BILL046(24)
Testimony

MISC. COMM. 492

BUDGET (BUD)

BUDGET (BUD) Meeting

Meeting Date: Nov 8, 2024 @ 10:00 AM

Support: 66

Oppose: 15

I wish to comment: 13

Name:	Email:	Zip:
Nia Miyashiro	nm3913@gmail.com	96712
Representing:	Position:	Submitted:
Self	I wish to comment	Nov 1, 2024 @ 08:17 PM

Testimony:

I do believe there is an opportunity for this bill to benefit the community but it still does not really change the affordability of the place for long term tenants. People still have a mortgage to pay and choose to pass most if not all of the costs onto the tenant. A tax would promote people to post their property but many people can still post it for a completely unaffordable/unreasonable price so it stays empty. There's easy ways around the bill. I do like the idea but I think it needs to be paired in conjunction with another bill or law for it to be successful.

Name:	Email:	Zip:
Shirl Brooks	wilf@wishventures.ca	96707
Representing:	Position:	Submitted:
Self	Oppose	Nov 2, 2024 @ 03:32 AM

Testimony:

WE are second home owners in Hawaii coming from Canada and occupy our unit more than six months a year.

Given it is also a Condo we pay all maintenance and care and put no additional burden on others, nor do we deny anyone access to a home.

We already pay an upcharge TAX over and above a primary homeowner,

ALSO: with our time and family time spent in our Hawaii Home we contribute in many ways to the economy and job opportunities for local friends

Name:	Email:	Zip:
Charles D Stark Stark	starklaw@sonic.net	96825
Representing:	Position:	Submitted:
Self	Support	Nov 2, 2024 @ 09:29 AM

Testimony:

Our island needs more housing for our residents. Although building housing is #1 solution, it does not make sense to allow the continued growth of "empty" homes.

I support Bill 46 (24) CD1 which allows multiple rentals to be included in the minimum of 6 months. This ensures that mid-term rentals, or 30 day rentals are not taxed as empty homes.

I support amendments that ensure this tax does not hurt our residents and that any permitted occupancy, including that of the owner, can be combined to meet the 6 month minimum occupancy. I support an amendment to change the exemption for a dwelling unit that is "the principal residence of one or more of the owners for at least six months in the tax year" to a "dwelling unit (that) is physically occupied by an owner, renter, or other permitted occupant of the property for an aggregate total of six months or more in the tax year"

Zillow and MLS show approximately 9,500 furnished, monthly rentals on our island. Events like the Red Hill Crisis and Maui Wildfires require that our islands have temporary, furnished housing for our residents. Without monthly rentals, returning residents will have no affordable options. The newly housed or job/ credit insecure will have no housing options. Our healthcare systems will collapse without accommodations for traveling nurses. The military, universities, film and sporting industries all rely on monthly rentals. We cannot afford to eliminate this vital housing segment through excessive taxation or undue regulations.

Name:	Email:	Zip:
Marilyn Radzat	marilynradzat@gmail.com	96731-2107
Representing:	Position:	Submitted:
Self	Support	Nov 2, 2024 @ 09:46 AM

Testimony:

We have lived on Oahu for 27 years. As property taxes and the cost of living has increased, and since we are living mostly on our social security (we are both in our 80's) we rent our home a couple of times a year for a 30 day rental period. We fly to the mainland when we rent our house and we stay with our children. The income from our few 30 day rentals allows us to pay our property taxes and pay for the ever ongoing repairs on our house. Without this extra income, we could not afford to live on our property that we have lived on for the past 26 years. And our paid GET and TAT taxes contribute to the betterment of the North Shore and by renting our property we pay and help support the cleaners, window washers, gardener, and our house manager and we hire and need in support of having people rent our home. This ability to vacation rent for 30 days helps support us, the State of Hawaii, the City of Honolulu and those that are employed by us. We support local businesses and restaurants by inviting and allowing families to stay at our property.

Marilyn Radzat

Name:	Email:	Zip:
Patricia Rolland	pkr@rolland.biz	96791
Representing:	Position:	Submitted:
Self	Support	Nov 2, 2024 @ 12:33 PM

Testimony:

Patricia Rolland

67-225 Kiapoko St.

Apt. A

Waialua, HI 96791

Regarding: Bill 46 (24) CD1

November 2, 2024

• I support Bill 46 (24) CD1 which allows multiple rentals to be included in the minimum of 6 months. This ensures that mid-term rentals, or 30 day rentals are not taxed as empty homes.

• I support amendments that ensure this tax does not hurt our residents and that any permitted occupancy, including that of the owner, can be combined to meet the 6 month minimum occupancy. I support an amendment to change the exemption for a dwelling unit that is "the principal residence of one or more of the owners for at least six months in the tax year" to a "dwelling unit (that) is physically occupied by an owner, renter, or other permitted occupant of the property for an aggregate total of six months or more in the tax year"

• Events like the Red Hill Crisis and Maui Wildfires require that our islands have temporary, furnished housing for our residents. Without monthly rentals, returning residents will have no affordable options. The newly housed or job/ credit insecure will have no housing options. Our healthcare systems will collapse without accommodations for traveling nurses. The military, universities, film and sporting industries all rely on monthly rentals. We cannot afford to eliminate this vital housing segment through excessive taxation or undue regulations.

Thank you for your consideration in this most important matter.

Patricia Rolland

Name:	Email:	Zip:
Karen Luke	nahele@yahoo.com	96706
Representing:	Position:	Submitted:
Self	Support	Nov 2, 2024 @ 03:04 PM

Testimony:

Aloha, I support Bill 46 (24) CD1 which allows multiple rentals to be included in the minimum of 6 months. This ensures that our residents can combine 6 months of occupancy to meet the requirements and mid-term rentals and 30-day rentals are not taxed as empty homes. Mahalo for your consideration.

Name:	Email:	Zip:
Michael Brant	michaeljbrant@hotmail.com	96815

Representing:	Position:	Submitted:
Self	Support	Nov 2, 2024 @ 05:39 PM

Testimony:

I support CD1 of Bill 46. The bill was never intended to target units that are in regular occupancy, as are Short-Term Rentals. Six months of any occupancy, whether by owner or through rentals, should be sufficient to demonstrate the unit is not empty and off the market. Thank you!

Name:	Email:	Zip:
Aaron Ruddick	capnaaron@yahoo.com	96815
Representing:	Position:	Submitted:
Self	Support	Nov 2, 2024 @ 11:22 PM

Testimony:

I SUPPORT Bill 46. Hawaii residents deserve access to affordable housing. Empty housing units that contribute nothing to our housing inventory or tax revenue are incredibly problematic and lead to Hawaii residents leaving their home State.

Name:	Email:	Zip:
lillie mcafee	lilliemcafee@gmail.com	96792
Representing:	Position:	Submitted:
Self	Support	Nov 3, 2024 @ 03:20 AM

Testimony:

I support BILL 46 (24) CD1--rentals to workers should NOT be counted as Empty Houses.

Name:	Email:	Zip:
Mike Jackson	mikejacksonatlarge@gmail.gov	96792
Representing:	Position:	Submitted:
Self	Support	Nov 3, 2024 @ 03:53 AM

Testimony:

I support Bill 46 (24) CD1 provided there is no negative effect on STRs. Also, I trust that research to conclude the final version will not be more expensive to administer and enforce than it will bring in from taxation.

Name:	Email:	Zip:
Clifford Yamaoka	cyamaoka@yahoo.com	92056
Representing:	Position:	Submitted:
Self	Support	Nov 3, 2024 @ 05:15 AM

Testimony:

I support Bill 46 (24) CD1 which allows multiple rentals to be included in the minimum of 6 months. This ensures that mid-term rentals, or 30 day rentals are not taxed as empty homes.

Name:	Email:	Zip:

Joyce Whitegon	seajoycego@gmail.com	92651
Representing: Self	Position: Support	Submitted: Nov 3, 2024 @ 07:42 AM

Testimony:

I support amendments that make sure this tax does not hurt our residents and that any permitted occupancy, including that of the owners, can be combined to meet the 6 month minimum occupancy. I support an amendment to change the exemption for a dwelling unit that is "the principal residence of one or more of the owners for at least six months in the tax year" to a "dwelling unit { that} is physically occupied by an owner, renter, or other permitted occupant of the property for an aggregate total of six months or more in the tax year".

Monthly rentals on our island provide temporary furnished " month to month" rentals for our residents visiting sports figures, nurses, etc.

Name: Greg Puppione	Email: gpuppione@gmail.com	Zip: 96816
Representing: Self	Position: Support	Submitted: Nov 3, 2024 @ 07:56 AM

Testimony:

We need to prioritize Oahu’s housing for Oahu’s people! Our families need housing.

Honolulu is ready. This is the third attempt in over five years, and the bill is ready. This version has addressed many previous concerns, and we know it will be revenue positive for Honolulu. Let's pass it so the City has time to implement it.

Residents are ready. 185 people move away from Hawai‘i every single day. O‘ahu's homelessness went up by 12% last year. Over 70% of O'ahu voters support a tax on empty homes. It's time.

Revenue from the tax should be used for affordable housing. The current version of the bill dedicates half of the revenue from the tax to addressing affordable housing and homelessness. While most other places dedicate 100% of revenue to housing development, even 50% can go a long way and build many many homes for local families.

It doesn't seem fair that vacant property owners enjoy all the benefits of our market appreciation, and the protection of our fire fighters and police officers protecting their property while not actually housing any residents or living here themselves. If they can afford the additional expense of keeping a vacant property with these proposes increase, then at least they're contributing a little something more. If they can't, then they'll either sell, move in, or start renting them. Either way, our community stands to benefit.

Mahalo for your time and careful consideration of this matter.

Name:	Email:	Zip:

Helena von Sydow	helenavonsydow@gmail.com	96825
Representing: Self	Position: Support	Submitted: Nov 3, 2024 @ 09:25 AM

Testimony:

Dear Sirs,

I am writing in support of Bill 46 (24) CD1, which allows multiple rentals to meet the minimum 6-month rental period. This provision is essential to ensure that mid-term rentals, such as 30-day leases, are not penalized as empty homes under tax regulations.

Temporary, furnished housing is vital for our community, especially during crises like the Red Hill water contamination and the Maui wildfires. Monthly rentals provide essential, flexible housing options for returning residents, those newly housed or facing job and credit insecurity, and our healthcare systems that depend on accommodations for traveling nurses. Additionally, sectors such as the military, universities, and the film and sports industries rely heavily on the availability of monthly rentals.

We cannot afford to lose this critical housing segment due to excessive taxation or undue regulations. Preserving mid-term rentals supports our community's resilience and ensures a stable, adaptable housing supply.

Thank you for your attention to this matter.

Sincerely,

Helena Von Sydow

Name: Harald von Sydow	Email: nztrendshi@gmail.com	Zip: 96825
Representing: Self	Position: Support	Submitted: Nov 3, 2024 @ 09:27 AM

Testimony:

Dear Sirs,

I am writing to express my strong support for Bill 46 (24) CD1, which would permit multiple rentals to fulfill the minimum 6-month lease requirement. This policy is crucial to prevent mid-term rentals, such as 30-day leases, from being unjustly taxed as vacant properties.

Our islands need a reliable supply of temporary, furnished housing, especially during emergencies like the Red Hill water crisis and the Maui wildfires. Monthly rentals provide essential housing solutions for returning residents, individuals facing financial or job-related challenges, and our healthcare system, which depends on accommodations for traveling nurses.

Furthermore, key sectors, including the military, higher education, film, and sports, all depend on the availability of monthly rental options.

Removing or heavily taxing this vital segment would be detrimental to Hawaii's housing flexibility and community resilience. I urge you to support this bill to sustain a diverse and adaptable housing market that meets the needs of our residents and industries.

Thank you for your consideration.

Sincerely,
Harald Von Sydow

Name:	Email:	Zip:
Robert Gould	bob.gould@stanfordalumni.org	96744
Representing:	Position:	Submitted:
Self	Oppose	Nov 3, 2024 @ 12:11 PM

Name:	Email:	Zip:
Catherine Panizzi	crpanizzi@gmail.com	96815
Representing:	Position:	Submitted:
Self	I wish to comment	Nov 3, 2024 @ 01:46 PM

Testimony:
Aloha Chair and Committee members.
Thank you for the opportunity to provide testimony.

I am in support of Bill 46 but only if amended to ensure that this tax does not hurt those residents and owners who use their properties themselves for much year but who already have a principal residence elsewhere and do not fully fall into one of the current exempt categories.

Please amend this Bill so that any permitted occupancy, including that of the owner, can be combined to meet the 6 month minimum occupancy. I strongly support Coun. Esther Kia'Aina's proposed amendment in HSH Committee to change the exemption for a dwelling unit that is "the principal residence of one or more of the owners for at least six months in the tax year" to read a "dwelling unit (that) is physically occupied by an owner, renter, or other permitted occupant of the property for an aggregate total of six months or more in the tax year".

Any attempt to limit this exemption to only Hawaii residents will fail on constitutional challenge The wording should be as written above: a "dwelling unit (that) is physically occupied by an owner, renter, or other permitted occupant of the property for an aggregate total of six months or more in the tax year".

Please include this wording going forward and ensure that only on those truly empty homes are taxed under this Bill and not those homes that are occupied by the owner for much of the year but just do not fit under any of the currently-worded exemptions.

Thank you for your time,

Catherine Panizzi

Name:	Email:	Zip:
Robert Griffith	lagosbob@yahoo.com	96815
Representing:	**Position:**	**Submitted:**
Self	Support	Nov 3, 2024 @ 06:48 PM

Testimony:

I support Bill 46 (24) CD1 which allows multiple rentals to be included in the minimum of 6 months. This ensures that mid-term rentals, or 30 day rentals are not taxed as empty homes.

I support amendments that ensure this tax does not hurt our residents and that any permitted occupancy, including that of the owner, can be combined to meet the 6 month minimum occupancy. I support an amendment to change the exemption for a dwelling unit that is "the principal residence of one or more of the owners for at least six months in the tax year" to a "dwelling unit (that) is physically occupied by an owner, renter, or other permitted occupant of the property for an aggregate total of six months or more in the tax year"

Zillow and MLS show approximately 9,500 furnished, monthly rentals on our island. Events like the Red Hill Crisis and Maui Wildfires require that our islands have temporary, furnished housing for our residents. Without monthly rentals, returning residents will have no affordable options. The newly housed or job/ credit insecure will have no housing options. Our healthcare systems will collapse without accommodations for traveling nurses. The military, universities, film and sporting industries all rely on monthly rentals. We cannot afford to eliminate this vital housing segment through excessive taxation or undue regulations.

Robert Griffith

2140 Kuhio Ave #2402

Honolulu 96815

Name:	Email:	Zip:
Tamara Thompson	tamarathompson7@gmail.com	94619
Representing:	**Position:**	**Submitted:**
Self	Support	Nov 4, 2024 @ 06:31 AM

Testimony:

Zillow and MLS show approximately 9,500 furnished, monthly rentals on our island. Events like the Red Hill Crisis and Maui Wildfires require that our islands have temporary, furnished housing for our residents. Without monthly rentals, returning residents will have no affordable options. The newly housed or job/ credit insecure will have no housing options. Our healthcare systems will collapse without accommodations for traveling nurses. The military, universities, film and sporting industries all rely on monthly rentals. We cannot afford to eliminate this vital housing segment through excessive taxation or undue regulations.

Name:	Email:	Zip:
JEFFREY GRISWOLD	jg@jgriswoldlaw.com	96734
Representing:	Position:	Submitted:
Self	Support	Nov 4, 2024 @ 08:24 AM

Name:	Email:	Zip:
Paul Swart	paul@starnet.com	97762
Representing:	Position:	Submitted:
Self	Support	Nov 4, 2024 @ 09:08 AM

Testimony:

Dear Members of the Budget Committee,

An Empty Home tax makes a lot of sense when it comes to homes that are truly sitting empty, such as those bought by investors who let them sit vacant hoping to cash in long-term on appreciation, as well as homes used purely as vacation homes by the owners for a few weeks a year.

Homes that are actively occupied for at least 6 months a year as both the owner's vacation home and for various kinds of rental purposes, including legally operating long-term (30-180 days) rentals should not be exposed to an Empty Home tax. They are already paying some 17% in state and local taxes on the income from such rental activities.

The current Bill 46, CD-1 addresses Empty Homes effectively and should create new rental or purchase opportunities for local residents. I hope your committee will see CD-1 fit for approval as is.

Thank you for supporting the current CD-1

Paul

Name:	Email:	Zip:
Shellie Niles	shellie.niles@catholiccharitieshawaii.org	96822
Representing:	Position:	Submitted:
Catholic Charities Hawaii	Support	Nov 4, 2024 @ 10:00 AM

Name:	Email:	Zip:
Jill Paulin	jillpaulin@gmail.com	96712
Representing:	Position:	Submitted:
Self	Support	Nov 4, 2024 @ 11:33 AM

Testimony:

Aloha Chair Cordero and Committee Members,

I support Bill 46(24)cd1 as we are in midst of a housing crisis and cannot afford to have large numbers of homes sitting empty. "Land-banking" has been a practice here in Hawaii for quite some time due to our low property tax rates and desirable real estate market. Per the US Census, vacant homes have risen 21% over the last several years. We cannot let this continue when so many residents need housing.

I support an amendment, similar to what Council Member Kia'aina submitted at the Housing Committee, to change the exemption for a dwelling unit that is "the principal residence of one or more of the owners for at least six months in the tax year" to a "dwelling unit (that) is physically occupied by an owner, renter, or other permitted occupant of the property for an aggregate total of six months or more in the tax year". I believe this amendment would alleviate the concern that many have about on-island legacy or second homes.

I appreciate your efforts to find a solution that dissuades empty homes but does not hurt our residents.

Mahalo,

Jill Paulin

Haleiwa, HI

Name:	Email:	Zip:
Ray Kamikawa	rkamikawa@ckdbw.com	96822
Representing:	Position:	Submitted:
Self	I wish to comment	Nov 4, 2024 @ 11:41 AM

Testimony:

I respectfully propose the following two amendments if Bill 46 is to be enacted:

Grandfather/exempt leases currently in force. Many leases were entered into years ago without taking into account the provisions of Bill 46. Owner-landlords cannot terminate or amend these leases to conform to an exemption under Bill 46. These leases also would likely not have provided for the pass on of a new tax to the lessee.

Look-througth lessee-entity that rents to individuals. Bill 46 should provide for a look-through provision for lessee-entities (non-individuals), where the property is used for residential purposes by individuals. For example, I am leasing a second

home to a nonprofit that uses the home for its staff workforce. This situation does not neatly fit within either of the two nonprofit exemptions currently in CD1, yet individuals are using the property as their residence. With such a severe tax penalty, you don't want to leave to interpretation any potential application of a severe penalty tax.

I respectfully provide the following two comments:

The draconian tax penalty regime for this policy objective results in a blunt instrument, which is why there is a need for so many exemptions, which in turn makes for complexity. As a former state tax administrator and chair of two of your Oahu Real Property Tax Advisory Commissions, I will tell you that Bill 46 will be very difficult to administer, leading to noncompliance and distrust in the tax system, many audits and appeals, and significant staff resource expenditures without the assurance of concomitant policy benefit. Your current staff is not trained to conduct audits that Bill 46 will require and significant lead time will be needed to ramp up effective enforcement -- they have enough to do with the current property tax system.

Forcing sales of homes will not realize Bill 46's objectives. I recently sold a vacation property in Canada due to its recent enactment of a national (not Vancouver's) underutilized homes tax. With the price that this property was sold, it could not have been considered affordable. It ended up being bought by purchasers who wanted to use the property as their vacation home.

Thank you for your consideration.

Name:	Email:	Zip:
Chloe Brown	chloewbrown@gmail.com	96815
Representing:	Position:	Submitted:
Self	Support	Nov 4, 2024 @ 12:40 PM

Testimony:

Our island needs more housing for residents, and while building new homes is critical, we must also avoid creating more “empty” homes.

I support Bill 46 (24) CD1, which allows multiple rentals within six months to meet occupancy requirements, so that mid-term rentals aren’t unfairly taxed as vacant. I also support amendments to ensure this tax doesn’t burden residents and that any permitted occupancy counts toward the six-month minimum.

With around 9,500 furnished monthly rentals, we depend on these units for essential housing needs—from emergency situations to supporting healthcare workers, the military, and industries like film and sports. We cannot risk losing this vital housing option to excessive taxation or regulations.

Name:	Email:	Zip:
Kelly Lee	kellyreports@gmail.com	96734

Representing:	Position:	Submitted:
Oahu Short Term Rental Alliance (OSTRA)	Support	Nov 4, 2024 @ 02:28 PM

Name:	Email:	Zip:
Eli Warren	echwarren09@gmail.com	96744

Representing:	Position:	Submitted:
Self	Support	Nov 4, 2024 @ 02:37 PM

Testimony:

This sounds like a good piece of legislation and will help crackdown on empty homes and hopefully alleviate some issues with the affordable housing crisis. I am in support

Name:	Email:	Zip:
Denise Freund	denise@alawaihouse.com	96815

Representing:	Position:	Submitted:
Ala Wai House LLC - Gold Standard Realty LLC	Support	Nov 4, 2024 @ 03:57 PM

Name:	Email:	Zip:
Kelii W.	keliihoalani@gmail.com	96815

Representing:	Position:	Submitted:
Self	Support	Nov 4, 2024 @ 03:58 PM

Testimony:

support

Name:	Email:	Zip:
Andrew Pereira	andrewpereira95@gmail.com	96789

Representing:	Position:	Submitted:
Self	Oppose	Nov 4, 2024 @ 04:05 PM

Testimony:

Honorable Members of the Budget Committee and Honolulu City Council,

Mahalo for the opportunity to testify in opposition to Bill 46, which proposes an "empty home tax" on property owners in the City and County of Honolulu. I urge you to consider the following points regarding the potential adverse effects of this bill.

1. Impact on Accessory Dwelling Unit (ADU) Development

The City and County of Honolulu, as well as the state of Hawai'i, has made a strong push to encourage the development of Accessory Dwelling Units (ADUs) to help alleviate the housing shortage. However, even with ADUs currently exempted under Bill 46, there is still a risk that property owners may feel insecure about future amendments that could eventually impose the empty home tax on these units. This sense of uncertainty could discourage property owners from investing in

ADUs, which play a critical role in expanding affordable housing options across O'ahu. By introducing this bill, we risk stalling the vital ADU component of Honolulu's housing strategy.

