

MISC. COMM. 247

BUDGET (BUD)

**PRESENTATION BY ERNST & YOUNG LLP ON THE
FIRST PHASE OF WORK COVERING THE FEASIBILITY
OF THE PROPOSED EMPTY HOMES TAX MEASURE
PROPOSED IN BILL 46 (2024), CD2, FD1 RELATING TO
REAL PROPERTY TAXATION.**

Testimony

BUDGET (BUD) Meeting

Meeting Date: Apr 29, 2025 @ 09:00 AM

Support: 12

Oppose: 1

I wish to comment: 2

Name: Ellen Carson	Email: egcarson@icloud.com	Zip: 96814
Representing: Self	Position: Support	Submitted: Apr 25, 2025 @ 06:22 PM
Name: Ellen Carson	Email: egcarson@icloud.com	Zip: 96814
Representing: Church of the Crossroads, Honolulu	Position: Support	Submitted: Apr 25, 2025 @ 06:51 PM
Name: Lorna Holmes	Email: lholmes@hillsdale.edu	Zip: 96817
Representing: Self	Position: Support	Submitted: Apr 26, 2025 @ 03:04 PM
Testimony: I strongly SUPPORT Bill 46 to establish an empty homes tax in Honolulu. I see that the recent Ernst & Young study predicts the program will pay for itself within the first year and will contribute significant revenue to our City budget. A clear win! An empty homes tax will discourage outside speculative investors who push up housing prices for all residents. This waste of housing resources is not acceptable, given the great need.		
Name: Greg Puppione	Email: gpuppione@gmail.com	Zip: 96816
Representing: Self	Position: Support	Submitted: Apr 26, 2025 @ 03:17 PM
Testimony: I SUPPORT Bill 46 to establish an empty homes tax in Honolulu. The Ernst & Young study predicts the program will pay for itself within the first year and will contribute significant revenue to our City budget. An empty homes tax will discourage outside speculative investors who push up housing prices for all residents. Thank you for supporting this measure. Aloha.		
Name: Dale Jensen	Email: dalejensen2@gmail.com	Zip: 96734

Representing: Self	Position: Support	Submitted: Apr 26, 2025 @ 03:46 PM
Name: Andres Autrique	Email: Autrique12@gmail.com	Zip: 96815
Representing: Self	Position: Support	Submitted: Apr 26, 2025 @ 09:26 PM
Name: Shaun Campbell	Email: islandia@gmail.com	Zip: 96813
Representing: Self	Position: Support	Submitted: Apr 26, 2025 @ 09:30 PM
Name: Calvin Pham	Email: cfpham@yahoo.com	Zip: 32803
Representing: Self	Position: Support	Submitted: Apr 27, 2025 @ 08:12 PM
Testimony: Aloha Council Members, As a member of the last O'ahu Real Property Tax Advisory Commission, I am pleased to read the third-party report and its findings. I believe the analyses and conclusions speak for themselves, providing the City Council with ample rationale to implement the empty homes tax and close loopholes in the current draft of the bill. As noted in the study and as was the intent of the earlier drafts for the empty homes tax, there should be greater consideration by the Council to close loopholes that may enable avoidance of the tax. This plan needs to dissuade property owners from hogging residential real estate while keeping it vacant, so every loophole this study calls out needs to be closed. The fewer loopholes allowed, the more successful and impactful this taxation plan will be to achieve the goal of increasing the availability of rental and for-sale housing that is already existing in the local supply or generating funds to address the resulting homelessness and housing unaffordability. Let's get this tax implemented and put the local community first. Mahalo.		
Name: Ross Isokane	Email: isokane@gmail.com	Zip: 96813
Representing: Self	Position: Support	Submitted: Apr 28, 2025 @ 10:21 AM
Testimony:		

I strongly support a YES vote on Bill 46.

I believe the Ernst & Young findings on the potential financial impacts overwhelmingly show that this bill should be passed ASAP.

1. Our housing crisis is getting worse, not better.
2. More and more of the housing we build is getting snatched up by outside speculative investors (DBEDT's latest QSER Report shows that from 2021, 25% or 20,000 units of home sales were purchased by outside buyers).
3. The current exemptions are extremely generous in adequately protecting our local residents who have a valid reason for one second dwelling they keep vacant.
4. The EY report shows that even with these extremely generous exemptions (Scenario 1), the projected tax revenues will be enough to recoup its upfront implementation and ongoing operating costs within 12 months

ALTERNATIVE VIEW CONSIDERED

My hunch is that those opposing this bill will state that the EY report's (A) homes returned to market (ABBR on EY Page 15, PDF page 16/29) and (B) positive net financial impact (EY Page 21, PDF page 22/29) is too small for it to be worth it to pursue the bill so we should just drop it (i.e., their argument will be that 'the juice ain't worth the squeeze')

My retort would be:

(1) We're in a housing crisis + a budget crunch. So any incremental homes put on the sale/rental market + any net positive financial impact is a WIN for Oahu as a whole!

