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OFFICE OF THE MAYOR

CITY AND COUNTY OF HONOLULU

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July 10, 2020

The Honorable Ikaika Anderson
Chair and Presiding Officer
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Chair Anderson and Councilmembers:

SUBJECT: Housing in Honolulu: Analyzing the Prospect of Taxing Empty Homes

At the request of the Mayor's Office of Housing, a team of graduate students from the University of California, Los Angeles, Luskin School of Public Affairs conducted a study of the question: "What type of vacancy tax is best suited to the needs of the population and capacity of the local government in the City and County of Honolulu?"

Their report, received in June of 2020, drew on qualitative and quantitative methodologies in order to answer this question. Through their research they were able to determine that a vacancy tax would indeed return empty units to the market. Also, their research offered recommendations on how to structure such a tax and the estimated revenue a vacancy tax would generate. Finally, they provided recommendations for creating a community engagement plan which would ensure robust community education, input, and discussion.

We are pleased to submit this report as a contribution to the ongoing consideration of an empty homes tax for the City and County of Honolulu.

MAYOR'S MESSAGE 83

If you have any questions, please call me at 768-4303.

Warm regards,

Alexander, Marc R
Digitally signed by Alexander, Marc R
Date: 2020.07.13 16:04:15 -10'00'

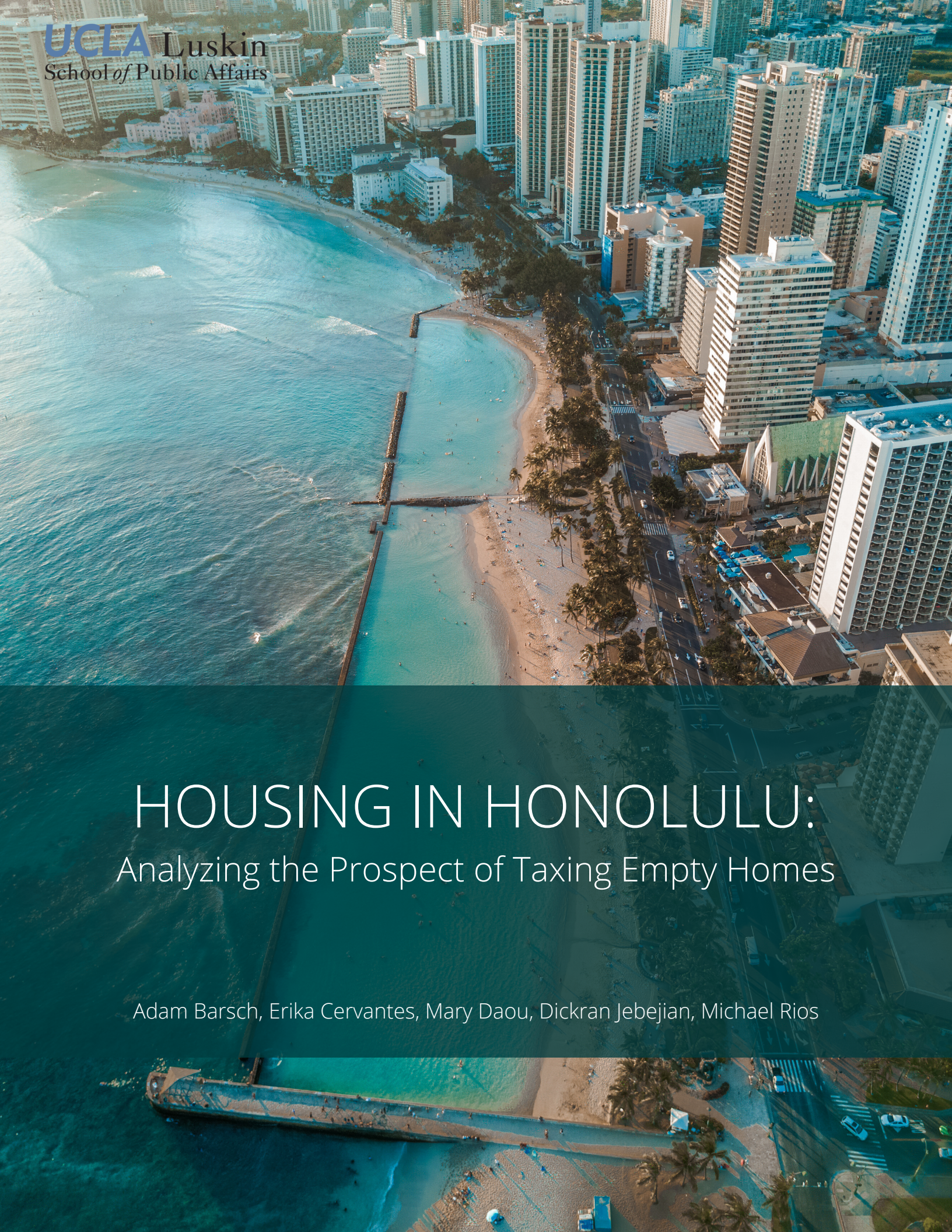
Marc Alexander
Executive Director
Mayor's Office of Housing