2. Constitutional Challenges and Legal Precedents

The proposed tax in Bill 46 mirrors elements of San Francisco's empty home tax (Proposition M), which is currently being contested in court on the grounds that it violates the Takings Clause of the Fifth Amendment. The lawsuit argues that the government cannot compel property owners to rent out or sell their properties by imposing punitive taxes, as it infringes upon the owners' fundamental property rights, including the right to exclude others. In other words, the government cannot implement a tax or penalty on a right that is guaranteed by the U.S. Constitution. Implementing an empty home tax in Honolulu could expose the city to legal challenges, which would be a costly and potentially protracted endeavor.

3. Unfair Burden on Property Owners

Charging an empty home tax on property owners who are not on O'ahu is inherently unfair. These owners, by not residing on the island for more than six months, place fewer demands on city services, and yet, under Bill 46, they would be penalized for not occupying or renting out their properties. This contradicts the tax's intended purpose to address resource usage and affordable housing, as it unfairly targets those who do not add to the demand on local infrastructure and services. Furthermore, penalizing life-long O'ahu residents tens of thousands of dollars for simply traveling off-island for more than six months in any given year risks pushing more of our talented people to other locations, while doing nothing to solve the housing crisis. Put quite simply, if a homeowner does not own a second home on O'ahu, he or she should NOT be charged an empty home tax, should this bad policy in fact become law.

Furthermore, many property owners who would be snared by an empty home tax have no desire to rent their homes for six months or more in any given year, for fear they would not regain control of their homes upon returning to O'ahu. What happens if a renter refuses to leave? The eviction process alone, which includes mandated mediation with the tenant, can take many months and cost tens of thousands of dollars in legal fees.

4. Await the Results of Study Commissioned by BFS

The city's Department of Budget and Fiscal Services has commissioned a study to examine how an empty home tax, if constitutionally allowed, could be implemented on O'ahu and at what cost. The City Council should await the results of this study before considering Bill 46 further. As noted in Departmental Communication 620 on Aug. 20, 2024, Bill 46 "may not fully recognize the required staffing, resources and timetable to properly implement this type of program."

In conclusion, while the empty home tax (Bill 46) aims to address O'ahu's pressing housing needs, I respectfully oppose Bill 46 due to its potential to discourage ADU development, its exposure to constitutional challenges, its fundamentally unfair burden on certain property owners, and the need for a BFS contractor to complete a study on what it would take to implement an empty home tax. Instead of punishing homeowners by clobbering them over the head with an empty home tax, the City Council instead should focus on solving the longstanding permitting and regulatory issues that have made the speedy construction of new homes on O'ahu almost impossible.

Mahalo for considering my testimony and viewpoints.

Aloha,

AP

Name:	Email:	Zip:
Jason Monson	jasonmonson@gmail.com	96825
Representing:	Position:	Submitted:
Self	Support	Nov 4, 2024 @ 04:09 PM

Testimony:

Dear Council Members,

I'm writing to show my strong support for the Empty Homes Tax Bill 46 (2024). We need this bill to help solve Honolulu's housing problems. Let's make sure Oahu's housing is for Oahu's people.

Honolulu is in a housing crisis. This is one of the most expensive places to live and it has become too expensive for many local families to stay together here. It is sad to see our young people leaving the state and to see those who stay struggling financially only to the benefit of those who can afford investment properties that drive up our housing costs. The 2020 US Census showed there are over 34,000 empty homes in our city. These homes could be used by local families who need them.

The Empty Homes Tax will push owners to either rent out or sell their empty homes. This will give more housing options to the people who live and work here. Plus, it will help lower rents and prices by reducing competition.

This bill is ready. It's the third attempt in over five years, and it addresses many previous concerns. We know it will bring in money for Honolulu, as it has in other cities, from those who choose to pay the tax and keep their homes vacant. In other cities, those funds are substantial and can and should be used by the city for genuinely affordable housing and homelessness. Let's pass it so the City can start using it.

Our residents are ready, too. Every day, 185 people leave Hawai'i because they can't find affordable housing. O'ahu's homelessness rate went up by 12% last year. More than 70% of O'ahu voters support a tax on empty homes. It's time to take action.

The money from this tax should go towards affordable housing and homelessness programs. I strongly urge the council to earmark 100% of the funds raised for affordable housing and homelessness. Even if only 50% of the revenue is used, it will help build many homes for local families.

In short, the Empty Homes Tax Bill 46 (2024) will help Oahu's residents find affordable housing. I strongly urge the Council to pass this bill and make our housing market fairer.

Thank you for your attention.

Sincerely,

Jason Monson

Name:	Email:	Zip:
Levi Brooker	levibrooker@gmail.com	96707
Representing:	**Position:**	**Submitted:**
Self	Support	Nov 4, 2024 @ 04:31 PM

Testimony:

While the only actual solution to combat the housing crisis on Oahu is to incentivize developers to quickly build a ton of high density affordable housing, I am supportive of Bill 46 (24) CD1 because at least this version ensures that legal 30-day rentals in Ko Olina will not be taxed as empty homes. I also support amendments that ensure that any permitted occupancy, including that of the owner, can be combined to meet the 6 month minimum occupancy (ie an amendment to change the exemption for a dwelling unit that is "the principal residence of one or more of the owners for at least six months in the tax year" to a "dwelling unit (that) is physically occupied by an owner, renter, or other permitted occupant of the property for an aggregate total of six months or more in the tax year").

Name:	Email:	Zip:
Jim Tree	ssitree@aol.com	96707
Representing:	**Position:**	**Submitted:**
Self	I wish to comment	Nov 4, 2024 @ 04:45 PM

Name:	Email:	Zip:
Paul & Susan Latham	susanlatham@comcast.net	96707
Representing:	**Position:**	**Submitted:**
Wai Nani LLC	Oppose	Nov 4, 2024 @ 06:24 PM

Name:	Email:	Zip:
Claudia Parker	cparker@parkerlawgroup.com	96789
Representing:	**Position:**	**Submitted:**
Self	Support	Nov 4, 2024 @ 07:36 PM

Testimony:

We are Kamaaina kupuna on fixed incomes who live in Mililani and have worked long and hard to be able to afford to buy

and maintain our condo in Mokuleia which has always been my "healing place" over the years, a place that nourished and comforted me after several major health issues over the years. In fact, we spend several days out of each week at our Mokuleia place and our children and grandchildren who live on the mainland come to visit us and stay at our Mokuleia place, as well as special friends. Our Mokuleia place is far from empty!

• We acknowledge that our island needs more housing for our residents. Although building housing is #1 solution, it does not make sense to allow the continued growth of truly “empty” homes (which ours is most definitely NOT).

• I support Bill 46 (24) CD1 which allows multiple rentals to be included in the minimum of 6 months. This ensures that mid-term rentals, or 30 day rentals are not taxed as empty homes.

• I support amendments that ensure this tax does not hurt our residents and that any permitted occupancy, including that of the owner, can be combined to meet the 6 month minimum occupancy. I support an amendment to change the exemption for a dwelling unit that is "the principal residence of one or more of the owners for at least six months in the tax year" to a "dwelling unit (that) is physically occupied by an owner, renter, or other permitted occupant of the property for an aggregate total of six months or more in the tax year"

• Zillow and MLS show approximately 9,500 furnished, monthly rentals on our island. Events like the Red Hill Crisis and Maui Wildfires require that our islands have temporary, furnished housing for our residents. Without monthly rentals, returning residents will have no affordable options. The newly housed or job/ credit insecure will have no housing options. Our healthcare systems will collapse without accommodations for traveling nurses. The military, universities, film and sporting industries all rely on monthly rentals. We have rented our place to visiting government contractors who stay for a month. We cannot afford to eliminate this vital housing segment through excessive taxation or undue regulations.

Name: Damian Ameen	Email: dameen5086@aol.com	Zip: 96707
Representing: Self	Position: Oppose	Submitted: Nov 5, 2024 @ 04:19 AM

Name: Leane Horton	Email: leanehorton@hawaiilife.com	Zip: 96712
Representing: Self	Position: Support	Submitted: Nov 5, 2024 @ 09:49 AM

Testimony:

I support this Bill:

Our island needs more housing for our residents. Although building housing is #1 solution, it does not make sense to allow the continued growth of “empty” homes.

I support Bill 46 (24) CD1 which allows multiple rentals to be included in the minimum of 6 months. This ensures that mid-term rentals, or 30 day rentals are not taxed as empty homes.

I support amendments that ensure this tax does not hurt our residents and that any permitted occupancy, including that of the owner, can be combined to meet the 6 month minimum occupancy. I support an amendment to change the exemption for a dwelling unit that is "the principal residence of one or more of the owners for at least six months in the tax year" to a "dwelling unit (that) is physically occupied by an owner, renter, or other permitted occupant of the property for an aggregate total of six months or more in the tax year"

Zillow and MLS show approximately 9,500 furnished, monthly rentals on our island. Events like the Red Hill Crisis and Maui Wildfires require that our islands have temporary, furnished housing for our residents. Without monthly rentals, returning residents will have no affordable options. The newly housed or job/ credit insecure will have no housing options. Our healthcare systems will collapse without accommodations for traveling nurses. The military, universities, film and sporting industries all rely on monthly rentals. We cannot afford to eliminate this vital housing segment through excessive taxation or undue regulations.

Name:	Email:	Zip:
Maureen Oberacker	antiqconn@msn.com	96813
Representing:	Position:	Submitted:
Self	Support	Nov 5, 2024 @ 10:26 AM

Testimony:

I support bill046(24) The housing shortage "crisis" has been an issue for decades. Homes and condos are purchased by foreign or non-resident owners for occasional visits (buy/sell or rent short-term for profit). There is also deceit where buyers say they will be the owner-occupant in oder to be able to purchase condo and get good mortgage rate or to avoid paying taxes+ on rentals. The cost of buying or renting a home/condo has continually escalated as a result and many locals will never be able to buy a home (average cost is $1.1 million). The workforce have been forced to move farther away from where they work. And, they often work 2-3 jobs to pay rent (or pay the mortgage) plus pay for basics and they still rely on credit cards. It equates to more time away from home, more time on the road (creating more traffic for everyone) and less time with family/friends enjoying living in Hawaii. We live on an island so we have limits on where we can build/live and too many locals have been priced out of Hawaii and forced to move to the mainland leaving friends and ohana behind. I just met another local who works in the nursing field who told me she and her family have to move to the mainland. They have been on the list for Hawaiian housing for 3 decades but can't afford to stay.

WE NEED TO ADDRESS THE HOUSING SHORTAGE "CRISIS" NOW. New construction takes years with land acquisition, permits, plans, hiring crews, ordering materials, bringing them in by containers+++

THE EMPTY CONDOS/HOUSING ALL READY EXIST. This bill makes sense and we need to do what's right for our residents (your constituents). This bill will help to house our work force, our local families, our aging population and our homeless population. Our island is filled with homeless individuals and families "our ohana" who not to long ago had housing. Sadly,

there are also many whose downward spiral started years ago. Some of the individuals I talk to on the street are on long waiting lists for housing. Sadly, they lost their homes from escalating rents (price gouging since covid) or were told by owners they were doing renovations and then they doubled the rent making it impossible to afford to move back in. They also share personal stories of health challenges, losing their jobs or that jobs don't pay enough to keep or qualify (*) for current housing costs so they end up on the street. It is easy to spiral when people have no hope and don't see any light at the end of the tunnel. (*)Some management companies in recent years require potential renters to have income 3 x's the monthly rent or pay up to 6 months rent up front (dispersed to the owner of the property monthly since it is illegal).
WE NEED TO PASS THIS BILL NOW and dedicate 100% of the funds to housing and homelessness where it is needed.
The government will benefit from the taxes generated from the sale of homes and long term rental taxes.

Name:	Email:	Zip:
Sigrid Southworth	sigsouth@gmail.com	96822
Representing:	Position:	Submitted:
Self	Support	Nov 5, 2024 @ 10:47 AM

Testimony:
We have allowed Oahu to become a haven for investment homes that sit empty for too much of the year. While this is happening, we go on building more and more houses on our precious available land, to try to provide housing for residents. It is time to insure that existing housing be made available to residents AND that a very hefty surcharge be imposed for the privilege of allowing a residence to sit empty. We simply cannot go on developing every inch of available land...the island cannot sustain that. Construction needs to be for people whose home this is.

I taught at Kamehameha Schools for 37 years and am particularly concerned for our kanaka maoli children who are being forced to live away from Hawaii because of the housing and cost of living constraints here. It is time to pass this bill.
Thank you.

Name:	Email:	Zip:
Nils and Laurie Yamamoto	lpy8528@gmail.com	59101
Representing:	Position:	Submitted:
Self	I wish to comment	Nov 5, 2024 @ 11:44 AM

Testimony:
I was born and raised in Hawaii. My wife and I had professional careers on the mainland. Upon retirement , we purchased a townhome in Hawaii Kai. This is our second home, and for the last 10 years we have come home to Hawaii for several months each year to reunite with relatives and friends. We have a church family and truly consider Hawaii our home. We allow family and friends to stay at our place when we are not there and do not accept monetary compensation of any kind.

Name:	Email:	Zip:
Michael Marks	michaelmarks8@gmail.com	96816
Representing:	Position:	Submitted:

Self	Support	Nov 5, 2024 @ 12:53 PM

Testimony:

Our island needs more housing for our residents. Although building housing is #1 solution, it does not make sense to allow the continued growth of “empty” homes.

I support Bill 46 (24) CD1 which allows multiple rentals to be included in the minimum of 6 months. This ensures that mid-term rentals, or 30 day rentals are not taxed as empty homes.

I support amendments that ensure this tax does not hurt our residents and that any permitted occupancy, including that of the owner, can be combined to meet the 6 month minimum occupancy. I support an amendment to change the exemption for a dwelling unit that is "the principal residence of one or more of the owners for at least six months in the tax year" to a "dwelling unit (that) is physically occupied by an owner, renter, or other permitted occupant of the property for an aggregate total of six months or more in the tax year"

Zillow and MLS show approximately 9,500 furnished, monthly rentals on our island. Events like the Red Hill Crisis and Maui Wildfires require that our islands have temporary, furnished housing for our residents. Without monthly rentals, returning residents will have no affordable options. The newly housed or job/ credit insecure will have no housing options. Our healthcare systems will collapse without accommodations for traveling nurses. The military, universities, film and sporting industries all rely on monthly rentals. We cannot afford to eliminate this vital housing segment through excessive taxation or undue regulations.

Name:	Email:	Zip:
Keith Webster	KEITHHAWAII@YAHOO.COM	96744
Representing:	**Position:**	**Submitted:**
Self	Support	Nov 5, 2024 @ 01:57 PM

Testimony:

I'm writing to ask for your support for Bill 46 CD1, the Empty Homes Tax. This crisis has gone on too long and has gotten far too bad. It's difficult for our families who must choose whether to split up or to all leave the islands. Our young people cannot hold early career jobs and afford space to start a family. This is not sustainable.

Bill 46 does not solve the problem but it's a strong step in the right direction. It prioritizes our local housing for local people and will provide significant funds to build more housing affordable to our local working families.

The housing market on Oahu is no longer connected to the local economy. Yet, the high value of our homes assumes and requires a vibrant local economy. Something has to change. Please make this important step to house our local families and support our local economy.

Thank you,

Keith Webster
Kaneohe

Name:	Email:	Zip:
Richard Tillotson	rtillotson@hawaii.rr.com	96822
Representing:	**Position:**	**Submitted:**
Self	Support	Nov 5, 2024 @ 02:00 PM

Testimony:

Dear Council Members,

Oahu's housing crisis affects all of us. No matter which district you represent, Bill 46 will improve the quality of life for the majority of your constituents. The visual blight on our streets, the dangerous parks where many now fear to go, these things and many more CAN be addressed. It is within your power to prioritize Oahu's housing for Oahu's people. Bill 46 will not only increase the available housing stock for Oahu's people, it will also provide a steady source of funding to build new affordable housing and do it without long construction delays or NIMBY concerns.

The example of Vancouver shows this works! The years of effort drafting and re-drafting Bill 46 has made this policy doable for us. What is required now is the political will from each of you to prioritize what's best for the majority of your constituents, not a minority of them.

Please vote YES on Bill 46.

Mahalo for considering my testimony and thank you for your service.

Aloha,
Richard Tillotson

Name:	Email:	Zip:
Brian Deagle	briandeagle@outlook.com	96797
Representing:	**Position:**	**Submitted:**

Self	I wish to comment	Nov 5, 2024 @ 03:13 PM

Testimony:

Aloha Budget Committee:

I want to start by saying that I, and everyone I know, fully supports the goal of making housing more affordable. I also support the goal of incenting dwellings that are truly vacant to become physically occupied.

If you elect to pass Bill 46 out of the Budget Committee then I urge you to make the following changes to ensure that Bill 46 does not hurt local families:

1. Remove the requirement that a dwelling be the occupant's “Principal Residence”.

A person may only have one principal residence according to the definition in Bill 46 which means that local residents that have inherited legacy homes or have saved to purchase second homes for family members to use will be disproportionately affected by the Empty Homes Tax. The council has heard from many of these local residents that have inherited or purchased second homes. Councilmember Esther Kia’aina’s version of Bill 46 has an Exemption 1 that will cure this problem by including this exception:

“The dwelling unit is physically occupied by an owner, renter, or other permitted occupant of the property for an aggregate total of six months or more in the tax year;”

2. Place a cap on the Empty Homes Tax.

Placing a cap on the EMT will reduce the administrative burdens, lessen the chances of legal claims against the Bill, and result in a better chance of meeting the goals of Bill 46. A cap will also be consistent with other major U.S cities that have imposed an Empty Homes Tax. The amount of the tax cap is not as important as including a cap, provided the capped amount is reasonable. Considering current tax rates, a cap of $7400 is reasonable and will likely remove the incentive for the wealthy to fight it in court. The council could also accomplish a similar goal by foregoing an Empty Homes Tax and create a new Property Tax Category for properties that are not physically occupied at least 6 months per year, and tax those dwellings at a rate of 1.14%.

3. Waive Penalty for Removal from Residential Dedication.

To help accomplish the goal of getting vacant properties into the rental pool consider removing the penalty for removing properties from Residential Dedication and placing them in a rental pool as a TVU or as Hotel units. Those owners that remove their properties from Residential Dedication and place themselves in the Hotel property tax category will incur an increased property tax rate. To facilitate this motion, the City should waive the prior year look back tax assessment and the 10% penalty for removal from Residential Dedication, for one or two years from the effective date of Bill 46.

Mahalo,

Brian Deagle

Name:	Email:	Zip:
James Parker	jamiecparker@aol.com	96789
Representing:	Position:	Submitted:
Self	Oppose	Nov 5, 2024 @ 04:07 PM

Testimony:

I oppose this bill because it will do very little to achieve the proposed goal of this bill, and it will invite a multitude of lawsuits that will only add to an already heavy property tax burden paid for by local property owners.

Name:	Email:	Zip:
Deanna Espinas	espihawaii@juno.com	96816
Representing:	Position:	Submitted:
Self	Support	Nov 5, 2024 @ 05:40 PM

Testimony:

I am in strong support for Honolulu finally passing an Empty Homes Tax. This is a good beginning to address the housing needs of our children and families, as well as the the families of many others in Hawaii's community.

Thank you for your efforts to resolve our housing crisis.

Name:	Email:	Zip:
Michael Elliott	mike_elliotthi@icloud.com	96701
Representing:	Position:	Submitted:
Self	Support	Nov 6, 2024 @ 11:46 AM

Testimony:

My name is Michael Elliott. I'm a service disabled vet and have taken on two remote work jobs to be able to afford to live in Hawaii. I'm a 20+ year resident in Wailuna on Kaahumanu St in Aiea. Over the past 20 years we have seen small 3-5% increases in our HOA dues. This year we got hit with an assessment and 164% increase because of insurance. Was no annual appraisal being done for all these years? We had to pay an assessment to pay the insurance shortfall which was revised to $2500. Our current HOA dues are $641. We are now being asked to pay an additional $1200/month for $1841/month. This is nearly a mortgage payment.

Nothing has been done by the state to address this to date except lip service. This is the type of problem that government should be focusing on. You are facing billions being sucked out of the state economy. Due to these increases I won't have the money to pay these new HOA dues. My wife and I are thinking the best option is to sell our home and move to the mainland.

The problem the HOA said was at the core of the increase is that insurance companies have pulled out of the market. There are now only 3 that provide the type of coverage HOAs seek. This isn't a choice it is a trap.

The HOA law needs to be looked at and revised as this is the catch all the HOA uses when they say they don't have a choice. Do we need HOAs at all? My home insurance with USAA hasn't gone up.
We need to fix this before we see a new exodus of people from Hawaii and billions going to mainland insurance companies.

Name:	Email:	Zip:
Benjamin Sadoski	bsadoski@5.unitehere.org	96826
Representing:	Position:	Submitted:
UNITE HERE Local 5	I wish to comment	Nov 6, 2024 @ 02:38 PM

Name:	Email:	Zip:
Mike Nguyen	mnguyen129@gmail.com	96813
Representing:	Position:	Submitted:
Self	Support	Nov 6, 2024 @ 04:08 PM

Testimony:
Please support this. Please dedicate funding to affordable housing. And please avoid any amendments to create loopholes that don't result in homes being occupied by owners or renters.

Name:	Email:	Zip:
Roberta Morgan	robertamorgan@mac.com	96707
Representing:	Position:	Submitted:
Self	I wish to comment	Nov 6, 2024 @ 06:14 PM

Testimony:
This bill's stated purpose is "intended to address the City's dual crisis of homelessness and a lack of affordable housing that arise from inadequate housing supply and inadequate funding to address these problems." While this is a noble and worthy goal, this bill in its current form is not the proper way to accomplish it. Andrew Kawano, Director of the Department of Budget and Fiscal Services sent a letter to the Committee on Housing, Sustainability and Health stating that while his department "supports the intent of implementing an Empty Homes Tax" there are concerns and "a consultant has been selected/awarded and will provide guidance on if, how and when the City should properly pursue an empty homes tax program." Since the consultant has nor finished their assignment to determine even IF an empty homes tax should be pursued, it seems premature to pass this bill.

If you must pass an Empty Homes Tax, would you please consider some changes to this bill?
1) Allowing each residential property owner to have one exempt property, whether it is their principal residence or not, would ease the administrative paperwork burden on both property owners and city staff.
2) Use Council member's Kia'aina's proposed change to exemption 1 so that the property doesn't have to be the principal residence and the property only needs to be occupied at least six months in the tax year.
3) Reduce the supplemental tax to no more than 1.1% with a cap of $7400 or another reasonable amount. I believe CD2-CS1 proposed by Council Member Say includes having a cap.