+ Sure, some city departments are going to have to work harder and figure things out to get it done, but that's what our tax dollars pay them to do.

(2) My hunch is that the EY report uses a very conservative estimate for the baseline number of vacant housing units on Oahu (which likely has a direct correlation on the final numbers) as compared to other scientific studies.

+ EY reports estimate (using a midpoint of their range) an approximate 3% vacancy rate or 9,000 vacant units.

+ The U.S. Census Bureau's updated scientific study estimates a 9% vacancy rate or over 34,000 vacant units.

That's a HUGE disconnect. I'm not saying the U.S. Census Bureau's numbers are perfect, but they provide the most reputable and widely-accepted data out there that even our state's own economists (DBEDT and UHERO) and housing experts (HHFDC) utilize. And the U.S. Census Bureau's methods (even the point-in-time count) are a lot more scientific and well-designed than some have misleadingly suggested.

Name:

Keith Webster

Email:

KEITHHAWAII@YAHOO.COM

Zip:

96744

Representing:

Self

Position:

Support

Submitted:

Apr 28, 2025 @ 02:17 PM

Testimony:

I'm requesting Council support for bill 46, the Empty Homes Tax. The current bill needs some fixing but it has exemptions that protect the land holdings of our residents. We have a crisis where many of young people and Kapuna are forced to

leave Hawaii largely because of the cost and availability of housing. An Empty Homes Tax could be an important part of the solution to prioritize our housing construction and inventory for local use without infringing on the rights of any homeowner. It sets a course of building for local use while grandfathering in most current usage. It's amazing that in the worst case scenario in the E&H report it pays for itself in 12 months. I think this shows how many with income from outside Hawaii are buying up Hawaii property and it seems clear this will continue and increase as our housing prices rise above what most people in our local economy can pay. This bill will help the County fund the develop of the enforcement infrastructure for this and short term rentals while encouraging construction of more housing for local use.

I've volunteered in the affordable housing space for many years and generally people don't disagree with our aims, it's just not this way. Not here. Let's do this another way. It doesn't seem to matter what is proposed, it's always the wrong way. Change is hard and uncomfortable but Hawaii can't afford another 20 years of business as usual in housing. Thank you for your service to our people.

Keith Webster
Kaneohe, HI

Name:	Email:	Zip:
Jim Tree	ssitree@aol.com	96707
Representing:	Position:	Submitted:
Self	Oppose	Apr 28, 2025 @ 04:28 PM

Name:	Email:	Zip:
Kahalenoe Kamalani	kpk@hawaii.edu	96789
Representing:	Position:	Submitted:
Self	Support	Apr 28, 2025 @ 07:49 PM

Testimony:

Aloha,

I am writing in strong support of Bill 46, which seeks to establish an Empty Homes Tax in Honolulu. The urgency of our housing crisis cannot be overstated and while much work is needed, Bill 46 offers a good start. An objective study by Ernst & Young concluded that the program will pay for itself within the first year, and contribute ongoing revenue to the city budget. This bill will discourage out-of-state speculative investors who increase housing prices.

Hawaii cannot endure anymore Hawaiians being displaced and out-migrating. For some, it's being "priced out of paradise" but for others, native or not, it's being priced out of our birthright... torn from our ancestors.

Mahalo nui,

Kahalenoe Kamalani		
Name: Valerie Wayne	Email: valeriewayne808@gmail.com	Zip: 96822
Representing: Self	Position: I wish to comment	Submitted: Apr 28, 2025 @ 08:56 PM
Testimony: I support Bill 46 to establish an empty homes tax in Honolulu. The Ernst & Young study predicts the program will pay for itself within the first year and provide more revenue to the City budget. It will also discourage outside speculation, which continues to push up housing prices for all of our residents. Please help us address the affordable housing crisis in our city by supporting this bill.		
Name: Zoran Grabovac	Email: zoran.grabovac@ca.ey.com	Zip: 96813
Representing: EY	Position: I wish to comment	Submitted: Apr 29, 2025 @ 08:31 AM
Testimony: I am participating on behalf of EY to provide support as required.		
Name: Angela Melody Young	Email: Alohdivinedesign@gmail.com	Zip: 96817
Representing: CARES Community Advocacy Research Education Services	Position: Support	Submitted: Apr 29, 2025 @ 08:37 AM
Testimony: Support		