Enclosure

APPROVED:

Digitally signed by Amemiya, Roy K Jr
Date: 2020.07.14 10:49:26 -10'00'

Roy K. Amemiya, Jr.
Managing Director



UCLA Luskin School of Public Affairs

HOUSING IN HONOLULU:

Analyzing the Prospect of Taxing Empty Homes

Adam Barsch, Erika Cervantes, Mary Daou, Dickran Jebejian, Michael Rios

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Acknowledgments

This report would not have been possible without the support of numerous individuals. We would like to thank the City and County of Honolulu Mayor's Office of Housing for the opportunity to work on such an important and complex issue. Marc Alexander, Executive Director of the Mayor's Office of Housing, provided imperative information, guidance, and leadership throughout this process. We are also grateful for Roberta Maldonado, with the Mayor's Office of Housing, and Ashleigh Loa, Acting Executive Director of Faith Action for Community Equity, for their assistance in connecting us to key players involved in local housing issues on the island of Oahu. We are thankful for the support of all the experts who graciously gave their time to be interviewed and whose key insights were extremely informative for this report.

We would like to thank Professor Mark Peterson for his thoughtful guidance as our faculty advisor on this project, as well as the many UCLA professors who provided valuable feedback, insight, and expertise including Professors Randall Akee, Michael Lens, Paavo Monkkonen, Karen Umemoto, and Ananya Roy. We are also grateful to Professor Philip Garboden from the University of Hawaii, for his support and unique perspective on this project as well as Professor Joseph Rios from the University of Minnesota for his consultation throughout the data collection process.

Lastly, we are deeply grateful to the Institute on Inequality and Democracy (IID) at the UCLA Luskin School of Public Affairs. This project would not have been possible without their generous support.

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Disclaimer: This report was prepared in partial fulfillment of the requirements for the Master in Public Policy degree in the Department of Public Policy at the University of California, Los Angeles. It was prepared at the direction of the Department and of the Mayor's Office of Housing at the City and County of Honolulu as a policy client. The views expressed herein are those of the authors and not necessarily those of the Department, the UCLA Luskin School of Public Affairs, UCLA as a whole, or the client.

Cover photo credit: istock/ Davidzf

Executive Summary

The lack of affordable housing in the United States has ballooned into a problem that not only impacts low-income populations but also imposes stresses on a wider range of middle-class households. Homeownership has become less of an achievable goal for many, preventing them from the savings and investment benefits that come with it. This issue is especially poignant on the island of Oahu in Hawaii—its nature as a vacation destination and a place for international real estate leads to competition for housing between short-term renters, second-home owners, and local working-class residents.

Our client, the Mayor's Office of Housing at the City and County of Honolulu, seeks to implement creative policies and form strategic partnerships in addressing Honolulu's housing affordability problem. One of the avenues by which Honolulu's officials hope to do this is by shrinking the residential vacancy rate through a tax on empty homes. Our team has worked closely with the Mayor's Office to determine how to best accomplish this goal by answering the following question:

What type of vacancy tax is best suited to the needs of the population and capacity of the local government in the City and County of Honolulu?