4) Consider an additional exemption for unique properties that are in a resort zone but are allowed to opt into residential. Certain condominium projects, such as the Beach Villas at Ko Olina, have specific wording in their documents that allow for multiple uses, including hotel, short term, and residential. It seems that the land use and zoning for these unique projects would preclude any proposed tax. Owners who bought into these projects bought with the understanding they could be used as second / vacation homes.

Thank you for your time and consideration of these suggestions. I believe that all property owners would willingly pay reasonable property taxes but this bill, as written, is just not reasonable. There must be a better way to help alleviate the housing problem here on Oahu without encountering unintended negative consequences that will surely happen if this current bill is passed.

Thank you for your consideration.
Roberta Morgan

Name:	Email:	Zip:
Jon Tavares	jjt8@hawaii.edu	96734
Representing:	Position:	Submitted:
Self	Support	Nov 6, 2024 @ 06:33 PM

Testimony:
Aloha, my name is Jon Tavares, and I was born and raised here on Oahu, my home town is Kailua. I am here today in strong support of Bill 046, the Empty Homes Tax. This bill represents an essential step in addressing the housing crisis that has been affecting our community for far too long. As a local resident I have seen first hand how difficult it is for family and friends to find affordable housing on the island. Despite working hard and contributing to the community, many locals are priced out of the housing market because so many homes are sitting vacant, owned by investors or wealthy out-of-state buyers who have no stake in our neighborhoods. There are about 35,000 homes sitting vacant in the state of Hawaii and this restriction of available homes has driven up prices for local residents. I have relatives that have moved to Las Vegas because of how hard it is to live in Hawaii with the way housing prices are right now. I almost feel like every local person I know has friends or family that have moved away for this reason and it is a problem. I absolutely love my home and if I were to have to say one thing wrong about it, it would be housing. I will soon be a first time homebuyer or renter and it sickens me to have to legitimately consider moving to the mainland because I am not sure if I will be able to make a good enough living just to have somewhere to lay my head at night. Bill 046 encourages these vacant homes to either be rented out or sold, bringing them back into the market for local families and individuals who desperately need a place to live. By taxing empty homes, this bill will discourage absentee ownership and generate revenue that can be used to fund affordable housing initiatives. This is something that the local community needs now more than ever. By implementing just a 3% tax on these vacant homes, the state of Hawaii can expect an annual revenue of about $183 million to put towards affordable housing and homelessness. This would do wonders for local families and first time home buyers who are being pushed out by ridiculously high prices for housing. Some may argue that this bill is unfair to property owners, but I believe that homeowners who have the privilege of owning property in Hawaii have a responsibility

to contribute to the well-being of our community. If they can afford to keep a home empty for the majority of the year, then they should also contribute to solving the housing shortage that affects us all. This bill is about prioritizing the people who live and work here, not absentee owners who see Hawaii as an investment rather than a home. Personally I am very worried about the future of Hawaii because of this problem. Hawaii is just not Hawaii without our local residents and right now they are being pushed out. I would love to continue living here for the rest of my life and raise my family here but if nothing is done to help relieve the pressure of housing in Hawaii I just don't know if that can be a real possibility for me. I urge the council to pass Bill 046 and help make our neighborhoods more accessible and livable for all. Thank you for listening to me.

Name:	Email:	Zip:
Piper Neri	pipern@hawaii.edu	96822
Representing:	Position:	Submitted:
Self	Support	Nov 6, 2024 @ 07:08 PM

Name:	Email:	Zip:
Valerie Wayne	vwayne@hawaii.edu	96822
Representing:	Position:	Submitted:
Self	Support	Nov 6, 2024 @ 08:47 PM

Testimony:

I support Bill 46 on the Empty Homes Tax. This bill has been through three revisions already, and it is based on the very successful experience of an empty homes tax in Vancouver, Canada. It will help convert existing empty homes into housing for our state's residence and produce significant annual tax revenue. 74% of residents support this measure.

I ask for your continuing and strong support of Bill 46.

Name:	Email:	Zip:
Ellen Carson	egcarson@icloud.com	96814
Representing:	Position:	Submitted:
Self	Support	Nov 6, 2024 @ 09:49 PM

Name:	Email:	Zip:
Ellen Godbey Carson	egcarson@icloud.com	96814
Representing:	Position:	Submitted:
Church of the Crossroads (Honolulu)	Support	Nov 6, 2024 @ 09:56 PM

Name:	Email:	Zip:
joslyn aykroid	jaykroid@hawaii.edu	96816
Representing:	Position:	Submitted:
AMST	Support	Nov 6, 2024 @ 10:13 PM

Name:	Email:	Zip:
GALEN FOX	galenwfox@gmail.com	96813
Representing:	Position:	Submitted:
Self	Support	Nov 6, 2024 @ 10:22 PM

Testimony:

Councilmembers:

UHERO's "Hawaii Housing Fact Book" tells us we face "an extreme affordability crisis." Only 20% local households are able to afford the mortgage on a median-priced, single-family home. Largely due to our housing crisis, the number of employed workers here is 30,000 below pre-Covid levels. They're gone.

Appleseed's recent report advocating an Empty Homes Tax found that our high rents mean 80% of Oahu renters spend at least 30% of their income on housing, leaving them "severely housing cost-burdened." Renters' living costs this year in real terms are up 4.9%!

The outside world bids up local real estate prices. Residents can't compete. We lose to the mainland younger workers and others who don't own homes or can't afford escalating rents. You feel their pain, I know. You feel compelled to pass BILL046(24) in its present form, or to commit 100% of revenues collected from the tax to housing for local residents. You will do right.

Aloha, Galen Fox

Name:	Email:	Zip:
Brooke Schroeder	brooke25@hawaii.edu	96826
Representing:	Position:	Submitted:
University of Hawai'i at Mānoa	Support	Nov 6, 2024 @ 10:36 PM

Testimony:

To the members of the Honolulu City Council,

My name is Brooke Schroeder, a student at the University of Hawai'i at Mānoa, and in this testimony students, residents, and many other supporters are addressing amplifying and passing the Empty Homes Tax under Bill 046. This bill can potentially address O'ahu's housing and homelessness crises straight on, leaving lasting positive impacts for the future of Hawai'i.

As someone who has had the privilege of living in O'ahu for five years, I have seen the stark contrast between the disturbing number of empty homes and homeless people from simply walking to campus or the grocery store. O'ahu is celebrated for its rich culture, diversity, and strong community spirit; what good is it for people to contribute to the community here when there is an obvious struggle to cater housing for the residents? The housing situation is leaving many who contribute to this community without stable housing and, not only that, but the problem arises from properties sitting vacant in broad daylight!

A solution to this problem would be implementing an Empty Homes Tax (Bill 046), but the major concern of implementing this tax would be deterring investment towards the city in general. That is simply not true or the goal of this bill. The Empty Homes Tax would provide a clear incentive for the property owners to make their homes available to the people of Hawai'i and locals by renting, selling, or utilizing them. Revenue from the empty homes tax can be allocated toward funding affordable housing projects, rent subsidies, and homeless services. This direct funding source would allow Honolulu to address these pressing issues without relying solely on external funding. Imposing a tax on vacant properties will increase the number and supply of homes available by bringing more homes into the active housing supply, ensuring that the investment benefits the community as a whole and not deterring it.

I have mentioned community a lot in this testimony, but what about the side of the property owners and the challenges that can arise from this? With this, accountability is critical in addressing the housing crisis, and in return, this tax can help with fairness and equality for everyone. The goal would be for there to be exemptions for certain circumstances that are most common such as renovations and actively selling property; in the end, again there needs to be accountability and action taken for this process as a whole from the homeowners. These actions can include monitoring and reporting the vacant homes which would not only help rebuild the community trust, allow for sustainability within our small land so more people can live in the same area, reinvigorate local areas without the need for new developments, create safer and more vibrant communities, and take meaningful strides towards a sustainable future. The list goes on! Research from the Honolulu Department of Planning and Permitting shows that there is indeed a correlation between high housing prices and a decline in community well-being. Just two years ago, there was a report issued by this Department showing the statistics between low-income renters in Hawai'i per 100 houses there are only about 28 affordable units available! That is quite the imbalance for the fact that Hawai'i is built upon the community and people here. The fact of the matter is that this severe shortage threatens the future of communities. There needs to be a solid incentive and thoughtful approach for not only the increasing demand for affordable homes but also for support of homelessness and improving infrastructure around the island bit by bit.

This problem has been going on for too long and we urge for a solution that we desperately need. Without meaningful action, the situation of this crisis will only worsen if put off any longer. Together, the people and locals of O'ahu can reclaim our sense of community, build a stronger foundation under Bill 046, and adopt solutions to overcome this crisis that is happening right now.

Thank you for your time and consideration as we advocate for this uprising issue and consider this vital measure.

Brooke Schroeder, a student at the University of Hawai'i at Mānoa

Name:	Email:	Zip:
Macy Kaufman	macy.grayce15@gmail.com	96744
Representing:	Position:	Submitted:
Self	Support	Nov 6, 2024 @ 10:38 PM

Testimony:

My name is Macy Kaufman. I am a student at the University of Hawaii at Manoa and I am in support of Bill 46(24). I think it is extremely important to keep local and native families in Hawaii and there are so many empty homes, buildings, and properties that could be filled by local families. This bill can help discourage international conglomerates from buying up

property just for the buildings to sit empty.

Name:	Email:	Zip:
Jaden Vargas	jadenvargas2021@gmail.com	96822
Representing:	**Position:**	**Submitted:**
Self	Support	Nov 6, 2024 @ 11:04 PM

Testimony:

I am writing to express my deep support for Bill 46, the Empty Homes Tax. This tax will help relieve those in need of affordable housing and the overall crisis that is occurring with housing in Oahu. While this will be the outcome with the implementation of the tax, those targeted by this tax are rightfully targeted, as the tax focuses on those having property meant to be used as a vacation home, which would only be occupied very minuscule times throughout a year. This will push the homeowners who operate in this way to lease their home out during the times they do not occupy it themselves, leading to occupants. Oahu is a designated place that sees this issue very prevalent, having thousands (~35,000) of homes unoccupied for both the idea of vacation homes and for having a competitive housing market. We need to have consideration for local families struggling to find affordable housing and are then forced to give up everything and move off the island. The tax will save these families and keep locals staying local to their native land.

The Empty Homes Tax will serve to incentivize property owners to rent or sell unused homes, and could also generate a steady tax income that can be allocated towards affordable housing projects. This will then lead to other issues that Oahu faces being fixed which are homelessness and housing insecurity.

Name:	Email:	Zip:
Christy MacPherson	iainandaustin@hotmail.com	96817
Representing:	**Position:**	**Submitted:**
Self	Support	Nov 7, 2024 @ 12:26 AM

Testimony:

Aloha Chair Cordero and Councilmembers,

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 bring in revenue for affordable housing creation for our island residents at this time. However, the Empty Homes Tax is one that will have a significant and positive impact on funding for the City and County of Honolulu. Any noted flaws in Bill 046 can be addressed during this special Budget Committee meeting and I look forward to the passage of this critical measure.

Mahalo for your consideration, Christy K. MacPherson

Name:	Email:	Zip:
Crystal Dias	diascrystal06@gmail.com	96814
Representing:	**Position:**	**Submitted:**

Self	Support	Nov 7, 2024 @ 01:31 AM

Testimony:

Hello, My name is Crystal I am part of the Local 5 Union and I wanted to just leave a written testimony on why this is so important to me and my family.

I currently reside in an affordable living condo right in the new up and coming Ward urban area.

I see Waiea Condo and personally know people that live there time to time. I love my area however a lot of these condos don't have families that could utilize that space. Some are still vacant.

And don't get me started on that expensive bridge that is currently being built.

Every time a new condo is built we have to pay a higher rent increase and a deposit....I'm a single mom now working two jobs and i'm exhausted. My daughter is home by herself when i'm at work.

Even if she is old enough to be alone she needs me as a parent , Homework, supervision ,etc.

Our future is our children, is our economy, is our housing, is our safety, is our job security, is our health and well being.

If there is a way that we could get more housing built or to be available, affordable, and utilized in a smarter way. I guarantee you, that you would see less homelessness, less behavioral health issues, less crime. Most crime nowadays are youth the younger generation. The parents are all working multiple jobs to pay rent, utilities etc. we can't always be home anymore with our kids. And our Native Hawaiian people are all leaving..

You find more local people in Vegas (the 9th island) now than i see within my area code of 96814.

We want to keep our people home but we can't afford it anymore.

This is why we have more homelessness and crime.

Even if this bill 46 may not seem like such a big impact at the moment i think it is one small step to a big progress.

Please, take it into consideration and help our Islands future for our people and our children our culture and our land. We only have one Hawaii.... Thank you and kind regards , Crystal Dias (Local 5- unite here)

Name:	Email:	Zip:
Laura Pokipala	pachecolk@yahoo.com	96744
Representing:	Position:	Submitted:
Self	Support	Nov 7, 2024 @ 05:26 AM

Testimony:

Please keep Bill 46 alive with its current language. The people in Hawai'i need housing relief and the lack of affordable inventory for families has created situations with 4 generations of families living in one apartment. The mixed income developments taking over public housing will be unaffordable to professionals, and will limit even further public housing opportunities. These families live here and pay taxes here, while non-residents pay little to no taxes and their apartments and homes sit empty. If they want to keep it empty, then pay a Empty Home Tax that can house many more local people.

Name:	Email:	Zip:
Keep it Kailua	keepitkailua@hotmail.com	96734
Representing:	Position:	Submitted:
Keep it Kailua	I wish to comment	Nov 7, 2024 @ 07:03 AM

Name:	Email:	Zip:
Stu Simmons	stu_simmons@hotmail.com	96817
Representing:	Position:	Submitted:
Self	I wish to comment	Nov 7, 2024 @ 07:27 AM

Name:	Email:	Zip:
Ross Isokane	isokane@gmail.com	96813
Representing:	Position:	Submitted:
Self	Support	Nov 7, 2024 @ 07:52 AM

Testimony:

I support Bill 46 and the empty homes tax. It's a measure that helps to address a crisis that's, in part, driven by speculative investing.

Our people suffer without affordable housing. The empty homes tax is a smart policy tailored to influence behavior for the public welfare.

There will be challenges, both implementation and lawsuits (especially if proposed changes to the currently-approved version of the bill keep getting added that make the tax more vulnerable to constitutional challenges), but I believe our City should not shy away from challenges when our people have been hurting for so long and speculative investing continues to make the situation worse.

Name:	Email:	Zip:
Mahealani Ioanis	mioanis03@gmail.com	96822
Representing:	Position:	Submitted:
Self	Support	Nov 7, 2024 @ 09:08 AM

Testimony:

I am in support of the empty homes tax because the cost of housing are climbing to levels that are pushing out locals and native people. It is baffling to see how there are those who pay such a low task while not staying in their homes for at least half the year. If you can afford a home that you don’t even have as a primary residence is it really necessary for you to have this home? If a Californian can afford another home they do not live in for most of the year then they can afford higher tax.

Name:	Email:	Zip:
Max Bielawski	max96779@gmail.com	96826
Representing:	Position:	Submitted:
Self	Support	Nov 7, 2024 @ 09:38 AM

Testimony:

I’m writing in support of Bill 46, I am at the Univeristy of Hawaii at Mānoa , from Maui, who now resides in Honolulu. I currently serve as the Senator-at-large for ASUH, and am an advocate for affordable housing solutions, and in my opinion this bill will open up the housing market not only by creating supply immediately, it can also change the type of real estate

development currently ongoing in Hawaii, and to turn away from investment luxury property into homes that families can live. Students like me often have a hard time looking for housing, so with that in mind I would like the city council to pass this bill.

Name:	Email:	Zip:
Madison Hagge	mhagge@hawaii.edu	96734
Representing:	Position:	Submitted:
Self	Support	Nov 7, 2024 @ 09:39 AM

Testimony:
I support the empty homes tax because it is a straightforward approach to provide housing for those in need. By taxing properties that are left vacant, we can incentivize homeowners to either rent them out or sell them, thereby increasing the housing supply. This not only helps address homelessness and housing shortages but also encourages a more responsible use of existing resources in our communities. Overall, it's a practical solution that can lead to positive outcomes for both people and neighborhoods. I have seen close friends, coworkers, and mentors leave this island due to the unaffordable housing. I would love to see this island become a place where people are not forced to leave and can call this place their forever home and mean it.

Name:	Email:	Zip:
Stu Simmons	stu_simmons@hotmail.com	96817
Representing:	Position:	Submitted:
Self	I wish to comment	Nov 7, 2024 @ 09:45 AM

Name:	Email:	Zip:
David Arakawa	darakawa@lurf.org	96813
Representing:	Position:	Submitted:
Land Use Research Foundation of Hawaii	Oppose	Nov 7, 2024 @ 09:54 AM

Name:	Email:	Zip:
Albany Coate	galaxyjunkie10987@gmail.com	96822
Representing:	Position:	Submitted:
Self	Support	Nov 7, 2024 @ 09:54 AM

Testimony:
As a renting student in Hawai'i, finding accessible, affordable housing options has become increasingly unattainable. Finding even shared accommodations below $1000 is nearly impossible for many students for whom on campus dorming is not an option. Most of my time is spent in class, working, and researching for a paid internship, most of my income is spent on food and rent. So many constituents across O'ahu face similar barriers and struggle to obtain housing that meets their financial, living situation, and proximity related needs. I think about a system of collective care where those who do have the financial freedom and space to rent out their spaces, think about the multilateral impact their actions could have on their communities.

The Empty Homes Tax (Bill 46) provides a start to a sustainable solution to the housing crisis here on island. Through the use of existing infrastructure and encouraging homeowners to rent out their currently vacant properties to increase the quantity of spaces available, significant progress can be made to increase the amount of housed people on island. A 3% tax would be placed on homeowners who choose to keep their properties vacant, a tax that while considerable, the revenue generated from it would ideally be contributed toward the construction of more affordable housing and other improvements to this area. A substantial portion of the empty homes here on O'ahu are owned by investors whose primary residence is not located on island, buyers who invest in homes on island only to keep them vacant and take a usable, open property, from those who do reside here, further contributing to the housing crisis experienced by so many here.

The model of this tax has been used and has shown demonstrable success in other major cities like Vancouver, BC. Where there was an over 50% decrease in vacant homes across the city and $142M in revenue put towards affordable housing. Incorporating this tax and system here, would not heavily rely on new construction costs or finding space for new structures, and would instead prioritize housing local residents, generating revenue toward tackling this housing issue that so many of your constituents face daily.

Using the power and honor you all hold as City Council Members to work towards a better, more sustainable future of housing accessibility in Hawai'i would be beneficial to so many. Access to housing is a basic human need and to have a solution that would not require extensive additional construction, nor place burdens on those who truly could not bear them, but instead to consciously choose to utilize the thousands of empty properties that have the capability to house families and individuals who truly need them and would use that space in the way it was intended to be used. When thinking about an issue that impacts nearly everyone in some way here, it is housing. To have a role in finding solutions to this problem, is not only a privilege, but will have generational impacts for years to come.

Name:	Email:	Zip:
Christine Otto Zaa	ottozaa@gmail.com	96816
Representing:	Position:	Submitted:
Self	Support	Nov 7, 2024 @ 10:37 AM

Testimony:

Aloha Councilmembers,

I support the original version of Bill 46 BUT NOT the current CD1. The CD1 will have the unintended consequence of encouraging more illegal vacation rentals.

Please restore the below original language, which intended to discourage the conversion of empty homes to illegal vacation rentals:

"The dwelling unit is the principal residence of a renter or other permitted occupant of the property for at least six months in the tax year. Two rental or occupancy periods may be aggregated for the calculation of the six- month period; provided that any rental or occupancy of the dwelling unit for a term that is less than three months cannot be counted toward the six month period."

Let's focus on long term housing for residents.

Thank you,

Christine Otto Zaa

Kaimuki resident

Name:	Email:	Zip:
Maile Skinner	maileskinner@gmail.com	96791
Representing:	Position:	Submitted:
Self	Support	Nov 7, 2024 @ 11:11 AM

Name:	Email:	Zip:
Robert Gould	bob.gould@stanfordalumni.org	96744-2664
Representing:	Position:	Submitted:
Self	I wish to comment	Nov 7, 2024 @ 12:30 PM

Testimony:

I wish to testify by video conference in addition to my previously uploaded testimony

Name:	Email:	Zip:
Linda Wakatake	wakaangel@aim.com	96782
Representing:	Position:	Submitted:
Self	Support	Nov 7, 2024 @ 12:50 PM

Testimony:

Aloha,

We Need Revenue for Affordable Housing - As a community, we need revenue from the Empty Homes Tax to be dedicated to affordable housing initiatives. This funding is crucial for developing new affordable housing options and creating assistance programs for residents in need. Honolulu is facing an affordable housing crisis, and this revenue could make a real difference for our community.

Earmarking 100% of the tax revenue for affordable housing is essential to ensure funds directly support programs that address both immediate and long-term housing needs for local families. Dedicated funds could be used for a range of solutions, from affordable housing construction to rent assistance and support services, creating sustainable options for our community. We need to protect against budget diversion, ensuring that these resources remain focused on tackling Honolulu’s housing crisis.

Retaining the “Principal Residence” language is crucial to prevent loopholes that allow property owners avoid the tax by converting homes to short-term rentals, which have been linked to higher housing costs. Studies show that cities with

high numbers of short-term rentals see faster rent growth, suggesting landlords (aware of the higher returns possible from short-term rentals) may adjust long-term rental prices upwards to meet this income potential. Removing this language would weaken the tax's impact, reducing its effectiveness in generating revenue for affordable housing and potentially increasing housing costs.