**TESTIMONY OF ELLEN GODBEY CARSON
IN SUPPORT OF BILL 46, EMPTY HOMES TAX,
In the Honolulu City Council Budget Committee
For Hearing on April 29, 2025**

Mahalo for helping address our housing crisis via Bill 46.

I strongly support an Empty Homes Tax for Honolulu, as originally proposed in Bill 46. Each year without an Empty Homes Tax is a missed opportunity for increasing our supply of homes, generating major new revenues for affordable housing, and decreasing demand from buyers who leave our housing empty and deplete our available housing supply. We need to take this important step to finally prioritize Oahu's housing for Oahu's residents.

The Ernst and Young Report ("EY Report") shows that under every scenario, an Empty Homes Tax will generate tens of millions of revenues a year, while increasing our available housing supply for local residents.

The EY Report also shows good ways to enhance this bill's impact:

- Eliminate the exemption for second homes (tax policy should not favor those who can afford 2 homes over those who cannot afford 1 home)
- Eliminate the exemption for homes offered for rent/sale (6 months of each year are already available for such efforts)
- Eliminate the exemption in Section 5 for existing leases
- Levy the tax as a supplemental tax OR if an alternate tax model is retained, increase its tax rates to be 2% initially rising to 4%, to account for the foregone lost revenues in existing rates that are already close to 1%,
- Devote all revenues to affordable housing and homelessness, as is done in other jurisdictions

Further ways to enhance the bill's impact can be explored with EY, for now or in the future:

- Eliminate the exclusion of Auxiliary Dwelling Units in the definition of Empty Homes (those units are intended to provide additional housing for Oahu and more will be created in the future under new state law)
- Require all rentals as a primary residence to be at least 3 months duration to cumulate for the 6 month minimum rental, in section 8(D) to reduce non-compliant use by visitors.
- Include all apartment units as was originally done in Bill 46, to expand coverage of Bill 46, as these units are likely to be more affordable.

An Empty Homes Tax 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) Empty Homes Tax, Honolulu City Council Budget Committee on April 29, 2025

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.

The Ernst and Young Report ("EY Report") shows that under every scenario, an Empty Homes Tax will generate tens of millions of revenues a year, while increasing our available housing supply for local residents. The EY Report also shows good ways to enhance this bill's impact:

- Eliminate the exemption for second homes (tax policy should not favor those who can afford 2 homes over those who cannot afford 1 home)
- Eliminate the exemption for homes offered for rent/sale (6 months of each year are already available for such efforts)
- Eliminate the exemption in Section 5 for existing leases
- Levy the tax as a supplemental tax OR if an alternate tax model is retained, increase its tax rates to be 2% initially rising to 4%, to account for the foregone lost revenues in existing rates that are already close to 1%,
- Devote all revenues to affordable housing and homelessness, as is done in other jurisdictions

We urge you to pass Bill 46, and amend it to make it more robust to serve our community's needs. In particular, we request dedicate tax 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.

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 Ellen Godbey Carson

April 26, 2025

Dear Honolulu City Council:

I am writing in support of Bill 46. I am and have been concerned for some time about the extremely high cost of purchasing a home here on Oahu. I have seen valuable employees of the engineering firm where I worked for 35 years leave the company and move to the mainland out of frustration in not being able to afford a home here. These were well paid professionals. What about folks holding lower paid or hourly jobs; they have no hopes of purchasing a home here and improving their lot in life. The effect this situation has on society goes far beyond property exclusion for a vast portion of Oahu citizens. It leads to demoralized populace that feels the cards are stacked against them, apathy toward our political process and a lack of commitment to our island and way of life.

It is my understanding that the Ernst & Young study presented here today predicts:

- The program defined in Bill 46 will pay for itself within the first year and will contribute significant revenue to our city budget.
- Such an empty homes tax will discourage outside speculative investors who push up housing prices for all residents.

I strongly recommend that you pass Bill 46 into law with no further exemptions that weaken the current draft Bill. I personally would prefer that the Council would revert to the original form of a 'supplemental' (i.e., incremental) tax.

