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CITY COUNCIL
HONOLULU, HAWAII

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September 22, 2014

Real Property Tax Advisory Commission
City Council
City and County of Honolulu
Honolulu, Hawaii

SUBJECT: TESTIMONY REGARDING AGENDA ITEM 4. OLD BUSINESS, A. COMMITTEE REPORTS AND PROPOSALS, 2.CLASSIFICATIONS, A) RESIDENTIAL A (NON OWNER OCCUPIED) GRADUATED TAX RATE.

Aloha Chair Kamikawa and Commissioners:

It is my assumption this ordinance was passed in order to capitalize on house flippers and investors trying to make money off of the housing market in our state.

I inherited a home in Kailua back in 2005 after the death of my mother. My family has owned the property since the mid-1950s.For the record this is not my second home it is my first home, the home in which I grew up. I am currently in the over one million dollar assessment category. Over the years we have watched the house flippers and foreign investors drive up the prices of homes in the area. What once was the Campus Dairy next door is now a number of large homes on several subdivided lots belonging to foreign investors.

What about homes in the Residential A classification that are long-term rentals? If taxes are raised for homes in the long-term rental pool, owners will be forced to raise rents in an already tight housing market. My home is and has been in the long-term rental pool since I was awarded ownership. I have had a job on Maui for many years. The home is rented out so that I can afford to keep it and keep my job (no multi millionaire here). I rent the house to a family with three children. Last November we signed a three-year lease. Although my property tax rate has increased, I am unable to raise their rent because I must stick to the rate agreed upon in the lease. This tax increase is now causing me a monetary loss. I have a feeling I am not the only kamaaina in this situation. I don't think the repercussions of this tax law were addressed in their entirety. The burden of the counties deficits has fallen unfairly on one ttype of home owner.

MISC. COM. 2428

My daughter had to move back home to Maui from Oahu due to the housing shortage and the high cost of rent. If high taxes continue to drive up the cost of rents in Hawaii, our keiki will move out of state to a place that is more affordable to live. They may never be able to come back and live in Hawaii as the cost of housing is one of the highest in the nation, along with the cost of utilities and gas. The other alternative is move back in with mom and dad. Who wants to be forty and living with their parents? The answer is no one, but the reality is that most people cannot afford to make it otherwise.

The only break that we have had in Hawaii is a reasonable property tax, we have a higher than average state tax, and have the famous excise tax which taxes everything from a hospital stay to food. I pay my excise tax on my rental monthly.

Do I have a solution to all of this? Not exactly but it may be prudent to research the residency of some of these owners and the length of time they are holding on to their properties. Perhaps a larger tax can be placed on properties sold within two-to-five years of purchase. Perhaps foreign and out-of-state owners could be taxed at a different rate. Maybe Transient Vacation Rentals (TVRs) could be taxed at the hotel rate.

The sudden, sharp increase in property taxes on my family home in Kailua was a shock to say the least. Thank goodness for credit cards. Although it is easy to assume that a person with a house valued at over a million dollars has an excess of cash on hand, that simply is not true. A million dollar assessment is not a great deal more than the median price of a home on Oahu.

Mahalo for your consideration,

Ayse Simspon Kehler