Mahalo for your time,

Linda Wakatake

Name:	Email:	Zip:
Ted Kefalas	tkefalas@grassrootinstitute.org	37138
Representing:	Position:	Submitted:
Grassroot Institute of Hawaii	Oppose	Nov 7, 2024 @ 01:31 PM

Name:	Email:	Zip:
Sharon Moriwaki	senmoriwaki@capitol.hawaii.gov	96813
Representing:	Position:	Submitted:
Hawaii State Senate	Support	Nov 7, 2024 @ 01:47 PM

Name:	Email:	Zip:
Adrian Tam	v.delossantos@capitol.hawaii.gov	96813
Representing:	Position:	Submitted:
House of Representatives	Support	Nov 7, 2024 @ 01:51 PM

Name:	Email:	Zip:
Evan Oue	eoue@imanaka-asato.com	96744
Representing:	Position:	Submitted:
NAIOP Hawaii	Oppose	Nov 7, 2024 @ 01:56 PM

Name:	Email:	Zip:
Thomas M. McCamley	tmm21280n@hawaiiantel.net	96819
Representing:	Position:	Submitted:
Self	Oppose	Nov 7, 2024 @ 02:24 PM

Testimony:

If the political establishment here were truly interested in improving housing on Oahu they would of course seek to ease their taxation of rental housing. It is the highest tax-penalized activity a homeowner is ever likely to deal with. The income is subject to federal income tax, state income tax, and state excise tax on top of those (demanded quarterly no less). So all in, you're looking at 30% - 40% tax off the top on rental income - with almost no deductions (the mortgage you pay on the rental is certainly not deductible!). And what does Bill 46 do? - More taxes of course! So the plan is to tax local homeowners to death, if they - wait for it - refuse to create a rental stream of income on their property to be taxed three

times! From this perspective, it appears that Bill 46 is actually about forcing homeowners who are currently renting parts of their property on a lower cash basis to those needing housing to begin reporting the income to avoid the confiscatory Bill 46 “empty homes tax” - which means that in reality, Bill 46 will ultimately result in much higher monthly rental expenses for many already struggling people. This alone is justification for the strong opposition of this oppressive bill by anyone truly wishing to help those who are hurting.

Name:	Email:	Zip:
Jennifer Andrews	anakama@wik.com	96813
Representing:	Position:	Submitted:
Honolulu Board of REALTORS	Oppose	Nov 7, 2024 @ 02:56 PM

Name:	Email:	Zip:
Billy Woods	Haleiwa5051@gmail.com	96712
Representing:	Position:	Submitted:
Self	Oppose	Nov 7, 2024 @ 03:21 PM

Testimony:

I oppose this bill as a kanaka here on the north shore of Oahu Haleiwa facing this issue with a real estate mogul from new port beach real hard time with our family property that he bought into. Would be great if our native Hawaiian people that own land here could get the needed help from our state or government to help us under this circumstances. If anyone see’s this testimony and could be of help please reach out to me would be greatly appreciated moving forward. Thanks mahalo nui Billy woods email- haleiwa5051@gmail.com

Name:	Email:	Zip:
Chelsea Kurtz	anakama@wik.com	96706
Representing:	Position:	Submitted:
Self	Support	Nov 7, 2024 @ 04:21 PM

Testimony:

My name is Chelsea Kurtz.

My husband is in the military, and my family has enjoyed calling Hawai‘i home for # years.

Due to his rank, my husband may be ordered to serve at a military base on the continent, and our family will relocate to be with him.

If Bill 46 passes, I worry I may end up paying thousands of dollars due to the empty homes tax.

Name:	Email:	Zip:
Gabrielle Igarta	igarta.gabrielle@gmail.com	96692
Representing:	Position:	Submitted:
Self	Support	Nov 7, 2024 @ 10:12 PM

Testimony:

I support Bill 46 on the Empty Homes Tax. Our people, many of whom work two or three jobs just to get by, should not

have to struggle to find housing when there are perfectly fine homes lying unoccupied. Every day more and more local families have to move away because they cannot afford rent. Foreign investors and those who selfishly claim placeholders in the form of second homes do not contribute to the welfare of our people and actively displace local families by pricing them out of their communities. Support housing for local people.

Name:	Email:	Zip:
Natalie Iwasa	iwasajunk@mail.com	96825
Representing:	Position:	Submitted:
Self	Oppose	Nov 7, 2024 @ 10:15 PM

Name:	Email:	Zip:
Kaui Lucas	lucas@kaulana.net	96821
Representing:	Position:	Submitted:
Self	Support	Nov 7, 2024 @ 10:56 PM

Testimony:

My great grandmother, Mary Papapaupu Bannister Lucas (1862-1965) lived at what is now West Halema'uma'u St in Niu at approximately the Kawaikui cross street. There was a magnificent Monkeypod tree that stretched all the way to the other side of both streets, and a stately, prolific avocado tree of perhaps 80 years that provided food and shelter for innumerable birds and other creatures, including the neighborhoods' resident protected Manu-o-Kū population.

The old house at 222 Halema'uma'u St was bought by "foreign investors," the Chan sisters, in 2017. They razed the old house and felled all trees. A community vigil to grieve the loss of our kupuna la'au was held over the sap-bleeding stumps. It was a sweet, sad, gathering with conversations and connections between old and new Niu neighbors.

In 2018 a zero-lot-line house of 5 bedrooms, 5.5 baths was built on the site. Permit amounts total $1,294,800. in construction costs. My morning walk takes me past it. I have never seen anyone enter or leave the property. I've asked neighbors. No one seems to ever have lived in this "new" house of 4,621 sq feet. Current taxes are assessed at $9,797.20. That is about a month and a half's rental income for a property this size.

This is just one story of tens of thousands on O'ahu.

The Honolulu City Council, especially Chair Waters and CM Cordero - mahalo piha for prioritizing local families, which contribute to the life of our community, versus greed-driven outside investors who have no knowledge or interest in our community; who only care about their "property," and literally bank on the appreciation of real estate in Hawai'i as safe US fiscal haven --driving the economic exile of locals, our children and grandchildren, to the US continent.

Bill 46 is a good start in restoring the painfully torn and frayed fabric of our struggling 'ohana. Pass 'um!!

Name:	Email:	Zip:
Kyle Kolo	nenehiwahiwa@gmail.com	96817
Representing:	Position:	Submitted:
Self	Support	Nov 7, 2024 @ 11:56 PM

Testimony:

Aloha

I am a lifetime Nuuanu resident writing in support of this bill as it is written in order to ensure that O'ahu's Housing supply is put to best use in ensuring that our Kamaaina have affordable housing available.

My own family and many of my friends have old family homes that sit empty when someone could be living in it, often remaining unoccupied for no reason other than inertia - it's inconvenient to clean the house and rent it out. In many situations like these, this bill could be the small financial incentive that would push people like my grandparents to take the relatively simple steps to make their house habitable, increasing housing supply and also creating new revenue streams for local families, which helps the economy.

On the other hand, many of my friends are simply offered the chance to live in one of these homes for free just to look after the home. Even if this type of scenario doesn't accomplish the economic stimulus advantage, it still provides housing for locals and helps to revitalize communities and reduce housing related stress (e.g. domestic abuse when people live in tight quarters or lack of parking).

These are just two types of cases where the bill would help to improve housing, but as you have likely read and heard throughout the course of this hearing, the bill will cause widespread positive change in Oahus housing landscape and economy for our local ohana by setting the right prices and incentivizing the right behaviors that will benefit the middle class instead of absent investors who use our islands as a vehicle for wealth accumulation at the expense of kamaaina.

Please vote to advance this bill with all of the original language including the "principal residence" requirement and the mandate to use revenues for affordable housing for the sake of our local families.

Mahalo, me ke aloha

Kyle

Name:	Email:	Zip:
Mary Anne Bruno	ma2822583@mokulaniproperties.com	96762
Representing:	Position:	Submitted:
Self	Oppose	Nov 8, 2024 @ 05:14 AM

Testimony:

My name is Mary Ann Bruno. I have lived and worked in Hawai'i all my life.

I do not rent out this home because I prefer having the flexibility to host friends and family or use it when I wish. Nor do I charge my friends or my 'ohana anything for the use of my home.

I have even allowed a houseless mother and child the use of my second home as a place of refuge knowing they have no money for rent.

One day, I may live in my second home if I decide to downsize.

None of the proposed exemptions in Bill 46 apply to me.

I have no proof to show the City that I am allowing others to use the home without rent.

Will the City require me to have proof that I use my home for others without charging them?

Name:	Email:	Zip:
Susan Le	susan@hihac.org	96813
Representing:	Position:	Submitted:
Hawaii Appleseed	Support	Nov 8, 2024 @ 07:20 AM

Name:	Email:	Zip:
Shaun Campbell	islolandia@gmail.com	96813
Representing:	Position:	Submitted:
Self	Support	Nov 8, 2024 @ 07:28 AM

Name:	Email:	Zip:
Brett Kurashige	brettkurashige@yahoo.com	96822
Representing:	Position:	Submitted:
Self	Oppose	Nov 8, 2024 @ 08:12 AM

Testimony:

Aloha Budget Committee Members,

While well-intentioned, I oppose Bill 046(24) because I believe Bill 046(24) may likely (a) cause negative unintended/unforeseen consequences that will directly burden local law-abiding Honolulu homeowners/taxpayers, (b) cause an impractical (perhaps Sisyphean) burden on the Honolulu Budget and Finance Department who would be tasked to administer this new tax, (c) it is unclear whether Bill 046(24) will cause a meaningful increase in the availability of truly affordable rental housing inventory that benefits local families.

Particularly egregious to me: Bill 046(24) apparently puts the "burden of proof" on existing homeowners/taxpayers (and, if applicable, their existing rental tenants) by essentially requiring them to annually prove (when paying their annual real estate property tax) that they have not broken the law (ie, Bill 046(24). Whatever happened to "innocent until proven guilty"?

In my view, it may be more effective to try "carrot versus stick" approaches that aim to ease the process for willing/curious vacant housing homeowners/taxpayers to consider repurposing/improving their vacant housing properties and thus create new affordable rental properties for local families. Similarly, reducing taxes on truly affordable rental properties (rather than imposing taxes on vacant housing stock) would also likely be more effective to create new affordable rental properties for local families .

Mahalo for your community service and for this opportunity to weigh in on Bill 046(24).

Name:	Email:	Zip:
Stefanie Sakamoto	ssakamoto@imanaka-asato.com	96789
Representing:	Position:	Submitted:
HCUL	I wish to comment	Nov 8, 2024 @ 08:26 AM

Name:	Email:	Zip:
Amber Kanehailua	a.kanehailua@gmail.com	96792
Representing:	Position:	Submitted:
Self	Support	Nov 8, 2024 @ 08:37 AM

Testimony:

I support this bill because I believe that there are so many empty houses in Hawai'i that could be better utilized for local people. Some houses look abandoned by the owner. We the local people need more affordable housing to stay home here in Hawaii. I think this is a good start in the right direction.

Robert A. Gould
44-365 Kaneohe Bay Drive
Kaneohe, HI 96744-2664
November 2, 2024

To Honolulu City Council
Re: Bill 046(2024)

Dear Council:

OPPOSED

While the amendment 16 at At proposed § 8-__.4 ("Exemptions") *seems* to correct my contention that a residential *property* that is the principal dwelling of the owner that has more than one dwelling unit should be exempt from the Empty homes tax, it is vague compared to similar laws in other cities. Having said that, my previous testimony below still applies. Mr. Kuroda's outstanding testimony at the last meeting made a very good case.

This bill should be defeated. At the very least, there should be a cap on the tax as is the case in other cities. That cap should be less than $5,000.

RE: Bill 046(24) THIS IS A BAD BILL! Even with its bandaid 'fixes', it is still a bad bill. Many in the public, including the Honolulu StarAdvertiser, don't seem to be familiar with its contents.

1. Bill 46(24) is self defeating, in that if the bill achieves the desired results and results in all dwellings being occupied, the added tax revenue will disappear. But the costs of administration will remain. Those costs will then have to be borne by the public in other ways, perhaps by increased property taxes on owner-occupied properties.

2. There is no discussion of the estimated costs of administration, such as
   A. cost of supplying the necessary forms to the public.
   B. The public's cost of time spent filling them out.
   C. The cost of the 'property tax police' necessary to physically inspect properties to insure compliance.
   D. The costs of general administration in running multiple property tax rates and ensuring their proper application to the properties in question.
   E. The costs of the city defending itself against multiple lawsuits regarding the constitutionality of the bill and the application of the provisions of bill.
   F.. The costs to the city in the event of successful legal challenges to the bill and the settlement costs thereof.

3. As more and more properties come into compliance, the revenues will decrease, eventually reaching zero if the bill works as designed.

3. It is a derogation of property rights and privacy rights and puts an undue record keeping burden on the citizenry. The idea that 'property tax police' can enter a property to check compliance (which would require actually entering dwellings). is a violation of the fifth amendment's protection against self incrimination and the fourth amendment's protections

against unreasonable search and seizure.

4. It creates two classes of citizens: 'locals' and 'others'. That is patently unfair. I believe that will negatively affect tourism and income from tourism, and will encourage demonization of tourists and result in increased crimes against them.

5. Most homes owned as second homes by off island owners are unaffordable to the local citizens whom the bill is trying to help.

6. If the bill works as designed, it might lower property values on Oahu in general. In fact that is one of its stated goals. Where are the provisions to make local people whole for the loss of their property value?

7. A lot of properties on Oahu have two dwellings on them; a primary residence and a guest house. The guest house may be considered to be an ADU IF it is less than 800SF. In that case it would be exempt (for now) from this onerous 950% increase in property tax. But Kupuna who are retired and want their family members and guests to visit but whose second dwelling is over 800sf will face tremendous sudden increases in their property taxes. It us unreasonable to expect people who may have been on their properties for decades and are in their 70s or 80s to be required to rent to strangers and manage a rental property that prevents family members from visiting is extremely unfair!

8. Only three other United States cities that I can find, San Francisco, Berkeley and Oakland, CA (my requests to Council Members Kiaina and Waters for examples went unanswered) currently have similar bills, and both have dollar caps on the tax increases and exempt properties that are owner occupied even if they have additional dwelling units.

A. San Francisco, CA has an Empty Homes tax for CERTAIN residential units. Residential Unit means a house, an apartment, a mobile home, a group of rooms, or a single room that is designed as separate living quarters, subject to limited exceptions. A person that owns any Residential Unit located in a building with two or fewer Residential Units is exempt from the Empty Homes Tax with respect to any Residential Unit located in that building. This would eliminate the Bill 46(24) taxation of additional dwellings on a property. The tax is capped at between $2,500 and $5,000 depending on the size of the unit. Bill 46(34) has no such cap, and its own examples state that a $4,000,000 property could be taxed $120,000 in Hawaii! Also, in San Francisco, A person that owns any Residential Unit located in a building with two or fewer Residential Units shall be exempt from the Empty Homes Tax with respect to any Residential Unit located in that building. San Francisco's base residential tax rate is 1.18%.

B. Oakland, CA has a $6,000 tax on any PARCEL that is vacant. A property is considered “vacant” if it is “in use less than fifty (50) days in a calendar year,” "Residential Parcel" means all parcels that are improved with one (1) or more residential units. Again, there is no provision for taxing an additional dweling as a proportion of the total square footage as is the case in Bill 46(24). Oakland's base residential tax rate is 0.88%.

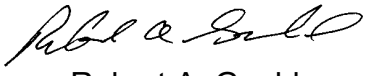
C. Berkeley, CA has a $6,000 tax on any Residential Unit Vacant for more than 182 days a year. There is a provision that exempts a second, third, or fourth dwelling on a property: "A natural person or trust who is the owner of a single property of four or fewer Residential Units, inclusive of accessory dwelling units and junior accessory dwelling units, that is their principal residence shall be exempt provided that they own no other Residential Units in the City." Berkeley's base residential tax rate is 1.5%.

D. NONE of these cities tax additional dwelling units as envisioned in Bill 46(24). NONE of these bills authorize the respective City to physically search the dwellings to see if they are occupied as Bill 46(24) does!. ALL of these cities except Vancouver, which is not in the United States have a cap on the empty homes tax that is relatively nominal compared to the existing tax rate. ALL of these cities exempt properties that are the primary residence of the owner.

9. The bill is confiscatory and will no doubt be vacated by the courts.

PLEASE, PLEASE, defeat this divisive and poorly designed bill!!

Sincerely,



Robert A. Gould
(808) 254-5242
bob.gould@stanfordalumni.org

JEFFREY GRISWOLD
502 N. KAINALU DR.
KAILUA, HAWAII

November 4, 2024

City Counsel
City and County of Honolulu

Subject: Bill 046(24)

To the Honorable Budget Committee Chair and Members,

I strongly support Bill 046. The high cost of housing in Hawaii is a function of supply and demand. The demand for housing by nonresidents has driven up residential real estate prices to the point that most Hawaii residents cannot afford to buy a home. My wife and I bought our home in Kailua in 1984 for $147,000. Properties in our neighborhood are now selling to investors and nonresidents for over $2 million. Rental costs have also increased dramatically because many of the properties owned by nonresidents either remain vacant or are operated as illegal vacation rentals. On Oahu alone there are reportedly more than 30,000 residential units that are unavailable for long term occupancy by local residents because they are either vacant or operated as vacation rentals.

The proposed vacant house tax does not unfairly discriminate against nonresidents. It is a tax based on the use (or nonuse) of the property in question. Owners are free to use their properties as they chose but have no basis to complain if they pay a higher tax rate because their chosen use raises the cost of housing for the people that live here. Hawaii has some of the lowest property taxes in the Country. If someone can afford to own a home or condominium that is not owner occupied or rented on a long term basis, that owner can afford to pay higher property taxes. The increased revenue can defray the cost of subsidized public housing or pay for services that benefit Hawaii residents generally. Otherwise the exodus of local residents who can no longer afford to live here will continue.

Respectfully,

Jeffrey Griswold

CATHOLIC CHARITIES HAWAIʻI

TO: Honolulu City Council, Budget Committee
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai`i
RE: Bill 46 CD1 - **IN SUPPORT**

Dear Chair Cordero, Vice Chair Weyer and Committee,

Catholic Charities Hawai‘i strongly supports Bill 46. Residents are ready for change. Every day, 185 people leave Hawai‘i, while O‘ahu’s homelessness rate rose 12% last year. Over 70% of O‘ahu voters support a tax on vacant homes. Now is the time to act.

Catholic Charities Hawai‘i (CCH) is a tax-exempt, nonprofit organization that has been providing social services in Hawai‘i for 77 years. CCH offers programs for elders, children, individuals, and families, with a wide range of services, including comprehensive housing and homelessness support.

Let’s prioritize housing on O‘ahu for O‘ahu residents - our families need stable homes. After three attempts in over five years, this bill has been refined to address previous concerns and is expected to be revenue-positive for the city. Let’s pass it now to allow time for implementation. Tax revenue should support affordable housing. The current bill allocates half of the revenue from this tax to affordable housing and homelessness solutions. While other cities dedicate 100% of such revenue to housing, even 50% here can make a significant impact and provide many homes for local families.

Catholic Charities Hawai‘i urges the passage of Bill 46 CD1. We believe that affordable housing is not merely a policy issue—it is a fundamental human right essential to the well-being of countless families and individuals. We urge the Council to pass this bill and demonstrate its commitment to the health and stability of our community. Thank you for your consideration.

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

OSTRA
O'AHU SHORT-TERM RENTAL ALLIANCE

Honolulu City Council
Meeting: November 8, 2024

Re: **Support of Bill 46 (24) CD1**

Aloha Chair Waters, Vice Chair Kia'aina and Council Members,

The O`ahu Short Term Rental Alliance ("OSTRA") represents thousands of residents who own, manage and work within the legal mid and short-term rental industry. We also support those renters who need affordable rentals on our island, for any length of time.

Our island needs more housing for our residents. Although building housing is the #1 solution, it does not make sense to allow the continued growth of "empty" homes.

We support CD1 and ask that the Council consider amendments to ensure our residents are not hurt by the supplemental tax. We also ask that any permitted occupancy, including that of the owner, be combined to meet the 6 month minimum.

We appreciate your consideration and are available for any question.

Mahalo,

Kelly Lee

Kelly Lee
President & Executive Director
O'ahu Short Term Rental Alliance (OSTRA)

11/4/2024

Aloha Budget Committee & Housing Committee,

RE: Bill 46 (24) CD1 – Empty Home Tax

I am writing in support of Bill 46 (24) CD1 which allows multiple rentals to be included in the minimum of 6 months

Furnished monthly stay units accommodate people who are on island to work temporarily, such as travel nurses; visit family or friends; residents in transition; people who are moving to the island for a new job; students; and vacationers from the mainland, Canada, Japan, Germany, and a few others. All these people spend a good amount of money on island while they are staying here- groceries, eateries, entertainment, clothing, gifts, rental cars, tours, etc. If it were not for monthly stay accommodations, many may not come at all because hotel accommodations do not meet their home-style needs and would not be affordable.

I ask that you please support Bill 46 (24) CD1.

Thank you for your time.

Denise Freund
General Manager, Ala Wai House LLC
263 Kaiulani Ave/2411 Ala Wai Blvd
Honolulu, HI 96815
denise@alawaihouse.com

Aloha Budget Committee:

Thank you for your hard work on behalf of Oahu. I fear Bill 46 will cause many local residents with legacy homes or second homes to suffer very large additional taxes. An average priced home on Oahu will be saddled with an additional $30,000 tax to many of our local residents with second homes. Local residents with second or legacy homes will be disproportionately affected by this Bill. I understand it would be unconstitutional to create exemptions that only apply to Hawaiian residents; therefore, other measures need to be implemented to avoid unintended consequences. I have some suggestions. First, Amend Exemption 1.

1. **<u>Exemption 1 – "Principal Residence".</u> "The dwelling unit is the principal residence of one or more of the owners of the property for at least six months in the tax year;"**

   A person may only have one principal residence according to the definition in Bill 46. Local residents that have inherited legacy homes or have saved to purchase second homes for family members to use will be disproportionately affected by the Empty Homes Tax. The council has heard from many of these local residents that have inherited or purchased second homes. They are used by family members returning to Oahu from the outer islands or the mainland. Even though these legacy homes are occupied for 6 to 12 months per year the Empty Homes Tax will be imposed, because those visiting have principal residences on the outer islands. Esther Kia'aina's version of Bill 46 has an Exemption 1 that will cure this problem.

   "The dwelling unit is physically occupied by an owner, renter, or other permitted occupant of the property for an aggregate total of six months or more in the tax year;"

   A potential downside to this Amendment would be that not only will locals with legacy and second homes be exempt but so will nonresidents. However, this should not be a reason to not pass this Amendment. The stated purpose of Bill 46 is **"to address the taxation of vacant residential properties in the City and Conty of Honolulu."** The purpose is not to tax occupied properties, but only to tax vacant residential properties. It should not matter if the owner, renter, or guest is the principal residence. When the stated purpose is to tax vacant residential properties and the effect is to tax

occupied properties a Court may well find the Ordinance overbroad and unconstitutional. This change will lessen the chances of legal challenge and make the stated purpose consistent with whom is being taxed. In short, Councilmember Kia'aina's Amendment better follows the purpose of the Bill, avoids unnecessary legal claims, while protecting locals with legacy and second homes.

