is a crucial step in prioritizing Oahu’s housing for Oahu’s residents. I urge you to



Hawai'i Housing Affordability Coalition

support Bill 46 (2024) and help us move towards a future where all Honolulu residents have access to affordable, stable housing. Thank you for your consideration and commitment to addressing our housing crisis.

Mahalo for the opportunity to testify,

HiHAC
Hawai'i Housing Affordability Coalition