'25APR07 AM 10:00 CITY CLERK

HONOLULU CITY COUNCIL
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April 7, 2025

Andrew T. Kawano, Director, Poʻo
Department of Budget and
Fiscal Services (BFS)
Ka ʻOihana Mālama Moʻohelu a Kālā
530 S. King Street, Room 208
Honolulu, HI 96813

SUBJECT: **BUDGET COMMUNICATION NO. 17**
Request for Information Relating to the Empty Homes Tax Report

Dear Director Kawano:

On behalf of the Budget Committee, I am requesting a presentation on the Empty Homes Tax (EHT) Report once it is released. To gain a better understanding of the report and the ways that it could help us craft future legislation, please include the following points in the presentation:

1. One of the principal objectives articulated by supporters of the EHT was to promote the conversion of these empty units into housing, whether that be encouraging the sale to intended occupants, or conversion to rental units. Please be prepared to provide the projected number of units estimated to be sold or converted to rentals under the bill's current draft and the methodology used to formulate these projections. Please provide these projections under 3 separate scenarios, a tax rate of 1%, 2%, and 3%.

2. If the bill was implemented as is, what is the projected revenue the City & County of Honolulu would collect over the course of 10 years at a 1%, 2%, or 3% tax rate?

3. Throughout the legislative process, a number of exemptions were added to the EHT measure. Some of these exemptions were included to protect existing residents who own a single second home, to cover military members on long-term orders, to incentivize the creation of accessory dwelling units, etc. To the degree you are able, please quantify the projected impact of each of the exemptions separately by detailing the number of properties you expect to utilize the exemption, as well as its anticipated impact on the conversion rates under the scenarios discussed in the previous question.

4. An alternative proposal suggested by opponents of the EHT was that the Residential A rate be raised. Discussing the Residential A rate alone:
   - What would Residential A have to be set at to raise the same amount of revenue estimated to be raised by the EHT at 3%, under the parameters of the current Residential A program?
   - How many taxpayers would be impacted by an increase to the Residential A rate?
   - What would be the projected impact to existing renters under this proposal?

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5. Bill 34 (2024) is pending before the City Council that would modify the Residential A program, specifically to increase the threshold for Tier 1 of Residential A to $1.3M, and increase the threshold for Tier 2 of Residential A to between $1.3M and up to $3.5M, and to create a Tier 3 for above $3.5M. Discussing these specific modifications to the Residential A rate alone:
   - Under this scenario, what rate would be required for each of these tiers to generate the same revenue estimated to be raised by the EHT at 3%?

6. Parallel to the Residential A rate, the City also charges a certain rate for property classified as transient vacation units ("TVU rate"). Currently, the properties classified as transient vacation units are expected to generate approximately $17.38M in property tax this year, and Residential A properties are expected to generate approximately $317.35M in property tax this year, for a total of $334.67M. Therefore, property taxes from transient vacation units represent approximately 5.2% of the combined total.
   - If both the Residential A rate and the TVU rate were to be increased in order to generate the same amount expected from the EHT, what would the TVU rate have to be set at to maintain approximately the existing 5.2% proportion of the combined total?

7. Looking ahead, sewer fees are expected to significantly increase to fund projects associated with the 2010 Wastewater Consent Decree. Could the additional revenue collected through the EHT help to provide funding to mitigate the increased cost of sewer fees to residents?

8. Could the additional revenue collected through the EHT help to fund existing or future housing and homelessness initiatives, to assist in addressing our statewide housing crisis?

9. Could the additional revenue collected through the EHT help to provide funds to help the City to cover Skyline operational costs?

10. Federal funds to the City are likely to significantly decrease in the short and medium term, and so could the additional revenue collected via EHT help to offset potential losses of federal funds in this or future fiscal years?

We look forward to reviewing the findings shared in the report, with particular attention to the questions posed above. Mahalo for your attention to this matter.

Sincerely,

Tyler Dos Santos-Tam
Councilmember, District 6