2. **Placing a cap on the Empty Homes Tax will reduce the administrative burdens, lessen the chances of legal claims against the Bill, and result in a better chance of meeting the goals of Bill 46.**

   All but one major U.S city has placed a cap on their Empty Homes Tax, ranging from $3,000 to $6,000. There are sound reasons for placing a cap on the tax. A tax with no cap will (1) create incentives for affected owners to bring legal claims, (2) to challenge the findings of the City, and (3) to encourage owners to spend money to find exemptions.

   Without a cap there will be increased legal claims. Owners of second homes will be incentivized to hire legal counsel to fight Bill 46 if the tax will be $30,000 to $300,000 per year. Legal claims may include violation of the US constitution's Taking Clause, a violation of the Right to Privacy, an Ordinance that is not narrowly tailored to meet the purpose of the law is unconstitutional, the disproportionate penalty to residential owners to services provided, undue governmental restrictions on how an owner may use their residential properties, among other reasons. The delays in implementation will be costly as will the cost of defending these many cases. A reasonable cap will reduce most of these legal claims. Balancing the government's interest with a tax capped at $7,400 versus a no cap tax of $300,000 or more per year presents a whole different dynamic.

   Challenging findings of the City and County. Not only will legal claims challenging the Ordinance be multiplied without a cap, but also individual claims against findings that an owner owes the Empty Homes Tax will be multiplied. For example, most luxury homes have more than a single kitchen, yet Bill 46 defines a "dwelling unit" as a unit with a single kitchen. Dwelling units with more than a single kitchen are exempt from the Empty Homes Tax. Although the City may likely amend the language to include

Dwelling Units with more than a single kitchen there are many more examples that owners assessed with this tax will find to fight assessment of an Empty Homes Tax. The City and County can reduce the Administrative Burden by placing a cap on the Empty Homes Tax. A simple Amendment that caps the tax to $7,400 will end most of the fighting over the tax.

Searching for exemptions. A tax of $30,000 to $300,000 per year will create incentives to spend time and money searching for exemptions. A rich owner will be incentivized to find relatives or employees who do not have principal residences elsewhere to move to Hawaii to stay in their Oahu second home for 6 months per year to avoid the tax. This will not result in additional revenue for the City, nor will it help with the affordable housing crisis. However, a cap of $7,400 will not be worth taking extraordinary steps to avoid the tax, resulting in many more people paying the Empty Homes Tax, reducing the administrative costs to enforce the Ordinance, and fewer legal claims. If one half of the current empty homes don't fight the capped tax that will bring in $125,000,000 in new annual revenue to combat the housing crisis on Oahu. Not only will a cap create the best opportunity to bring in more net income to the City and County, but if a local resident is caught in the net of the Empty Homes Tax they will not be saddled with a $30,000 to $300,000 bill.

All that is necessary is a simple Amendment, for example:

"§ 8-__.2 (b) *Tax calculation.* The empty homes tax rate for an empty home is 3 percent of the tax assessed value of the residential property, capped at $7,400 per year per empty home, for the applicable tax year…"

This Amendment will greatly ease the Administrative Burden, will lessen the number of legal claims, will greatly increase the number of properties paying the empty homes tax, will result in many unoccupied homes becoming occupied, will protect many residents from foreclosure of legacy or second homes.

OR

Do away with the Empty Homes Tax and create a new Property Tax Category called Residential B. The tax rate for properties in Residential B will be 1.14% (the mean property tax rate in the US). (This approach would also cap the new tax

at $7,400 per dwelling unit.) All residential properties that are not occupied for greater than 6 months per year will be in the Residential B tax category. The Council would need to decide if all properties in Residential Dedication go into the new Residential B category. If so, that will eliminate almost 3,000 properties from the Administrative Burden of determining if the properties are Empty Homes or not.

A tax of 1.14% is equivalent to the mean property tax in the US. Such a tax will not be seen as an enemy to out-of-state investors, nor will it cause local second homeowners to go into foreclosure to pay the Empty Homes Tax. Little negative press will be generated. The City would be seen as not giving property tax subsidies to homes that are unoccupied for half the year, but not charging these owners more than the national mean. The City will not be seen as rolling out a "Your Not Welcome" mat. Instead, the Administrative Burden will be greatly reduced, many more properties will pay a higher amount, and the overall total could exceed the straight 3% tax while saving the City substantial sums on Administrative enforcement.

3. **Waiver of Penalty for Removal from Residential Dedication.**

   The City is trying to get vacant properties into the rental pool so they are no longer sitting empty and trying to generate income if the properties remain vacant. There are currently about 3,000 properties in Residential Dedication, and many of these are unoccupied for much of the year. Removal of these properties from Residential Dedication and placing them in a rental pool as a TVU or as Hotel units has benefits for the City. Those owners that remove their properties from Residential Dedication and place themselves in the Hotel property tax category will go from paying .4% to 1.39% property tax, or an increase of $9,900 of tax revenue on the first million of value. Since this is in keeping with the purpose of Bill 46 and raises revenue the City should waive the prior year look back tax assessment and the 10% penalty for removal from Residential Dedication, for at least one year from the passage of Bill 46.

   Mahalo,

   Jim Tree

Dear Honolulu City Council Budget Committee,

We are writing in connection with Bill 46 ("Bill") that proposes an Empty Homes Tax ("EHT"). It is our understanding that the Bill has been referred to the City Council Budget Committee ("Budget Committee") for further review, and the Budget Committee will hold a related hearing on or about November 8. We are members and the Managers of a group that collectively owns a condominium unit on Oahu. We explain below why we believe passage of the the Bill is premature at this time. However, if the Bill is to soon be considered for passage, we strongly support a proposed amendment as discussed further below.

On October 9, 2024, the Bill passed second reading at the Honolulu City Council. The record undoubtedly includes various reasons why there has been opposition to the Bill, and those reasons were presented by people who are much more knowledgable about the subjects than we are. So we recommend that you consider those reasons for opposition to the Bill, but we will not dwell on those reasons here. However, we believe the following is very important for you to consider:

As we understand it, Honolulu (the "City") does not yet know (i) the cost to implement the Bill; (ii) how much revenue the Bill will generate; or (iii) how many properties will be subject to the EHT. It is also our understanding that the City has hired Ernst & Young to study the costs and impacts of the Bill, and that the study will not be completed until mid-2025. If all that is indeed the case, it seems to us that the responsible thing to do would be to wait for the results of the study before the Bill is even considered for final passage.

We now turn to a brief discussion of a proposed amendment to the Bill if the Bill is to be considered for final passage in advance of completion and consideration of the Ernst & Young study.

The current draft of the Bill states that an owner who stays on the property for six months or more is exempt from the EHT, but only if it is the owner's principal residence. However, the purpose of the Bill is to tax residential properties that are vacant for more than six months per year. It should not matter whether it is the occupants' principal residence. All that should matter is whether the property is actually occupied for at least six months. This is an issue that is particularly important to us, and to the other members of our ownership group. Our condominium unit is annually occupied for more than six months by one or more of our owners and/or their invited guests. It would not make sense, and would be highly inequitable, to require any of our owners to own the unit as their principal residence. It is our understanding that Council Member Kia'aina

has proposed an amendment to the Bill that would change the relevant exemption to read as follows:

“The dwelling unit is physically occupied by an owner, renter, or other permitted occupant of the property for an aggregate total of six months or more in the tax year."

We believe this proposed amendment is a very sensible and equitable approach to dealing with the six month occupancy requirement. As such, if the Bill is to be submitted for a vote for final passage in advance of completion of the Ernst & Young study, we urge the Budget Committee to recommend amending the Bill to include Council Member Kia’aina’s proposed amendment.

Mahalo for this opportunity to provide these comments, and for your thoughtful consideration.

Sincerely,
Susan and Paul Latham

Dear Council Member,

I am writing to voice concerns regarding Bill 46 AKA the Empty Homes tax. This bill as written fails to achieve its goals with respect to certain multi use properties located in non-residential zones, specifically the Resort zone/area. It is broad and creates conflict with the recently passed Bill 41. Bill 46 fails to take into consideration that not all empty homes have an impact on the local housing market prices or availability of homes. While it does provide for a limited exemptions it does not address properties which would have no impact on home affordability or adding to current inventory to increase available homes for sale or long-term residential rentals. Bill 46 adversely impacts property owners, who for various reasons purchased a property in Hawaii that was not intended to be for investment or rental, many retired, but to allow short term stays in Hawaii to accommodate their schedules between family and friends on Hawaii and the mainland. These properties have been purchased in projects located in non-residential zones such as a resort district, but where residential use is permitted. Bill 41 encouraged those transient vacation uses be predominantly in Resort districts or areas. Second home residential use would fall into this category.

Bill 46 stated objectives are to address homelessness and a lack of affordable housing that arise from inadequate housing supply and in adequate funding. The proposed Empty Homes tax would ease the 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 housing prices (3) raising funds for affordable housing and homeless solutions.

One purpose of the empty homes tax is exact a financial penalty in the form of tax to convert existing investment property into housing for local residents. Instead, it will adversely impact individual owners and force legal non-resident owners to convert or sell their properties due to the high tax burden. Some homes or condominiums that were purchased within the resort zones have documents that allow multiuse such as short term residential use and short-term rentals/hotel and are unlikely to have any impact on the local housing market, pricing, or the availability of long-term rentals.

Bill 46 conflicts the objectives of Bill 41, which is to limit transient vacation properties accommodations to Resort District areas instead of residentially zoning neighborhoods, by broadly including properties such as the Beach Villas, which were exempted from the conditions of Bill 41 by acknowledging the Beach Villas Project is considered a hotel in a resort zone. The Beach Villas of Ko Olina have been officially designated as a hotel by DPP, its Certificate of Occupancy approved as hotel and states that the units can be used for hotel, long-term residential, and transient vacation use. Additionally, the Beach Villas are required to be operated at all times as a first-class luxury resort destination. These additional operational requirements will add substantial costs and would preclude a property similar to the Beach Villas from having any impact on the affordable housing market. Since units that currently utilize the residential exception can be converted to a hotel unit it is very unlikely that any will be rented long term or available on the local market. If they were rented long term the monthly rent would greatly exceed any amount that would be considered affordable.

This letter is to request an exemption for residential properties that are located in a Resort District or Area, whose project documents allow BOTH residential use and Short term rental/hotel use, to be exempt from the empty homes tax.

This provides an exception to homes/condominiums that have no impact on the local housing markets or prices. It would also provide financial incentive for former residents, owners with family or friends on Oahu, or simply desiring to live in Hawaii on a part time basis to purchase second homes in Resort areas/zones rather than residential areas.

Use of a property as a residential second home for non-rental in a building that allows hotel/short term rental is low impact on Hawaii resources. Due to the high assessments/taxes on such properties such owners do contribute already to the general fund of Honolulu. Owners who are not in residence for the full year have a minimal impact on the infrastructure and services of Honolulu and make substantial monetary contributions to the local economy and charities. Due to their extended stays the become part of local community and build an understanding of local issues.

UNITE HERE!
Cade Watanabe, Financial Secretary-Treasurer Gemma G. Weinstein, President Eric W. Gill, Senior Vice-President

November 6, 2024

Committee on Budget
Honolulu City Council
Councilmember Radiant Cordero, Chair
Councilmember Matt Weyer, Vice Chair

Testimony with Comments on Bill 46 CD1

Chair Cordero, Vice Chair Weyer, and Councilmembers,

UNITE HERE Local 5 represents 10,000 working people in the hotel, food service and health care industries across Hawaii. We have been supportive of Bill 46 as one piece of a plan to address the housing crisis. By taxing housing left vacant, large-scale real estate investors hoping to profit off of housing as an asset class could be discouraged from taking units out of the housing supply. However, we have concerns about the bill in its current form:

1. Section § 8-__.4 item (15) would exempt a property if:

   "The property is a bed and breakfast home or a transient vacation unit that is provided to transient occupants for compensation for not less than six months in the tax year and is operating in compliance with all applicable laws."

   This could lead owners of empty homes to convert them into vacation rentals in order to avoid the tax. While the exception would only extend to vacation rentals and B&Bs operating in compliance with applicable laws, we are concerned about the resources needed vs. those available to ensure that owners claiming this exemption are in compliance.

   To avoid this, owners relying on this exemption should be required to show the Director of Budget & Fiscal Services that their properties have current, valid nonconforming use certificates or certificates of registration to operate as transient vacation units or B&Bs.

2. We believe the bill should be amended to restore the original language for item (2) in the list of exemptions (Section § 8-__.4). The current language allows an exemption if:

   "The dwelling unit is the principal residence of a renter or other permitted occupant of the property for at least six months in the tax year. Multiple rental or occupancy periods may be aggregated for the calculation of the six-month period;"

   whereas the original language allowed an exemption if:

   "The dwelling unit is the principal residence of a renter or other permitted occupant of the property for at least six months in the tax year. Two rental or occupancy periods may be aggregated for the calculation of the six-month period; provided that any rental or occupancy of the dwelling unit for a term that is less than three months cannot be counted toward the six month period;"

   The difference is that the six-month occupancy requirement could only be met through two shorter-term periods of 3 months or more. This helps to close a different loophole

that vacation rentals could otherwise use to skirt the tax – appearing to be longer-term rentals on paper but acting as short-term vacation rentals in practice.

With these two amendments, Bill 46 could help cut down on empty, unused investment housing and convert some of it to homes for residents.

Please amend Bill 46 in these two ways. Thank you for your consideration.

Aloha Councilmembers,

My name is Piper Neri, and I am a student at UH Manoa and a resident of Honolulu deeply concerned by the cataclysmic strain put on our community due to the escalating housing crisis. I am writing to express my strong support for Bill 046, the proposed empty homes tax. This legislation is a necessary and timely solution to our city's most urgent problem: the lack of affordable housing for local families. Now, more than ever, a bold and innovative measure is needed to ensure that Honolulu remains a beautiful destination and, more importantly, a sustainable and accessible place for its residents. Bill 046 is a critical step toward preserving the integrity of our community and ensuring that homes remain places of refuge, not merely an investment vehicle.

Our housing market is in a state of severe imbalance, as Honolulu consistently ranks among the most unaffordable markets in the country. The median price of housing has been rising far faster than median incomes, a trend we've recognized for decades yet have failed to address effectively. This disparity has forced residents out of the neighborhoods they grew up in, for they cannot afford either renting or owning a home. Meanwhile, thousands of homes remain vacant, held by absentee owners and speculators, while hardworking families search in vain for a house they can afford. The prevalence of these empty homes in such a desperate housing environment is not only unjust but entirely preventable.

Bill 046 offers a pragmatic and timely solution by incentivizing owners of empty homes to either rent or sell their properties. By bringing these empty homes back into use, we can swiftly increase the available housing stock for residents —without the lengthy delays tied to new construction or the need for government subsidies. This bill targets the housing shortage directly, bypassing the standard obstacles that often slow down other housing initiatives.

One of Bill 046's most prevailing aspects is its commitment to economic accountability. Many high-end homes are purchased and left vacant as long-term investments, driving up property values without contributing to the local housing supply. Implementing this tax creates a powerful incentive for these owners to rent or sell their properties, making more homes available to local families. This measure also helps to redirect the focus of our housing market away from speculative investment and toward fostering livable, sustainable communities for residents.

The revenue generated from Honolulu's empty homes tax could be transformative. This bill is designed to produce substantial funding that can be reinvested in affordable housing projects and initiatives to tackle homelessness and poverty. Cities with similar taxes, like Vancouver, have seen reductions in vacant properties and funneled the additional revenue into impactful housing programs. Honolulu stands to benefit immensely—not only will more homes become available for residents, but we'll also have the resources to confront our housing crisis on multiple levels.

Our neighborhoods are more than just collections of buildings; they are communities built on relationships and shared experiences passed down through generations. When homes remain empty, it damages the social fabric of our neighborhoods. Streets that once boomed with the activity of neighbors now feel hollow, eroding that familiar sense of connection that defines these islands. By encouraging these homes to be filled with residents who live, work, and engage in the community, Bill 046 can help restore the spirit and cohesion that make our neighborhoods feel like home.

For far too long, profit has taken precedence over the well-being of our community. We have allowed wealthy speculators and absentee owners to use their power of "access" to manipulate the housing market, distorting it to benefit the few at the expense of many. This broken system has failed Hawai'i's people and economy, and it's time we recognize it for what it is. If you genuinely care about Honolulu's future and are committed to making a meaningful impact as a public servant, please pass the Empty Homes Tax Bill. Investing in our people and communities is the only way to address this unjust, corrupt housing crisis. It's time to build accountability back into the system. Passing Bill 046 is a crucial, proactive step toward supporting local families, protecting our neighborhoods, and securing a more equitable housing future for all of Honolulu.

Mahalo nui loa,
Piper Neri

TESTIMONY OF ELLEN GODBEY CARSON
IN SUPPORT OF BILL 46, CD1, EMPTY HOMES TAX,
At Budget Committee Hearing on November 8, 2024

Please support Bill 46. It is the only game changer on the horizon that can help us:

increase housing supply for local residents
decrease demand by owners who maintain empty homes, and
generate major revenues for affordable housing and homelessness,

After years of delays, it's time to finally push this bill over the finish line. The most important things this Committee can do with Bill 46 are:

(1) Keep exemptions 4(1) and 4(2) based on "principal residence," so as to prioritize use of Oahu homes for Oahu residents;
(2) Dedicate tax revenues to affordable housing and homelessness so we can finally make major strides for those most in need;
(3) Limit exemptions so the bill will not become ineffective;
(4) Do not require BFS to engage in rule making that could defeat or delay the bill for many more years.

Prioritize Oahu's homes for Oahu's residents: Oahu residents have paid millions of dollars for infrastructure (streets, sewers, water, DPP, etc) to support residential neighborhoods. Owners of empty homes waste those infrastructure costs and require taxpayers to pay for more infrastructure to support building more homes. Sadly, investors then buy many of those new homes and create more empty homes, requiring even more building. An empty homes tax is a fair way to help internalize some of the costs associated with their choice to keep an empty home, just as taxes on gasoline, alcohol and cigarettes seek to internalize costs associated with those choices.

Revenue Dedication: I support 100% dedication of Bill 46 revenues for affordable housing and homelessness, but CM Weyer's CD1 is a reasonable compromise for now. Our housing crisis is too dire to pass this bill without allocating a major part of its revenues to address our housing crisis by helping those it hurts most severely. We have a humanitarian crisis when our property is so "impossibility unaffordable" that our median price is 10.5 times the median income of our local residents (per Demographia (see here), and over half of our Native Hawaiian residents have needed to leave the islands. Without dedication, these revenues will be diverted each year to various other needs and deficits.

Exemptions: Some Council members have mentioned not wanting to hurt a single local person by this tax. Yet, tens of thousands of Oahu residents are already in severe pain because not enough is being done to address the housing

crisis. Families are torn apart, people are homeless or forced to move off island. Exemptions should not be allowed to defeat the purpose of this bill. In particular:

- In Sections 4(1) and (2), it is critical to retain "principal residence" to prioritize Oahu owners, renters and permitted occupants. That distinction has existed in Oahu ordinances for over 100 years. Or, if you must, use "natural persons with no other residence", as Maui uses for its long term rental ordinance. Using cumulated periods of mere "occupancy" instead, would encourage STRs, snowbirders and others to divert our housing to their own recreational uses.
- Section 4(2) should require periods for at least 30, 60 or 90 days to count toward the 6 month minimum. The current language, cumulating multiple periods of any length, encourages illegal short term rentals that Council has tried so hard to limit. Legally permitted transient vacation units are already exempted in section 4(15), and do not need exemption here.
- Exempting local families who maintain empty homes is problematic both legally and as a policy choice, as those homes deprive local families of a place to live to the same extent other empty homes do. If Council does seek to exempt local families with a second home, it should apply to no more than one "second home" and be further limited by those in existence at the time of the enactment of the ordinance (grandfathering), so that they would gradually phase out.
- ADU's should not be excluded from the definition of "Dwellling Unit," as they are a valuable source of rental housing, particularly now that state law requires counties to allow multiple ADUs on a parcel. If the desire is to protect a homeowner with a principal residence from needing to share their property with strangers, then limit the exemption narrowly to that situation but not to properties where there is no homeowner occupant.

Supplemental vs Alternative Tax – If it is important to structure this tax as an alternative tax rather than a supplemental one, Bill 46 should still preserve the duty to report annually in a retrospective manner for the actual use of the dwelling. Prospective predictions of use under our current tax model are not an effective way to enforce an empty homes tax, as empty homes may change their status from year to year based on a variety of factors, and a future prediction should not be allowed to determine tax liability.

Tax Rate – The tax rate needs to be substantial or the tax will have very little effect on supply, demand, or revenues. A flat fee would create a regressive tax, requiring proportionately more from modest income owners and very little from high income owners. If flat fees are used, they would be most effective in progressive amounts based on tiers of assessed property value. Vancouver's vacant homes tax is 3% of assessed value, and owners often pay an additional 2% and 1% of assessed value from British Columbia and Canada's vacancy/speculation taxes, for cumulative total of 6% annual rate. Washington DC has a rate of 5% of assessed value for vacant properties and 10% for

blighted properties. The amount here is not unreasonable, especially since we currently have the lowest property rates in the nation.

BFS Rule-making –Requiring BFS to promulgate rules for Bill 46 could mean the rules never get promulgated and the tax never gets implemented. Please do not delete administrative provisions in Bill 46 that help implement this bill; if they need amendment later, Council can do that and maintain control to assure the bill is implemented. For this reason, Section 9 should be amended to say "Appeals of penalties assessed under §8-__.7 or §8-__.8 may be made in accordance with Section 8-12.3 and any further rules which BFS may adopt", thereby making any rule-making permissive, not mandatory.

Implementation – We have the best empty homes tax consultants in the world already assisting BFS with how to implement and enforce Bill 46. Their team assisted Vancouver with its empty homes tax for many years, and that tax is one of the best empty homes tax in the world, with 54% reduction of vacant homes, $140+ million in new tax revenues for affordable housing initiatives, and non-compliance rate of less than 1%, based on over 10,000 audits per year. https://vancouver.ca/files/cov/empty-homes-tax-annual-report-2023.pdf. Bill 46 is modeled on Vancouver's empty homes tax. We can do this!