Sincerely,

Dale Jensen

Kailua



Andres Autrique

808.927.9713 Autrique12@gmail.com 1684 Ala Moana Blvd., Apt. #1552, Honolulu, Hawai'i 96815

April 26, 2025

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

RE: Testimony in STRONG SUPPORT of Bill 46 (2024) — The Empty Homes Tax

Aloha e Chair Waters and Honorable Members of the Honolulu City Council:

My name is Andres Autrique, and I write in STRONG SUPPORT of Bill 46 (2024) to implement an Empty Homes Tax in Honolulu.

The Ernst & Young financial feasibility study confirms what many of us have long believed: this bill is not only financially viable—paying for itself within the first year—but also urgently needed to address the speculative investment practices that are driving up housing costs and shrinking our housing inventory for local residents.

Bill 46 (2024) is vital because it strikes at the heart of one of the key drivers of our affordability crisis: empty homes held by investors who treat housing as a commodity, not as a community need. These speculative holdings artificially inflate rental prices and home values, making it even harder for working families to find a place to live. By dampening these speculative pressures, the Empty Homes Tax will help rebalance our market in favor of the people who actually live and work here.

Beyond its immediate financial benefits, Bill 46 represents one of the only proactive measures currently alive that can meaningfully curb the harmful impacts of outside investment speculation on our local housing supply.

Without bold actions like this, Honolulu will continue slipping further out of reach for the very residents who make our city vibrant and strong.

I urge the City Council to move forward confidently with Bill 46 (2024) and ensure its passage without delay. The residents of Honolulu are counting on your leadership to safeguard our housing future.

Mahalo for your time, your service, and your commitment to our community.

Mahalo,

A handwritten signature in black ink, appearing to read 'Andres Autrique'. The signature is stylized with a large, sweeping initial 'A' and a horizontal line extending across the middle.

Andres Autrique

Citizen Advocate



Shaun Campbell

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

April 26, 2025

Housing Committee
Honolulu City Council
Honolulu Hale
530 South King Street
Honolulu, Hawai'i 96813

RE: Testimony in STRONG SUPPORT of Bill 046 (2024) - Empty Homes Tax

Aloha e Council Chair Waters and Honorable Councilmembers:

I am a private citizen and 32-year resident of Honolulu, writing in STRONG SUPPORT of Bill 046 (2024), establishing an empty homes tax for the City and County of Honolulu. Bill 46 represents one of the most meaningful steps this Council can take to address our worsening housing crisis. By discouraging speculative outside investment—which artificially inflates home and rental prices and diminishes available housing inventory for local residents—this measure directly serves our island community's long-term affordability and stability.

The recent financial feasibility study conducted by Ernst & Young reinforces the soundness of this policy. EY projects that even with the bill's current exemptions, the program will pay for itself within its first year of implementation and generate significant positive revenue for the City in the years ahead. This is an extraordinary opportunity not just for new revenue, but for real housing justice.

This is also a critical moment to review and strengthen Bill 46. The numerous exemptions written into the current draft risk weakening the bill's effectiveness. I respectfully urge the Council to seize this moment to reduce or eliminate unnecessary exemptions, maximizing the impact of the policy

and better aligning it with its intended purpose: keeping housing available and affordable for residents, not vacant for speculative gain.

Passing a strong and effective Empty Homes Tax now is vital to protect the future of Honolulu for the people who live and work here. I urge you to pass Bill 46 and to consider refining it further so it can meet its full potential.

Mahalo for your leadership on this critical issue and for your continued service to our community.

Mahalo piha,

A handwritten signature in black ink, consisting of a stylized 'S' followed by a horizontal line that ends in a small dash.

Shaun Campbell

Citizen Advocate

Bill 46 (24) – EMPTY HOMES TAX

I agree with the intent of Bill 46, to provide affordable housing by putting many of the 33,000 empty homes into residential use for Oahu residents, and by increasing revenue to the City and County to be used to create affordable housing and help the homeless. I will not be subject to the empty homes tax. I believe the City is missing the mark on how to develop a new program to help with the affordable housing crisis.

There are more efficient ways to achieve these goals than a 3% tax on Hawaii residents with second homes and out of state second homeowners. The tax is so high that wealthy owners will have the incentive to challenge the tax in court and/or to find ways around paying the tax. Those that find ways around the 3% tax will continue to pay the relatively low Residential A property tax. The median property tax rate in the USA is 1.14%. Hawaii has the overall lowest residential rate of the 50 states at .35%; which is a great way to promote affordable housing. The Residential A property tax rate is also relatively low at .4% on the first million and close to the median at 1.11% after that.