Every year we go without an empty homes tax, we force our residents to live with this housing crisis, while foregoing millions of dollars in revenues that we could be using to build more affordable housing and help people out of homelessness. Without an empty homes tax, our new housing developments are offered to investors around the world, who create more empty homes. Local residents cannot compete in the worldwide housing market. We cannot build ourselves out of this problem without changing our tax policy. Bill 46 can help fix this.

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

Respectfully submitted,

Ellen Godbey Carson
Honolulu, Hawaii

Church of the Crossroads
United Church of Christ

A Just Peace and Open and Affirming Congregation

Testimony In Support of Bill 46 (2024)
At the Budget Committee on November 8, 2024

The Church of the Crossroads was founded in 1922, as Hawaii's first intentionally multi-racial church. With approximately 180 members, our mission includes pursuing peace, justice, and stewardship of our environment.

Our congregation SUPPORTS an Empty Homes Tax for Honolulu. We urge you to pass Bill 46, CD1 and dedicate all its revenues for affordable housing and homelessness services. Our community's needs are immense, and every dollar of this tax should help address those critical needs. These revenues are essential to build the thousands of affordable homes our residents need and should not be diverted to other purposes.

The 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.

Honolulu Property is "Impossibly Unaffordable," per Demographia (see here)

- $1,000,000: Median home price in Honolulu.
- $85,857 Median household income in Honolulu. (2020 Census)
- Median price of housing is now over 10 times median income

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).

1212 University Avenue ♦ Honolulu, Hawai`i ♦ 96826
Phone: 808.949.2220 www.churchofthecrossroadshawaii.org Fax: 808.943.6719

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 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. 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 similar to Bill 46, to help address 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

Dear Council,

I am a student who was born and raised in Southern California, but I am living here in the state of Hawaii while I attend the University of Hawaii at Manoa. My name is Joslyn Aykroid and I have had the privilege of living here for almost four years. Three of those years I have been renting off-campus due to limited space in student housing.

During this time I have also worked as a student assistant under the university. While I am paid a fair rate compared to others, considering the minimum wage for the average person living in Hawaii is $12-$14, I still live paycheck to paycheck trying to pay for rent and basic necessities. As one person it's manageable, but still difficult. I have had to take on side jobs within my initial job to make the maximum amount of hours that I am allowed to technically work. However, with having to carve time for my courses, there are only so many hours in the week.

There are families where multiple members live under one roof with few bed spaces or not enough bathrooms. Where members have to, not choose to, be employed with various sources of income just to get by. Many of my supervisors and colleagues are native people to Hawaii and have shared with me their stories of mourning having to say goodbye to family members because they are forced to leave the state for more affordable housing. For many families this is the last time they see each other for many years because living in Hawaii means never getting to save extra money on the side, never getting to visit family because they cant afford to miss work.

The consequence of doing so would lead to homelessness. According to Honolulu civil beat, thousands of families experience homelessness throughout the year. Whether it be moving in with other family members creating a difficult living arrangement or sleeping in their vehicles, hostels or being completely unsheltered. How can this be when there are 14% of homes sitting vacant, according to local news stations, while foreign investors let the houses sit and accrue value. Sometimes even visiting, but for less than a few weeks in a year.

I am in favor of the Empty Tax Bill because there should not be families suffering on the streets, with and/or without jobs, when the investors who bought the property have no ties or connection to it. It shouldn’t be about the growth of one's assets when the basic human rights of the native people, such as affordable housing, are being neglected or ignored. This tax will encourage investors to either sell or occupy the space for a period of time. This is an opportunity for people to live rather than fight for their life daily. The amount of the community that could benefit from the changes the tax could bring are undeniable. Community is one of the sacred values that is deeply rooted in this land and culture.

Keep It Kailua

Preserving Kailua's Character

November 7, 2024

To: Honolulu City Council Budget Committee
Committee Chair Radiant Cordero, Esther Kiaʻāina, Calvin K.Y. Say, Augie Tulba and Vice-Chair Matt Weyer

Comments regarding Bill 46 CD1 (2024)

We have significant concerns with Bill 46 CD1 (2024)

We had strongly supported Bill 46 and its intent to create more housing opportunities for residents, but we now have significant concerns about the current CD1. We believe an amendment that allows 30-day rentals to be included in the number of days that qualifies for a rental to be exempt from the empty house tax rate will motivate thousands of empty house property owners to morph into vacation rental operators who create will 30-day lease rentals regardless of how long the guests actually occupy the property for out-of-state vacationers. This will clearly defeat the purpose of the bill to increase the number of residential properties for actual residents.

We recommend that the City Council return the original language that required rental periods to be no less than 90 days:

(2) The dwelling unit is the principal residence of a renter or other permitted occupant of the property for at least six months in the tax year. Two rental or occupancy periods may be aggregated for the calculation of the six- month period; provided that any rental or occupancy of the dwelling unit for a term that is less than three months cannot be counted toward the six month period;

Thank you for your consideration

Keep it Kailua

Keep It Kailua is a grassroots community group founded in 2004 whose purpose is to retain Kailua's family-oriented residential character and quality of life.

Keep It Kailua's goals are to:

- *Protect residential zoning and promote permanent residency in our neighborhoods*
- *Preserve and enhance scenic, civic, recreational and cultural features that define Kailua's sense of place*
- *Protect water resources essential to the health of the environment*
- *Preserve trees and maintain open green space*
- *Promote walking and the use of non-motorized bicycles as alternatives to automobile transportation within and around the town*
- *Promote businesses that serve the residential community*
- *Support other community groups with similar goals*

Please visit us at www.keepitkailua.com
Or like us on https://www.facebook.com/keepitkailua/

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November 7, 2024

To: Honolulu City Council Budget Committee
Committee Chair Radiant Cordero, Vice-Chair Matt Weyer
Esther Kiaʻāina, Calvin K.Y. Say, and Augie Tulba

Comments regarding Bill 46 CD1 (2024)

Strong concerns with Bill 46 CD1 (2024)

As an Oahu Housing advocate, I had publicly supported the original version of Bill 46. But now I have grave concerns; I firmly believe the CD1 of Bill 46 will have significant unintended negative consequences that will cause more harm than good for Oahu's residents.

The recently approved CD1 modified the original Bill 46 to allow 30-day rentals to be included in the number of days that qualify for a rental to be exempt from the empty house tax. Since the passage of Ordinance 22-7, the vacation rental industry has created a business model of 30-day leases for out-of-state vacationers, even though most vacationers stay 10-14 days when visiting Oahu. Allowing 30-day rentals to be included in the exemption for the empty house tax, Bill 46 will motivate thousands of empty house property owners to convert their residential homes into vacation rentals to avoid paying the empty home tax. The net result will be few additional homes for residents, little additional empty home tax revenue, and thousands and thousands of new residential zoned vacation rentals in our neighborhoods.

I strongly recommend that the City Council return the original language that required rental periods to be no less than 90 days:

(2) The dwelling unit is the principal residence of a renter or other permitted occupant of the property for at least six months in the tax year. Two rental or occupancy periods may be aggregated for the calculation of the six- month period; provided that any rental or occupancy of the dwelling unit for a term that is less than three months cannot be counted toward the six month period;

Thank you for your consideration.

Stu Simmons
Oahu Resident

LAND USE RESEARCH
FOUNDATION OF HAWAII
1100 Alakea Street, Suite 408
Honolulu, Hawaii 96813
(808) 521-4717
www.lurf.org

November 6, 2024

Honorable Radiant Cordero, Chair
And Members of the Committee on Budget
Honolulu City Council
City and County of Honolulu
530 South King Street, Room 202
Honolulu, Hawaii 96813

Comments in Strong Opposition to Bill 46, CD1 (2024) Relating to Real Property Taxation. (Addressing the taxation of vacant residential properties in the City and County of Honolulu.) (Item 1. For Discussion on the Council Committee's Special Meeting Agenda).

Friday, November 8, 2024, 10:00 a.m.; City Council Chamber

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers, and utility companies. One of LURF's missions is to advocate for reasonable, rational, and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

Background. The stated purpose of this proposed measure "is to address the taxation of vacant residential properties in the City and County of Honolulu ("City")." The Bill proposes to create and impose an "empty homes tax" ("EHT") - a supplemental real property tax purportedly intended to help address the City's dual crises of homelessness and a lack of affordable housing that arise from inadequate housing supply and inadequate funding available to address these problems.

Proponents of the EHT assert that the tax would be justified to 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 home to better meet demand and reduce market pressures that cause high and unaffordable housing prices; and (3) raising funds for affordable housing and homelessness solutions. However, no facts, information, or evidence has been supplied or presented by proponents to justify the imposition of such tax upon owners of unoccupied homes, or to warrant the absence of any damaging or negative consequences which may result to such owners, the community, or the local economy therefrom.

LURF's Position. LURF has been a long-time advocate of, and engaged participant in efforts to address the City's and State's housing and homelessness needs, and is in complete support of measures intended to protect the health, safety and general welfare of the community. LURF believes, however, that Bill 46, for all stated intents and purposes, would amount to a **penalty against a particular group of property owners**, and would therefore constitute an **illegal tax**, which would in effect operate as an **unjustified moratorium against unoccupied private residences** that would deprive property owners of their constitutionally protected right to use their private property. LURF must therefore strongly caution this Committee against any such efforts made through the disregard and circumvention of proper requirements and procedures applicable to the enactment of laws and ordinances, particularly in a case like this where the deprivation of constitutional and vested rights of private property owners may be at stake.

As the subject Bill proposes to create a **punitive**, and therefore potentially illegal special supplemental tax to be imposed upon a select group of private residential property owners, LURF has serious concerns with the measure, and respectfully requests this Committee's consideration of the following issues:

A. Procedural Concerns

1. The Proposed EHT is Punitive in Nature and Therefore an Inappropriate Mechanism to Address the Purported Funding Concerns.

LURF does not believe it is appropriate or prudent for this Committee and the Council to unjustifiably develop expansions of real property taxes, let alone a **punitive** supplemental tax, as a means to source tax revenues to be applied to special funds or to general budgetary needs, especially unspecified or potentially temporary needs of City departments or causes.

The **punitive nature of the EHT as a supplemental real property tax is of utmost concern**, particularly given that the tax is to be imposed upon a specific, limited type of real property owned by property owners, who legally possess constitutional protection (under the federal and state constitutions and City Charter) to freely use the properties sought to be taxed. Further, the taxes collected from the targeted group are intended for use in a designated special fund and for broad City revenue-generating purposes, which are not directly linked to that group.[1]

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1 Question therefore exists as to whether the City's "Affordable Housing Fund" into which a portion of EHT revenues is deemed to be placed, may be properly or legally funded by a source **which has no direct or clear link to the Fund's programs**.
With respect to special funds created pursuant to the Hawaii State Statute, HRS Sections 37-52.3 and 37-52.4 provide the criteria for the establishment and continuance of special and revolving funds which were enacted by the 2002 Legislature through Act 178, SLH 2002, Sections 37-52.3 and 37-52.4, HRS. To be approved for continuance, a special fund **must**:

a. serve the purpose for which it was originally established;
b. reflect a **clear nexus** between the benefits sought and charges made upon the users or beneficiaries of the program *or* ***a clear link*** *between the program and the sources of revenue*, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process;
c. provide an appropriate means of financing for the program or activity; and
d. demonstrate the capacity to be financially self-sustaining.

Furthermore, in addition to constituting a penalty, the EHT could also reasonably be deemed to amount to improper **double- or multiple-taxation** by the City of the same property since the tax is to be imposed as **a supplemental tax, rather than as an alternative to, or in lieu of the regular property tax** assessed upon all real property located within the City.

In addition to the EHT's punitive nature, there is concern that such a vehicle for funding, once established, would be boundless as there would be no limits on the tax, as it may be used perpetually as a potential source of funding by current and future City legislators who would be granted the unlimited power to implement the tax whenever and to the extent they deem necessary; to change the tax rate; or to even further expand the application and use of the tax to other City causes at the risk of damaging the sanctity of the City Charter and other State and Federal laws.

A practical question also exists as to whether such a tax mechanism is feasible given that "shifting the source of revenue" often seems to miss the point and simply results in a reduction in the amount of funding originally allocated for the cause in the general fund.

2. Uniformity and Equality in Taxation is Required by the Equal Protection Clause of the Fourteenth Amendment to the United States Constitution (the "Equal Protection Clause").

While Article VII, Section 3 of the Hawaii Constitution recognizes that all functions, powers, and duties relating to the taxation of **real property** shall be exercised exclusively by the counties, as applied to **all** government-imposed taxes, the Equal Protection Clause requires a minimum standard of uniformity to be maintained within classes and therefore protects the interests of taxpayers apart from any constitutional uniformity limitation imposed by any taxing authority levying a tax. And while the Equal Protection Clause does not require identical treatment, it does require that:

a. the classification rest on real and not feigned differences;
b. the distinction has relevance to the purpose for which the classification is made; and
c. the different treatment be not so disparate, as to be wholly arbitrary.

This standard determines the legitimacy of any governmental taxing authority's legislative tax classifications and tax legislation, and when applying said standard to the present Bill, the proposed EHT which targets certain owners of residential property who simply elect to exercise their rights to do what they are legally and rightfully entitled to do with their property (e.g., allow their homes to remain unoccupied for whatever reasons), fails (or at least has not been proven by proponents) to meet the above requirements in all respects, and if legally challenged, would therefore likely be deemed by courts to violate the Equal Protection Clause.

LURF questions whether such a "nexus" or "clear link" would in fact exist between the Affordable Housing Fund and EHT taxpayers/tax revenues. The State Auditor has in the past concluded that an arrangement where there is no *clear link* with the funding source should be repealed.

It should also be noted that uniformity and equality in taxation is considered by courts to be **even more critical with respect to taxes dealing with property** (as opposed to other types of non-property taxes) under the general principle that any enactment affecting **private property rights** must bear a substantial relation to the public health, safety, or general welfare. [2]

3. Imposition of the EHT Would Essentially Amount to a Moratorium on Unoccupied Residential Property and Therefore an Inappropriate and Arguably Illegal Mechanism for Addressing the Alleged Objectives of This Bill.

General Police Power Moratoria vs. Property/Land Use Moratoria

The enactment of temporary restrictions or moratoria on certain activity via taxation or otherwise, including restricting use of private property, has been held by courts throughout the country to be a valid exercise of local police power **only where the restrictions are reasonable and related to public health, safety or general welfare**.

<u>General Police Power Moratoria</u>

Proponents of this Bill presumably believe that this measure may be suitable for passage under its **general police and home rule powers** (the authority for which is the City's general "police power" pursuant to City laws or ordinances), which are introduced to address situations wherein **immediate health and safety problems** are at issue.[3]

In such case however, to justify a municipality's attempt to impose a **police power moratorium to temporarily interfere with the beneficial use of private property**, courts have held that the municipality must establish that:

1. It is acting in **response to a dire necessity**;
2. Its action is **reasonably calculated to alleviate or prevent a crisis condition**; and
3. It is **presently taking steps to rectify the problem**.

As far as LURF is presently aware, proponents of this bill **have not produced sufficient (if any) evidence** to meet the **emergency/crisis elements** of the above three-prong test which is required to justify the passage of such a moratorium as a legitimate general police power moratorium **based on dire threats to health and safety**.

LURF believes there is in fact **no urgency or immediate need for a police power moratorium** in this case.

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[2] This is because in the event a regulation operates to deprive the owner of beneficial economic use of the property (i.e., a "taking"), there exists an additional issue as to whether that owner may be entitled to monetary compensation under the Fifth and Fourteenth Amendments to the U.S. Constitution.

[3] The purported purpose of this bill (without any detail or specification) is to help ease the problems of homelessness and a lack of affordable housing.

Moratoria on Use of Private Property

With respect to **property use moratoria**, this Committee should be aware that courts have held that interference with the use of private property must be more judiciously scrutinized through hearing procedures as prescribed by law, and must contain the following key elements to be considered legally defensible:

1. a **reasonable time frame** as measured by the action to be accomplished during the term;
2. a **valid public purpose** justifying the moratorium;
3. address a situation where the **burden imposed by the moratorium is being shared substantially by the public at large**;
4. **strict adherence to the procedure for passage/adoption**; and
5. a **time certain when the moratorium will expire**.

No defensible valid public purpose justifying a moratorium (especially on a particular group of landowners) exists in this case as the measure is presently based solely on **speculation and conjecture** that the unauthorized imposition of the EHT upon legally owned private property will result in 1) existing owners renting or selling their properties to increase housing stock for homes for local residents; 2) increasing the City's supply of homes to meet demand and reduce market pressures that cause high and unaffordable housing prices; or 3) raising funds for affordable housing and homelessness solutions. **No facts or evidence has yet been presented to support such underlying assumptions.** LURF must question the legitimacy and seriousness of the stated purposes of the proposed measure since there is no indication or confirmation that the imposition of the EHT will actually work to resolve, or even ease existing homelessness and affordable housing issues as is being alleged.

Imposition of the EHT and resultant moratorium upon a particular type of real property or group of residential homeowners would therefore be contrary to any public purpose and would amount to deprivation of the property and constitutional rights of the landowners, as well as create negative impacts on the community.

A significant issue is the requirement that **the burden imposed by any moratorium be shared by the public at large, as opposed to being placed upon a minority of property owners**, as it would in this case. LURF believes that when the cost of a benefit is placed entirely upon particular landowners rather than spread throughout the jurisdiction, serious consideration must be given to review and discretion of the moratorium to avoid unconstitutional confiscation of private property.

And, in the present case, a reasonable time frame within which the specified action is to be accomplished, as well as a definite term or expiration date of the proposed moratorium has not even been established. No set term for the moratorium has been provided for in the Bill, and any stipulated time period would certainly appear random and unreasonable, especially since required facts, information, and reports have not yet even been made available.

In view of these concerns, LURF believes the procedural validity of the subject tax and the resulting moratorium would be questionable at best. The measure is simply unreasonable, unwarranted, and unnecessary; would set bad precedent; and would be subject to legal challenge.

4. This Bill Should be Thoroughly Vetted by the City's Attorneys and All Affected Stakeholders to Ensure the Legality and Practical Viability of the Proposed Tax as Well as to Confirm the Absence of any Unintended Negative Consequences.

Due to the number of legal concerns and unanswered questions relating to the EHT, LURF respectfully submits that as a matter of procedure, this proposed measure be more closely reviewed and scrutinized by the City's legal counsel in consultation with appropriate City departments/agencies, as well as economic, real estate, housing and tax experts, and other affected stakeholders. Such comprehensive review should properly be pursued prior to the consideration of the measure by this Committee, particularly since the proposed tax may cause significant unintended negative legal and economic consequences, as well as arguably violate Constitutional mandates.

The imposition of tax by any taxing authority is one of the most serious government undertakings, since such actions are **binding for the long-term and should be first confirmed to be effective in achieving its policy objectives**, and should be verified through collaboration with attorneys and all stakeholders to be legally enforceable to avoid any unintended, yet significant negative consequences as a result of the tax.

B. <u>Substantive Concerns</u>

1. Constitutional Concerns – The "Takings" Issue.

The law and the courts have established strict rules, both as to the procedural (as discussed above) and the substantive requisites of taxation. The substantive rules are based upon and embody the general principle **that any enactment affecting private property rights must bear a substantial relation to public health, safety, or general welfare**.

In the event a regulation of property operates to deprive the owner of beneficial economic use of the property, there exists an issue as to whether that owner may be entitled to monetary compensation under the Fifth and Fourteenth Amendments to the U.S. Constitution. And most significantly, as applied to the type of tax proposed, U.S. courts have even considered **temporary** land/property controls to amount to a deprivation of use in the property (i.e., a **"taking"**), potentially entitling the property owner to compensation.[4]

Most importantly, what is at stake here is the constitutional and vested rights of private property owners, large and small, which should not be improperly manipulated unless the City can prove a proportionality between the perceived benefits of the proposed EHT and the uncompensated taking of private property.[5] In the absence of such proof, the City may be subject to legal challenge and liability for **"just compensation."** Such litigation is foreseeable and could likely cost the City substantial sums to defend.

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[4] See, e.g., *Agins v. Tiburon*, 24 Cal.3d 266 (Sup. Ct. of Calif., 1979), aff'd on oth. grds., 447 U.S. 255 (1980).

[5] Included are the constitutionally protected private property rights, as well as the vested rights of property owners and others who have legally acquired their properties and complied with necessary statutory and regulatory requirements relating thereto.

2. Sufficient Justification Has Not Been Sought and Presented to Support the Imposition of the EHT Upon Certain Properties for the Purpose of Addressing the City's Affordable Housing and Homelessness Concerns.

While LURF is well aware of the City's and State's high housing costs, and that funding for programs that address homelessness and affordable housing are limited, LURF is nevertheless unable to support the proposed EHT as a mechanism to address these issues.

LURF strongly believes that the purported need to impose the EHT upon a select group of taxpayers for the purposes of easing the City's homelessness and lack of affordable housing issues must first be substantiated by compelling facts and evidence, which should include expert opinions, studies and audits to clearly prove the legal validity of such a constitutionally offensive measure. LURF understands that inquiries may have already been made for a study, and that other reports may have been issued and/or data collected in connection with the possible implementation of an "empty homes tax" by the City, however, results of such a study has not yet been released, and any analyses reached in the other reports have reportedly reached contradictory conclusions, and have not generated useful information required to properly assess the EHT. If such studies or reports have in fact been conducted and concluded, a request is hereby made that said results be shared with the public to assist with the evaluation of this current measure.

There presently exists a number of pertinent facts and issues, including, but not limited to the following, that as far as LURF is aware, still have not been produced by proponents of this Bill to justify the imposition of the EHT solely upon unoccupied residential property (rather than all properties and taxpayers) to address the broad issues of affordable housing and homelessness which are faced by, and affect everyone in the City:

- The number and type of unoccupied properties/property owners which will be impacted by the EHT.
- The amount of tax revenue (as reasonably possible to determine) that the City will in fact receive as a result of the imposition of the EHT.
- The sufficiency of the tax revenue collected through the EHT to adequately address homelessness and affordable concerns sought to be resolved.
- The effectiveness of the EHT to actually increase the availability of affordable housing (or whether such tax initiative will simply increase the availability of unaffordable housing).
- Specific information relating to homelessness and affordable housing programs to which the EHT revenue will be applied.
- The tax and economic impacts of the EHT on residents, businesses, housing, the real estate industry, and the overall economy of the City – as well as the State of Hawaii.
- Alternatives to replace any lost revenue, real property sales, and investment income suffered by the City and State as a result of the EHT.