A 3% empty homes tax will result in such a passionate response that lawsuits are sure to be filed on constitutional grounds. If a \$10,000,000 second home is rented 6 months per year how does that help affordable housing? Only the rich will be able to afford those rents, and this will do nothing to promote affordable housing, and the City will continue to receive the Residential A property tax and no empty home tax. For those wealthy owners that decide to not rent for 6 months to other wealthy persons they will find a way to avoid the \$300,000 empty homes tax. They will rent to a friend who stays in one bedroom of the luxury home, they will not pay the empty homes tax, they will continue to pay the Residential A tax.

Most of the 33,000 vacant homes will find a way around the 3% tax and will continue to pay the Residential A property tax rate. The 3% tax is too high for people to not find ways around it, and the net result will be an underfunding of needed revenues to achieve affordable housing. There is an alternative.

Only a handful of cities in the US have enacted an empty homes tax (or vacancy tax as it is more commonly referred to). It is an aggressive approach. Most of the US cities that have enacted the empty homes tax have not followed the Vancouver, Canada model. For example, San Francisco put a cap on the tax of \$5,000 (now found unconstitutional by the Courts). Oakland put a cap of \$6,000 and considers

the home to be vacant only if it is in use less than 50 days in a calendar year. Berkeley has a cap of \$3,000 on empty condos, duplexes, and single-family homes and \$6,000 for all other empty units.

The model that puts a cap on the empty home tax has merit. The median residential home in Hawaii is now at \$1 million. A 3% empty home tax would be an extra tax of \$30,000. It is worth it to spend money talking to experts in real estate, finance and the law to avoid an extra \$30,000 bill. Certainly, owners of luxury properties will find a legal way around the tax. However, a Bill with a reasonable capped amount will be met with less animosity and could result in a better bottom line to be used for affordable housing.

A Residential B classification for homes not occupied 6 months per year of a flat 1.11% would result in increased taxes of \$7,100 per year per \$1 million of assessed valuation. \$7,100 would be the cap of the empty homes tax. \$7,100 is slightly more than the caps in San Francisco, Oakland, and Berkeley but still a reasonable amount. If 30% of the 33,000 empty homes become occupied for 6 months or longer that would leave 23,100 homes in the new Residential B tax category, generating up to \$164,010,000 in additional revenue for programs to create affordable housing and help the homeless. The flat 1.11% vacant homes tax is still below the USA median residential tax rate of 1.14%. The government won't be gauging and won't be putting out a "YOU ARE NOT WELCOME" sign.

There are about 109,000 cities in the US and US territories. Out of those 109,000 cities about 108,990 don't have an empty homes tax. Of the few that have an empty homes tax almost all of them cap the tax at \$6,000. The cost to fight Hawaii residents and nonresidents from paying an extra tax of \$30,000 to over \$300,000 per year per home will be steep for the state of Hawaii. The higher the tax, the more resistance there will be to the tax. Any empty homes tax is out of the ordinary as only 4 major cities in the US have a vacancy tax. Put a cap on the tax by creating a Residential B tax category for empty homes at 1.11%. Use the extra revenue from the Residential B rate to create affordable housing and decrease homelessness. A cap of \$7,100 will be the highest of all but one city in the USA.

Recent aggressive attempts by the USA to charge high tariff taxes have been met with much resistance, similar to how an aggressive Empty Homes Tax will be met. The government is much wiser to use reasonable measures to achieve the laudable goal of increasing affordable housing. A reasonable step would be to create a new property tax category for Empty Homes and set that tax at 1.11%,

even on the first million of value. This sets a reasonable tax rate that is slightly below the national property tax average. Legal fees will be drastically reduced, enforcement fees will be drastically reduced, and the City and County will be able to collect significant amounts to promote affordable housing. A reasonable approach is the way to proceed. Excessive measures are what the Federal Government has been promoting and that that has resulted in trillions of lost dollars in the stock market, heavy resistance, and many lawsuits. I hope the City and County of Honolulu will learn from the failed attempts of the Federal Government in using a take no prisoner alive approach to governance.

I urge a more reasonable approach to affordable housing. An approach that could generate over \$160 million to create more affordable housing, while diffusing the extreme backlash to a new 2% or 3% tax rate.

Jim Tree
92-102 Waialii Place
Kapolei