Moreover, despite the potential deprivation of property rights and dire unintended negative consequences which may result from the imposition of the EHT, as far as LURF has been able to ascertain, housing and commercial developers and experts in the local real estate industry do not support Bill 46 in its present form. Also unknown is whether proponents of this measure have consulted with or addressed any concerns of tax and economic experts relating to the EHT and what legal and negative economic effects and consequences may result therefrom.

Ideally, a proper and complete study using qualified experts should be completed to obtain accurate information, facts and evidence necessary to support the EHT, and to determine if the perceived revenue and benefits therefrom will outweigh the burden cast upon, and deprivation of rights of private property owners, as well as any detriment to the local economy.

The Hawaii State Constitution and City Charter no doubt provide for the establishment and control of a taxation system **without discrimination**. It is therefore ironic and contrary to the spirit and intent of those mandates that efforts are now being made to discriminate against a limited class of property and property owners by imposing the proposed EHT upon a particular group. There is, in fact, no relevant or rational basis for arbitrarily taxing a select group of residential property owners to fund those identified needs which is intended to benefit **all** residents of this City. As such, it would be more equitable and transparent for this Committee and the City Council to engage all stakeholders in a discussion regarding an increase in taxes across the board to address the need to provide additional financial resources for the objectives specified.

3. This Bill Fails to Clearly Articulate the Details of the Proposed Supplemental Tax and the Manner in Which it Will be Implemented.

As discussed above, sufficient details of Bill 46 as presently drafted which relate to the tax proposed to be imposed have not been articulated so that the legal and practical validity of the proposal also cannot be properly assessed. For example, if the Bill is passed to allow imposition of the supplemental tax against a particular group of property owners, an unreasonable tax rate could subsequently be set or increased in the future, and there would be no restriction against City lawmakers passing implementing legislation to set unreasonable terms upon which the tax would apply, or to identify certain other property or ownership types which would be subject to the tax.

Furthermore, if a revenue-generating tax is what is actually intended by the proponents of this Bill, then that should be made clear in the language of the Bill, and the true purpose of this measure, as well as the terms and provisions relating to all aspects of the envisioned use of the EHT, including administration, imposition, compliance, and enforcement, should be fully vetted by the public. If any tax revenue should in fact be realized as a result this proposed measure, why does the Bill state that a substantial portion be deposited into the City's "general fund?" Given the stated purpose of the Bill, why wouldn't one hundred percent (100%) of the EHT revenues be deposited into the Affordable Housing Fund and/or used for homelessness in accordance with the measure's purpose as clearly articulated in the language of the Bill?

Without explicit constraints on the power afforded to the City Council by such an open-ended measure, the possible negative consequences of the Bill are unknown and virtually limitless.

4. Proper, Efficient, and Effective Implementation of the EHT Will Require Overly Burdensome Compliance by Property Owners, and Extensive and Costly Administration and Enforcement Efforts by City Departments with Expertise to Conduct Proper Investigations and Enforcement, and to Render Fair and Subjective Determinations.

Compliance by property owners with the provisions of the EHT may be confusing and potentially problematic given the definitions of terms and qualifying requirements for exemptions such as required proof including documentation in certain circumstances.

From the City's perspective, proper determination of the applicability of the EHT and exemptions to unoccupied property will entail extensive administrative and enforcement efforts by City personnel. The bill itself is fraught with terms, requirements and exemptions relating to the imposition of, and compliance with the proposed supplemental tax, which would assumedly be administered by City employees. LURF questions the ability of the current City workforce to do so, as well as the costs which may need to be incurred, especially given the current expertise of City staff, to administer, interpret, and enforce the requirements prescribed by the Bill, as well as to investigate cases or violations; collect the taxes; impose penalties for violations; or institute proceedings for foreclosure if required, particularly in complex situations.

And despite the inclusion of certain definitions of terms to be construed in the Bill and additional factors that have been delineated in the measure, as a practical matter, in order that Bill 46 be properly and effectively implemented, additional determinations as identified in, or have yet to be identified as a result of the measure must still be made pursuant to additional rules still to be adopted and administered by the City. These determinations may involve assessments of subjective issues which entail significant time, expense, knowledge, and expertise of individuals in specialized subject matter areas (both real property and taxation) who may not presently exist or who may not currently be qualified to conduct such specific reviews. There is also valid concern relating to possible violations of privacy rights of property owners as a result of inspections anticipated to be conducted as part of EHT enforcement measures, and the specialized training which will be required for personnel to perform such inspections.

There is presently no indication that these matters and especially their associated costs have been investigated, calculated, articulated, or even estimated, or that said costs will actually come anywhere close within five percent (5%) allocation of the EHT revenues to be collected from the tax as stated in the Bill. Said five percent (5%) allocation would seem especially speculative since there appears to be no reliable estimate of the total amount of revenues expected to be collected through the EHT.

5. The Proposed EHT Would Likely Cause a Number of Unintended Negative Consequences.

a. The Measure May Create Disincentive for Investment in Real Property and Have Other Negative Economic Impacts on the City and State of Hawaii. At a time when the State and City continue to suffer from the effects of the Covid pandemic and the Maui wildfires, and is still attempting to encourage business expansion in, and attract business to Honolulu and the entire State of Hawaii, this Bill would create a disincentive for real property investment, which in turn will no doubt have a negative impact on construction and development. Increased construction costs will be passed on to home buyers and will thus increase the price of homes and worsen the affordable housing problem in the State.

b. Impact on Properties Located in Resort Communities and Condominium Developments. The EHT, which proposes to impose a three percent (3%) tax on unoccupied properties might substantially increase holding costs for part-time residents and investors of properties located in resort communities and condominium developments. Such an increase would undoubtedly discourage investment in secondary homes, thus reducing demand for new purchases and affecting resale values throughout these communities.

Of critical concern are increased administrative burdens for property owners, including the annual requirements for property status declaration required by the Bill, along with potential audits and inspections, which create a significant compliance burden. These obligations, combined with recent **dramatic increases in insurance rates ranging from fifty percent (50%) to seven hundred percent (700%) – and the ongoing requirements for Hawaii's fire conversion compliance**, exacerbate the complexity and costs of maintaining properties. These combined obligations would certainly deter many owners from keeping or investing in homes in these communities and developments, ultimately reducing the pool of potential buyers and negatively impacting property values and the attractiveness of such properties as desirable investments and places to live.

c. Reduced High-End Market Appeal. High net-worth buyers who often purchase luxury units for use as vacation and occasional residences may likely be deterred by the EHT's penalties imposed on unoccupied properties. Premium units in resort communities and condominium developments may lose attractiveness as investment properties, which may reduce overall demand in those markets and impact future development.

Increased taxes upon investment real property and the negative consequences thereof would in turn be passed down by property and business owners to **all local residents and consumers** as increased costs, thereby raising the overall cost of living in this City. In short, this Committee should be aware that this proposed measure which is perhaps assumed to target and impact owners of higher priced properties or non-residents may in fact impact many industries and harm broad segments of Hawaii's economy.

d. Impact on local working-class families. Proponents of this Bill may presume that the EHT will not detrimentally affect Hawaii's average residential property owners, however, the proposed tax may apply to more properties and property owners than realized, impacting rental prices and further increasing housing costs in Hawaii. The real estate "investors" impacted by this bill will not be limited to wealthy foreign investors, but will also include local, middle-class, hard-working residents who invest in real estate as part of their effort to continue living in Honolulu, or who may be relying on investment property to fund their retirement. These taxpaying residents also include hard-working parents who purchase property to house their children, or to pay otherwise unaffordable college tuitions, as well as kama`aina who wish to retain inherited property which has been passed down by their family members for generations.

The imposition of the additional EHT tax may also result in the inability of homeowners to develop their properties or expand their homes to accommodate multigenerational living planned for when they grow older and may cause hardships for residents who are relying on such intended future arrangements.

6. Additional Exemptions and/or Variances Should be Considered by Drafters of the Measure to Avoid Unintended Hardships.

While exceptions to the EHT have been included in the Bill, LURF believes further review and consultation with all affected stakeholders is required to determine whether additional exemptions to, or variances from the proposed tax may be warranted, and should be established and included to ensure that the imposition of the EHT will not result in severe hardship.

Without the inclusion of all necessary exemption provisions, this type of overly stringent and unreasonable regulation which potentially violates property owners' constitutional and vested rights, may amount to unlawful confiscation of their property without legal justification.

7. Use of Other Rules, Regulations, Existing Laws, and Legally Supportable Processes and Means Should be Explored to Address the Concerns that are Sought to be Addressed by this Measure.**

Rather than pursuing punitive, arguably illegal, and questionably feasible tax mechanisms which will create extensive administrative issues and require huge implementation costs to effectuate, LURF respectfully suggests that this Committee and the Council work with all affected stakeholders to identify and explore other alternatives such as updating, improving, and supplementing existing laws, rules, and regulations relating to building, land use and development; creating tax incentives for long-term rentals; introducing and implementing policies that will help local residents acquire homes; and encouraging and establishing public/private partnerships to work collaboratively to address the homelessness and affordable housing concerns identified by this Bill.

Conclusion

LURF respectfully cautions that any government proposal or action which may potentially divest members of the public of their rights and private property, must not be made heedlessly, particularly where the underlying bases used to justify such proposals are not supported by hard facts and clear evidence, and when current and future consequences to private property owners and the general public have not been taken into sufficient consideration and could be economically destructive.

What would be so troubling about this Committee and the Council taking such arbitrary action, especially through the mechanism of an inappropriate and potentially illegal tax, is the questionable example being set, and the bad precedent being laid, demonstrating the ease with which the government may so easily elect to utilize its power and influence to overregulate and improperly tax private property without valid purpose or justification, and to inequitably cast upon a select group, the responsibility to fund **issues like homelessness and affordable housing which should rightfully be shouldered equally by all taxpayers.** The resulting real and greater danger is that such government overreaching may then be potentially interpreted and exploited by self-interest groups as precedent and support for further advancing improper efforts to regulate use of and impose taxes upon private property in their own favor.

Based on the procedural and substantive concerns articulated above, LURF believes it would not be reasonable, nor responsible for this Committee and the Council to support this measure as drafted without thorough review and analysis of additional facts and information relating to the legality and propriety of the proposed tax for the purposes alleged in this bill; legitimacy of the need for such a tax; clearer articulation of the proposed EHT and implementation thereof; and further consideration of the potential unintended consequences of such a measure, and must therefore respectfully request that **this Bill be deferred**.

Thank you for your consideration and the opportunity to present LURF's position regarding this matter.

Written Testimony:

Hello, my name is Maile Skinner. I was born and raised on Oahu's North Shore. I study social work, and I am in full support of Bill 46. I've been here for 22 years. I come from a multi-generational lineage; my dad's side of the family is Puerto Rican, and our family has been on Oahu since the importation of Puerto Ricans during the sugarcane era (in the 18-1900s). We've called this place home for many, many generations.

As a young local person living in Hawaii who is part of the middle class, I've seen how difficult it is for people my age to imagine a future of being able to buy a home in Oahu. At this point, owning a home in Oahu feels like an unattainable dream; we don't even stand a chance. You have to have millions of dollars to buy a home in Oahu. Many of my friends talk about how difficult it is to afford monthly rent, and many feel forced to move away. I've had numerous young friends, both locals and Native Hawaiians, who faced or were forced to relocate to Vegas or Arizona due to unattainable rents and housing prices. One of my closest high school best friends, Kaiaka Bajo, had to move because of the housing prices and the lack of available and cost-friendly units. Born and raised on the North Shore, Kaiaka Bajo, a native and local, found herself priced out of paradise. Immediately after graduating from high school, Kaiaka Bajo fled to Vegas due to the inability to afford rent in her hometown. She had to leave her family and Oahu behind for the sake of her survival and well-being.

According to Appleseed, the median rent for a one-bedroom apartment in 2024 is $2100 in Honolulu. That feels *impossible* for our generation to afford. The minimum wage is $14 an hour in Hawaii. The rent prices don't match our wage prices. Our housing markets are extremely inflated. Despite the fact that this is our home, we desire to remain in our birthplace and maintain our familial ties and cultural lineage. The cost of housing appears to be driving away more and more locals. And personally, based on what I've seen, it seems like everything (housing, rent prices, basic necessities, etc.) is getting more and more expensive each year.

This is why I fully support Bill 46, the empty homes tax. The cost of housing and living continues to rise, while 34,000 vacant units on Oahu remain occupied by absentee owners, the majority of whom are foreign investors. They don't contribute to the community in any way; instead, it harms us. These investors come in with cash and are able to outbid many of the locals. Making the competition extremely tight, pushing out locals, and causing prices to rise. We young locals and students can't compete against rich foreigners like that. Taxing these empty homes would encourage property owners to rent and sell them, which would create more affordable housing options for young people like me. It would create an available supply (which would bring down the prices), as well as helping first-time buyers. Like many other kids my age, I personally aspire to own my own home in Hawaii in the future. But if this bill isn't enacted, I don't believe it will be possible for me to buy my own home. I don't even think I could afford to rent here without living month-to-month on a check in the future. The thought of potentially having to leave my home one day due to the exorbitant costs of housing brings me immense sadness. I've had the experience of being homeless and living in my car for one month a few years ago.

This tax money could significantly contribute to affordable housing for the middle class. We could set the tax rate at 1% for the first year, 2% for the second year, and 3% for the subsequent years. Hawai‘i Appleseed recommends a flat tax of 3–5 percent on empty homes. The potential revenue from this tax could range from $183.40 million to $305.67 million annually, providing funding for affordable housing and addressing homelessness. Reducing the rate of homelessness would also reduce crime, drug use, and other social problems here in Hawaii.

Without Bill 46, young locals and kids of my generation will continue to be pushed out, unable to afford the basic right of having a home in our own state. Using empty property would also be cost-efficient and environmentally friendly, as it would eliminate the need for new construction. I want to “keep the country country," and opening up these vacant houses would be a great solution without affecting rural areas of Oahu. My generation deserves a fair chance to live and thrive in the place we grew up—the place we call home. We are the future of the State of Hawaii. What will Hawaii become if all the young locals, students, and Native Hawaiians get pushed out due to the housing crisis? It will no longer be "Hawaii." The locals and Native Hawaiians are what make this state "Hawaii." The thought of owning a home is a faraway dream for me. The same is true for numerous individuals in my generation. Should Bill 46 come into effect, I will ensure the reelection of legislators who uphold the values of supporting younger generations and preserving their presence on the island. For young people in Hawaii, Bill 46 is not just a policy. It’s a type of lifeline; it gives us hope that we can stay and thrive in our own community instead of being priced out of the place we call home. It enables us to stay in our home, rather than to face expulsion. Thank you.

Spoken Testimony:

My name is Maile Skinner. I was born and raised on the North Shore of Waialua. I come to represent the younger generation of locals, residents, and Native Hawaiians in support of Bill 46. My Puerto Rican family has lived in Waialua for generations since the sugar cane era in the 1900s, but I've seen young people like me face an unattainable housing market due to 34,000 vacant units owned by foreign investors. This situation drives locals off the island, exacerbating the displacement of Native Hawaiians. I know many young natives, friends, and locals forced to leave because of housing costs. In 2019, Native Hawaiians with very low incomes had the highest rates of severe rent burden by race. (Annual Homelessness Assessment Report 2021)

Why should we feel **bad** for wealthy foreigners who own multiple homes? It’s time we start prioritizing our locals and natives. Hawaii is not like any other state, we have a unique history. Hawaii was illegally annexed, and the displacement, erasure & “pushing-out” of Native Hawaiians seems to continue. Wealthy outsiders owning multiple homes shouldn't overshadow the struggles of locals who can't afford rent or homeownership. Bill 46 could generate $305 million annually for housing and homelessness solutions, allowing locals to remain rooted in Hawaii. If we don’t act, our unique culture will be lost if our younger generation of locals continues to be *priced out of paradise*, the place we call *home*. Thank you!

Citations:

https://www.huduser.gov/portal/sites/default/files/pdf/2021-AHAR-Part-2.pdf

https://static1.squarespace.com/static/601374ae84e51e430a1829d8/t/66e4f9b98ca24d4accc1d8ca/1726282180596/Homes+Without+Residents_Empty+Homes+Tax+Report_FINAL.pdf

GRASSROOT INSTITUTE OF HAWAII

1050 Bishop St. #508
Honolulu, HI 96813
808-864-1776
info@grassrootinstitute.org

Removing barriers to Hawaii's prosperity

Nov. 8, 2024, 10 a.m.
Honolulu Hale

To: Honolulu City Council Committee on Budget
Radiant Cordero, Chair
Matt Weyer, Vice Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

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

Aloha Chair Cordero, Vice-Chair Weyer and other members of the Committee,

The Grassroot Institute of Hawaii **opposes** Bill 46 (2024), CD1, which would create a so-called empty homes tax supplemental 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 increase the supply of homes by encouraging owners to rent or sell vacant homes and raise funds for affordable housing and homelessness.

First of all, the City and County of Honolulu has commissioned a study on the feasibility of implementing an empty homes tax proposal. The committee should hold this bill until the results of the study are finalized.

Beyond that, Grassroot opposes Bill 46 for the following reasons:

>> An empty homes tax would create major administrative headaches for the Department of Budget and Fiscal Services and would invade the privacy of city residents.

>> Research does not indicate empty homes increase housing prices or rents.

>> Empty homes do not consume a large number of public services.

>> There are better, proven ways to increase housing supply.

>> The proposed empty homes tax surcharge would ultimately be just another tax increase that risks unforeseen economic downsides for Honolulu's economy.

However, if the bill is to move forward, the committee should adopt Councilmember Calvin Say's amendment, which would put a to-be-determined cap on the total tax bill charged under the empty homes tax, and exempt certain properties owned by Hawaii residents.

The wording for the second part of this amendment — relating to the exemption — is not clear, and it should be rewritten to better reflect the amendment's intent.

As for the wording of the bill in its current form, a major issue is definitional. In other words, 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."

Basically, Bill 46's 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.

It then lists 15 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 reasons.

But the number of exemptions can vary, as shown by the variations in other jurisdictions that have been experimenting with such a tax,[1] and also by the fact that when this proposal was introduced in 2022 at Bill 9, it listed only 11 exemptions.[2]

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.

The bill currently states that the department would be required to mail a form to all owners of residentially zoned properties on Oahu for the owners to declare whether their homes are empty as defined by the bill.

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[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] "Bill 9 (2022) — Relating to real property taxation," Honolulu City Council, Feb. 1, 2022, pp. 3-5.

Further, the bill would empower the department 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."

Privacy concerns aside, the magnitude of all this required paperwork, investigation 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.[3] This doesn't count short-term rentals or bed and breakfasts that might exist in residential zones.

The department would not have to review each of these properties every year, but it seems reasonable to ask whether it has or could ever have the staff to sort through this magnitude of annual declarations.

There is no mention in the bill of how many new full-time employees the city might have to hire or how much the city might have to spend to implement and enforce this proposed tax.

And consider how this might affect homeowners who for some reason 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."

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

In addition, the bill says that anyone who fails to timely pay the empty homes tax would be subject to nonpayment penalties of 1% of the empty homes tax due, 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.[4]

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.

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[3] "Number of Records by Land Use Class for Tax Year 2024-2025," City and County of Honolulu, July 2024.
[4] Jensen Ahokovi and Mark Coleman, "The 'empty homes' theory of Hawaii's housing crisis," p. 11.

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

Furthermore, empty homes already help subsidize other city services. They contribute property taxes to the city budget without requiring many services from police, water, sewer, fire or other other departments.

Moreover, there are effective ways to produce affordable housing. Grassroot discussed some of those ways in its December 2023 report "How to facilitate more homebuilding in Hawaii," which essentially recommends removing or updating the many state and county regulations that hinder homebuilding.

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

Please consider, too, that an implicit empty homes tax already exists as a function of the housing market.

The fact is that anyone who chooses 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.[5]

This suggests that anyone who leaves their home empty has good reason to do so, and that an empty homes tax surcharge might not motivate them to act otherwise.

In addition, the surcharge would, after all, be a tax increase, diverting funds from the private sector to the city government, which could result in all sorts of undesirable, unforeseen economic consequences.

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

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

[5] "What is the average rent in Honolulu, HI?" Apartments.com, accessed Oct. 7, 2024.

HAWAIʻI STATE LEGISLATURE
Ka ʻAhaʻōlelo Mokuʻāina ʻŌ Hawaiʻi

STATE CAPITOL
415 SOUTH BERETANIA STREET
HONOLULU, HAWAIʻI 96813

November 8, 2024

The Honorable Radiant Cordero, Chair
And Members of the Committee on Budget
Honolulu City Council
530 S. King Street, Honolulu, HI 96813

Subject: **Bill 46 (2024)**
Hearing: Friday, November 8, 2024, 10:00 AM

Dear Chair Cordero and Committee Members:

As the Senator of District 12, representing Ala Moana, Kaka'ako, McCully, Sheridan, and Waikīkī, and Representative for the Waikiki district, we express strong support for Bill 46, which proposes an empty homes tax to help address Honolulu's housing crisis. This bill will create a more equitable and sustainable housing market for all of us who call Oʻahu home. Our district has the highest concentration of condominiums in the state. New residences continue to be built and bought, especially in Kaka'ako, but residents report that many units remain unoccupied – just drive through the district at night to see how the lights are off in so many of them.

The housing affordability crisis in Honolulu has reached critical levels, with many local residents unable to secure stable, affordable housing. The demand for homes in Oʻahu far outstrips the supply, and the skyrocketing cost of living is driving many families out of their neighborhoods or out of the state altogether. Meanwhile, there are numerous properties in our city that remain vacant for extended periods, sometimes years. These empty homes are not contributing to the local economy or community, and they represent a significant underutilization of our island's limited land and resources.

By implementing an empty homes tax, we would incentivize property owners to either rent or sell their vacant properties, thereby increasing the overall housing supply. This could help reduce the upward pressure on rental and purchase prices, providing more opportunities for local residents, particularly those in lower and middle-income brackets, to find affordable housing.

The empty homes tax would also promote fairness by addressing the issue of absentee ownership. Vacant homes in Honolulu owned by non-residents or speculative investors may not be invested in our community's long-term wellbeing. These individuals or entities contribute little to our local economy while taking up housing space that could be used by local families or individuals in need of a place to live. While the interstate commerce clause prevents us from barring this practice, this bill would provide a mechanism to ensure that properties are either actively contributing to the housing market or are taxed in a way that encourages productive use of the land. In doing so, we can help ensure that

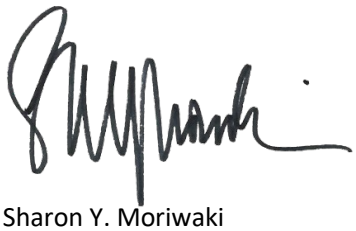
housing is available for the people who live and work in Honolulu—not just for those who view it as a speculative investment.

Honolulu is a growing city, and our available land is limited. By encouraging owners of empty homes to put their properties to better use, Bill 46 helps promote more sustainable land use in a city where land is precious. The revenue generated from this tax could be reinvested into affordable housing projects, improving the infrastructure in underdeveloped areas, or providing support for programs that help our most vulnerable residents. This tax is not just about discouraging vacancy; it's about reinvesting in our future and ensuring that housing serves the needs of our communities.

Cities across the United States and internationally have implemented similar measures with great success. Vancouver, Canada, and several cities in California, including San Francisco and Los Angeles, have adopted empty homes taxes to tackle housing shortages and to curb speculation. These policies have been effective in incentivizing property owners to either rent or sell vacant properties, leading to increased availability of housing and more stability in the housing market. Honolulu, like these cities, has a unique set of challenges that can benefit from this kind of solution, and we must act decisively before the situation becomes even more dire.

For all these reasons, we urge you to support Bill 46 and take action to address the housing crisis in Honolulu. By taxing vacant properties, we can begin to ensure that everyone in our city has a chance to live in a safe, stable, and affordable home. We believe this policy will make a meaningful difference in the lives of many residents, and we encourage you to take bold steps to make it a reality.

Thank you for your time and consideration.



Sharon Y. Moriwaki
Senate District 12



Adrian K. Tam
House District 24

HAWAIʻI STATE LEGISLATURE
Ka ʻAhaʻōlelo Mokuʻāina ʻŌ Hawaiʻi

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The empty homes tax would also promote fairness by addressing the issue of absentee ownership. Vacant homes in Honolulu owned by non-residents or speculative investors may not be invested in our community's long-term wellbeing. These individuals or entities contribute little to our local economy while taking up housing space that could be used by local families or individuals in need of a place to live. While the interstate commerce clause prevents us from barring this practice, this bill would provide a mechanism to ensure that properties are either actively contributing to the housing market or are taxed in a way that encourages productive use of the land. In doing so, we can help ensure that

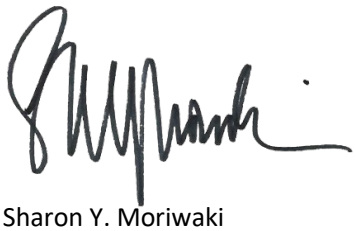
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For all these reasons, we urge you to support Bill 46 and take action to address the housing crisis in Honolulu. By taxing vacant properties, we can begin to ensure that everyone in our city has a chance to live in a safe, stable, and affordable home. We believe this policy will make a meaningful difference in the lives of many residents, and we encourage you to take bold steps to make it a reality.

Thank you for your time and consideration.



Sharon Y. Moriwaki
Senate District 12



Adrian K. Tam
House District 24

NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

November 7, 2024

Councilmember Radiant Cordero, Chair
Councilmember Matt Weyer, Vice Chair
Committee on Budget

RE: **Bill 46 - Relating to Real Property Taxation**
Hearing date: Friday, November 8, 2024 at 10:00AM

Aloha Chair Cordero, and members of the Committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii in **OPPOSITION TO BILL 46 CD1 RELATING TO PROPERTY TAXATION**. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals.

Bill 46 creates an "empty homes tax" to address the taxation of vacant residential properties in Honolulu. The intention of the measure is to provide funding to address homelessness and a lack of affordable housing. To be clear NAIOP Hawaii supports the production of affordable housing in Honolulu, however, there may be several unintended consequences emphasizing the need for a more comprehensive and balanced approach.

Primarily, Bill 46 raises constitutional concerns through implementing a tax that infringes on private property rights and could potentially be interpreted as a taking, potentially entitling an owner to compensation. The substantive rules are based upon and embody the general principle **that any enactment affecting private property rights must bear a substantial relation to the public health, safety, or general welfare**. The bill's approach to taxing vacant homes could face legal challenges, particularly around issues of property rights and the fairness of imposing such a tax in a high-cost market. This could result in costly litigation for the city and delay the intended benefits of the measure.

Furthermore, the imposition of an "empty homes tax" on properties that are not occupied for a minimum number of days each year could unfairly penalize property owners who may have valid reasons for their properties being vacant, such as those dealing with long-term medical care, legal disputes, or those undergoing significant renovations. While the bill includes several exemptions (e.g., for properties under legal dispute or undergoing major renovations), these exemptions may not cover all valid scenarios where a property could be vacant, leading to unintended consequences for certain property owners.

NAIOP Hawaii is concerned with the implementation of the tax as the details have not been articulated and the practical validity of the proposal cannot be assessed. For example, the imposition of the supplemental tax against a particular group of property owners could subsequently increase in the future. Additionally, the terms and provisions relating to all aspects of the envisioned use of the EHT, including administration, imposition, compliance, and enforcement remain unclear and should be fully vetted by the public. Should there be generated revenue, we would encourage it be deposited into the Affordable Housing Fund.

Moreover, Bill 46 CD1 may deter further property investment and negatively impact the housing market. The high tax rate (up to 3% of the assessed value) may deter investment in residential properties, particularly in a city like Honolulu where property values are already among the highest in the nation. This could lead to decreased investment in the housing market, potentially exacerbating the housing crisis rather than alleviating it.

Lastly, Bill 46 CD1 requires property owners to submit annual property status declarations and could subject them to audits and investigations, adding a significant administrative burden. The requirement for evidence and inspections adds layers of complexity and could lead to disputes between property owners and the city. The additional burden on administrative staff could result in an inability to implement and properly enforce the proposed tax.

Accordingly, NAIOP remains concerned with the potential negative impacts Bill 46 and recommends the measure be held to reach a more comprehensive and balanced approach.

Mahalo for your consideration,

Reyn Tanaka, President
NAIOP Hawaii

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Testimony by Suzanne Young, CEO
Honolulu Board of REALTORS®

Bill 46 (2024), CD1
Relating to Real Property Taxation

Committee on Budget Special Meeting
Radiant Cordero, Chair

Honolulu Hale
Friday, November 8, 2024
10:00 AM

Aloha Chair Cordero, Vice Chair Weyer, and members of the committee:

The Honolulu Board of REALTORS® (HBR), representing over 6,700 members, opposes Bill 46 (2024), CD1, which seeks to establish a new supplemental tax of up to 3% on the tax-assessed value of vacant residential properties.

While HBR wholeheartedly supports exploring measures to increase our critically needed housing supply, it would be unwise to advance Bill 46. Our Real Property Tax structure should be rooted in sound economic principles, emphasizing fairness, equity, and the diverse needs of property owners. This approach aims to balance the county's fiscal needs with property owners' ability to contribute to those needs. Bill 46, as written, is not yet based on accurate data, fair and equitable, nor reflective of the diverse needs of property owners. It's a punitive tax that is complex and would be challenging to administer and enforce.

The first issue is that Bill 46 imposes an undue burden on all residential homeowners, requiring them to *annually* declare and attest that their property is not vacant, as well as interpret 15 exemptions, which do not completely cover the needs of local residents. If a homeowner misses the deadline to declare and attest, they face significant tax consequences of up to 3% on the tax-assessed value for an entire year before being corrected.

In addition to the annual burden homeowners will face to prove their home is occupied, the City and County of Honolulu must also consider how it will manage the evidence paperwork, inspections and enforcement of this new tax.

Ernst & Young, which the Council agreed to pay $500,000, has just begun conducting a study to assess the true number of vacant homes, the tax revenue that can realistically be provided, and the costs of implementing this new tax. HBR participated in the first meeting on Thursday and strongly believes Ernst and Young must be given time to complete the study to equip the Council with accurate information to develop effective, sound policy on this issue.

Instead of introducing a new tax under Bill 46, we should consider a simpler approach by modifying the existing Residential A property tax classification. Residential A classification already imposes higher property taxes for properties without a homeowner's exemption, and a tiered system to place higher taxes on wealthy owners of second homes could be a compelling alternative that would be straightforward to implement.

While well-intended, there is no evidence that Bill 46 will increase the supply of affordable housing and address homelessness. However, it is abundantly clear that several unanswered questions and challenges must be addressed before this bill passes.

HBR believes everyone deserves a place to call home. We are deeply supportive of policies that develop a diverse housing market across all price points, and we encourage the Council to reject Bill 46 and explore measures that stand to more effectively meet our shared goal of creating more housing opportunities for all.

Thank you for allowing us to provide testimony on this important issue that impacts all our communities.

TO: Members of the Budget Committee

FROM: Natalie Iwasa, CPA, CFE
808-395-3233

DATE: Friday, November 8, 2024

SUBJECT: Bill 46, CD1, Real Property Taxation, Empty Homes Tax – **OPPOSED**
And Questions for Budget & Fiscal Services

Aloha Chair Cordero and Councilmembers,

Thank you for allowing testimony on Bill 46, CD1, which would create a new tax on so-called empty homes. Please ask the director of Budget and Fiscal Services to discuss the following:

- How would the vacant homes tax be treated upon the sale of a home subject to the tax, i.e., would it be pro-rated as real property taxes are?

- How would a new owner be impacted if the sale occurs after the deadline for filing a declaration, i.e., how many months would the new homeowner have to pay the vacant homes tax? For ease of discussion, assume the deadline for filing a declaration is September 30 and the actual filing occurred in October or later.

- Discuss the cost of administering the tax, e.g., software, staff, education program, etc.

- What evidence would likely be used to verify occupancy, e.g., would a certification be adequate for homeowner-occupants and landlords? Or would most or all of the documents listed in the bill be required?

- Would all homeowners (owner-occupants and landlords) be allowed to simply certify occupancy knowing that BFS could always audit the certifications later? Or would landlords have to provide more evidence?

It's important to understand each one of these issues.

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai‘i Appleseed Center for Law and Economic Justice
Support for Bill 046(24) CD1 – Empty Homes Tax
Budget Committee, Honolulu City Council
Friday, November 8th, 2024, at 10:00AM

Aloha Chair Cordero, Vice Chair Weyer, and Members of the Budget Committee,

Thank you for the opportunity to express our **STRONG SUPPORT for Bill 46(24)**, which would impose an Empty Homes Tax (EHT) of 3% on properties that are vacant (non owner-occupied and non-renter-occupied) for over six months each year.

Addressing Honolulu's Housing Crisis
Honolulu is facing an unprecedented affordable housing crisis, with the median home price in Honolulu exceeding $1 million in 2023. Over 80% of renters on Oahu are classified as severely cost-burdened, struggling to meet basic needs while managing high rent costs. The average monthly rent for a typical apartment stands at approximately $2,100/month in 2024, with an estimated hourly wage of $41.83/hour needed to afford market rent. However, the average renter’s hourly wage is far below what is needed at $21.86/hour. This extreme affordability gap has been exacerbating the ongoing housing crisis.

Key Points in Support of Bill 46:

(1) **Increasing Holding Costs for Speculators**

Honolulu is experiencing a rising trend in properties being purchased as investments rather than homes. In 2022, approximately 75% of home purchases were non-owner occupied, meaning these properties were bought to rent out, operate as short-term or vacation rentals, or simply left vacant.

Honolulu is especially attractive to investors because it has some of the lowest property tax rates in the country. In 2023, 10.1% of single-family homes and 17.3% of condominiums in Honolulu were sold to out-of-state buyers, an indication of outside interest in the Honolulu market. Our low property tax structure makes investing here appealing, as it minimizes holding costs while offering high returns. Consequently, investors can often profit *without the need for rental income*. According to the 2020 U.S. Census, Honolulu has over 34,253 vacant homes.

Additionally, in 2018, out-of-state investors on O‘ahu paid on average 46.6% more for properties than local buyers. When people from outside buy in Hawai‘i, they often pay higher prices. This sets a new standard for the market value of homes, which then raises the prices of other homes in the same area. Since these prices tend to rise faster than the average income in Hawai‘i, it becomes more challenging for local residents to afford homes. This continues to price the average local resident out of the housing market.

By levying the EHT and reducing the profitability of holding vacant properties, we could discourage investors from leaving homes empty by renting them out to local residents or generate tax revenue to address to subsidize our residents’ housing needs.

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Support for Bill 046(24) CD1 – Empty Homes Tax
Budget Committee, Honolulu City Council
Friday, November 8th, 2024, at 10:00AM

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(2) **Revenue for Affordable Housing**

Hawaii Appleseed estimates that the Empty Homes Tax (EHT) could generate approximately $183 million in revenue annually. This revenue could be transformative for Honolulu, creating a sustainable source of funding for affordable housing and homelessness initiatives. Such funding would support both long-term goals, such as developing new affordable housing units, and immediate needs, such as rent assistance programs and homelessness services for individuals in crisis.

Other cities like Vienna, Singapore, and Vancouver have successfully used dedicated housing funds to build thousands of affordable units, proving the effectiveness of a stable, targeted funding stream. Honolulu County has also demonstrated its capability to allocate resources effectively through the Affordable Housing Fund. Since 2007, this fund has awarded over $76 million to develop over 2,000 units of affordable housing, underscoring what Honolulu could accomplish with additional dedicated revenue.

Maximize the Effectiveness of Bill 46

Bill 46 is urgently needed, yet significant changes are being considered that could severely undermine its effectiveness. If the bill passes with increased exemptions and loopholes, it will fail to meaningfully address our housing crisis. An ineffective bill will only deepen frustrations of our residents who are already struggling. To ensure Bill 46 truly supports our residents, we urge you to consider the following recommendations to maximize its impact.

- Retain "Principal Residence" language in exemptions 4(1) and 4(2)
- Direct 100% of Tax Revenues from Bill 46 Exclusively to Affordable Housing and Homelessness Initiatives
- Maintain Supplemental Tax Set at 3% of Assessed Property Value
- Restrict Exemptions to Preserve the Bill's Effectiveness

Retain "Principal Residence" language in exemptions 4(1) and 4(2)

Retaining the "Principal Residence" requirement in Sections 4(1) and 4(2) is crucial for prioritizing housing access for Oahu residents and preventing property owners from exploiting. Allowing exemptions based on "physical occupancy" instead of "Principal Residence" would create loopholes, that could encourage property conversions to STRs, seasonal rentals, and recreational use. Research shows that cities with high volumes of STRs experience accelerated rent growth, suggesting landlords raise long-term rental prices to match the income potential of STRs. Removing the "Principal Residence" requirement could weaken the Empty Homes Tax's effectiveness, reducing revenue for affordable housing while driving up housing costs for residents.

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

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Budget Committee, Honolulu City Council
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To strengthen this provision, Section 4(2) should require minimum occupancy periods of at least 30 days toward the six-month residency requirement. This would prevent aggregated short stays that encourage illegal STRs, which the Council has worked to restrict (legally permitted transient vacation units are already exempted in section 4(15), and do not need exemption here). Maintaining "Principal Residence" as a standard helps protect local housing affordability, directs revenue to support affordable housing, and limits the negative impact of STR conversions on rental costs.

Direct 100% of Tax Revenues from Bill 46 Exclusively to Affordable Housing Initiatives, Homeless Programs, and the Affordable Housing Fund.

Our housing crisis is largely driven by an undersupply of housing, which artificially inflates prices and restricts accessibility. While the Empty Homes Tax (EHT) may encourage some property owners to return their units to the rental market, what we urgently need is a substantial increase in **deeply subsidized** housing. A 2019 study projected that by 2025, Honolulu would need 22,168 new housing units, with over 9,102 required for households **earning 60% or less of the area median income** (AMI). Dedicating EHT funds to the Affordable Housing Fund ensures that revenue directly supports housing development for those making below 60% AMI, ensuring that the money is used effectively and does not lapse.

The current (CD1) version of the EHT allocates a portion of the revenue, but more long-term funding is essential to meet our housing goals. Housing projects take years to plan and execute, and committed, stable funding allows affordable housing developers to confidently plan and implement large-scale projects. Alongside this, immediate funding is needed to address current challenges by supporting rent assistance and homelessness services for residents in crisis. Allocating funds specifically to these needs prevents budget diversion and keeps resources focused on addressing Honolulu’s housing crisis effectively.

Maintain Supplemental Tax Set at 3% of Assessed Property Value

Some councilmembers have discussed lowering the tax rate or penalties to reduce the financial burden. However, reducing these would likely compromise the bill’s effectiveness. The proposed 3% tax rate aligns with other cities like Vancouver, where similar rates have proven effective. Given Honolulu’s high property values, this rate is appropriate, and strong penalties are essential to deter tax evasion and ensure compliance, as demonstrated in cities with high compliance rates and effective vacancy taxes.

Additionally, councilmembers have debated whether the Empty Homes Tax (EHT) should be structured as a supplemental tax or an alternative tax. Bill 46 would be most effective as a supplemental tax, maintaining dual revenue streams from both empty homes and residential A tax classes. In contrast, an alternative tax classification could result in lower revenues, as it would apply only one tax classification. A substantial tax rate is crucial to influence behavior and revenue

generation. A flat fee would create a regressive tax burden on lower-income owners, while a progressive rate based on assessed property value tiers would ensure fairness. For instance, Vancouver's vacancy tax is 3% of assessed value, with an additional 2% and 1% from provincial and federal taxes, for a total 6% rate, while Washington DC imposes 5% for vacant properties and 10% for blighted ones. Given Honolulu's relatively low property tax rates, this proposed rate is both fair and impactful.

Restrict Exemptions to Preserve the Bill's Effectiveness

Suggestions of creating exemptions for local families with a second home to reduce potential financial burdens have also been considered. However, exempting second homes would undermine the tax's impact, as every vacant property—regardless of ownership—affects the effectiveness of the Empty Homes Tax and contributes to the housing shortage. To ensure that the tax achieves its intended goals, it is essential to limit exemptions and prevent loopholes that could encourage new speculative purchases and weaken the bill's ability to address the housing crisis.

Bill 46 offers one small potential solution to Honolulu's housing crisis. By dedicating revenue to affordable housing, discouraging speculative property holding, and enforcing a clear "Principal Residence" requirement, this legislation can foster more resources for affordable housing initiatives.

We respectfully encourage the Committee to pass Bill 46 with these provisions to ensure maximum impact. Mahalo.

Shaun Campbell

808.388.3014 islolandia@gmail.com 860 Halekauwila Street, Apt. #501, Honolulu, Hawai'i 96813

November 8, 2024

Honolulu City Council
Budget Committee
Honolulu Hale
530 South King Street, Room 202
Honolulu, Hawai'i 96813

RE: Testimony in STRONG SUPPORT of Bill 46(2024) - CD1 and allocating funds towards Affordable Housing Fund

Aloha e Council Members:

I am writing to express my strong support for BILL 46 (2024) - CD1, the Empty Homes Tax, and to urge you to approve the bill. This legislation is a critical step toward addressing the pressing housing crisis facing our community.

It is imperative that we secure revenue from the Empty Homes Tax to support affordable housing initiatives. This funding can play a pivotal role in developing affordable housing units and creating assistance programs for residents struggling with housing insecurity. Honolulu's affordable housing crisis requires decisive action, and this tax revenue can serve as a vital resource to make a tangible difference for our community.

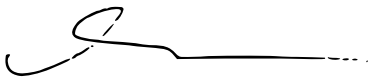
As you know, Honolulu's property tax rates are among the lowest in the country, making the market attractive for investors who see real estate as a profitable venture with minimal holding costs. Consequently, the housing market has shifted to function more like an industry where properties are seen as financial assets rather than homes. This approach has pushed many local residents out of the housing market. By implementing an additional tax on vacant properties, we can raise the holding costs for speculative investors, making it less lucrative to hold homes vacant and encouraging their return to the market as residences.

As a matter of language for the bill, it is essential to retain the "principal residence" terminology to prevent loopholes that could diminish the bill's effectiveness. Replacing this term with "physical occupancy" opens the door for properties to be designated as occupied without true residency, which weakens the bill's intent. Maintaining "principal residence" requirements ensures that property owners cannot sidestep the tax by converting homes to short-term rentals. Studies indicate that cities with a high density of short-term rentals experience accelerated rent increases, as landlords seeking higher profits adjust long-term rental prices accordingly. Keeping this language intact helps ensure the bill fulfills its purpose of deterring speculative property practices and generating revenue for affordable housing.

Lastly, it is essential that 100% of the tax revenue from BILL 46 (2024) - CD1 be allocated specifically to affordable housing efforts through the Affordable Housing Fund. Dedicated funding would guarantee that these resources are used to address both immediate and long-term housing needs, such as constructing affordable units, providing rental assistance, and offering support services. Without such earmarking, there is a risk that these crucial funds could be diverted to other budgetary needs, weakening the impact of the bill on the housing crisis. The unaffordability and houselessness that stem from unoccupied homes are significant externalities. Ethically and logically, revenue generated from taxing these properties should be reinvested to mitigate these issues and support solutions for those directly affected.

Thank you for your consideration of BILL 46 (2024) - CD1. I respectfully urge your support and favorable vote to approve this important legislation. Your commitment to addressing Honolulu's housing crisis is deeply appreciated.

Mahalo piha,



Shaun Campbell

Citizen Advocate

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Testimony to the Honolulu City Council
Committee on Budget
November 8, 2024
Council Chambers

Comments on Bill 46, Relating to Real Property Taxation

To: The Honorable Radiant Cordero, Chair
The Honorable Matt Weyer, Vice-Chair
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 46 Hawaii credit unions, representing over 800,000 credit union members across the state. We offer the following comments on Bill 46, Relating to Real Property Tax.

This bill would levy an “empty homes tax” against people who own a residential property deemed “empty” for a period of time. This bill would require the City to administer and enforce the tax, essentially notifying every owner of residential property in the City & County of Honolulu and requiring them to show proof of “principal residence”.

While we understand the intent of this bill is to prioritize Hawaii residents with regards to the housing supply and housing affordability, as currently drafted, the bill would potentially affect any person in the City that owns a residential property, and subject them to this tax. Further, this bill would allow the City to foreclose on a property for which the “empty homes tax” was not paid for 3 years. We would have concerns as to the status of any mortgage on a property deemed “empty” by the City, and any unintended consequences therein.

Thank you for the opportunity to provide comments on this issue.