Using various qualitative and quantitative research methods, we were able to generate an answer to this question. We began by identifying the forces contributing to Honolulu's problem. We also examined existing vacancy taxes and their structures in Vancouver, Melbourne, Oakland, and Washington, D.C. We broke these structures down and assessed them against a set of criteria, including revenue-generating capacity and political feasibility, to determine the most successful components for a policy in Honolulu.

In creating a vacancy tax policy that has the most potential to impact positively Honolulu's housing situation by generating revenue and lowering vacancy rates, we recommend that the City and County of Honolulu adopt a graduated tax rate, focus the tax on residential properties, identify six-month vacancies as taxable properties, use mixed enforcement methods, and establish exemptions to ensure the equitability of the policy.

The Mayor's Office of Housing recognizes the importance of involving the community in the implementation of policies that directly impact them. Therefore, our analysis included a review of community engagement practices as well as a set of accompanying recommendations. These strategies can be used to inform residents of, and solicit feedback on, issues including the tax and beyond.

Introduction: Honolulu's Housing Crisis

Housing insecurity and affordability are some of the major contemporary crises of our society. Half of the families that rent, and over one-fourth of those that own their residences, pay more than 30% of their monthly income towards housing.[1] Nationally, low-and middle-priced housing is scarce. Construction averages show that roughly 1.4 million new residences are built annually, yet demand is consistently at or near 1.7 million.[2] As construction monopolies have emerged and private equity firms have become some of the largest landlords in history, the consolidation of the housing market has caused home prices in the country to grow more than twice the normal rate in recent years.[3] Consequently, housing insecurity has become a major issue facing the metropolitan regions of our country.

Data from the Department of Housing and Urban Development (HUD) show that there have consistently been well over half a million people experiencing homelessness in the nation since the great recession.[4] Though this number has been in decline for most of the decade, the last two annual counts exhibit trends of increasing homelessness nationally.[5] This is largely a result of housing price increases combined with housing shortages. In many cases, this growth has been limited to the most populous states in the country, but in others the rates of homelessness are disproportionate to the overall population of the given region. Hawaii, ranking 40th in population size, is home to the second-highest per capita rate of homelessness in the United States.[6]

Low and middle-income families experience affordability challenges and face serious opportunity costs. With housing costs rising faster than wages and constituting the largest expenditure in most budgets, middle-class families may be forced to spend less on other necessities like food and healthcare.[7] Families may make decisions to compensate for spending large percentages of their incomes on housing that adversely affect other aspects of their lives; for example, adopting longer commutes, downsizing to smaller living spaces, and opting to avoid homeownership.

Because of its limited capacity for development, its nature as a vacation destination, and its predominantly low-wage industries, Oahu is a prime host for these housing stresses. The small island is a microcosm of the housing affordability crisis our nation is facing, and finding a solution to the issues plaguing the island may serve to inform policy decisions for the entire country.

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[1] Jared Bernstein et al., "The Conundrum Affordable Housing Poses for the Nation," Washington Post, accessed January 9, 2020, https://www.washingtonpost.com/realestate/the-conundrum-affordable-housing-poses-for-the-nation/2020/01/01/a5b360da-1b5f-11ea-8d58-5ac3600967a1_story.html.

[2] Ibid.

[3] Andrew Van Dam, "Analysis | Economists Identify an Unseen Force Holding Back Affordable Housing," Washington Post, accessed January 9, 2020, https://www.washingtonpost.com/business/2019/10/17/economists-identify-an-unseen-force-holding-back-affordable-housing.

[4] "State of Homelessness," National Alliance to End Homelessness, accessed January 9, 2020, https://endhomelessness.org/homelessness-in-america/homelessness-statistics/state-of-homelessness-report/.

[5] Ibid.

[6] "List of States By Population Density," accessed January 9, 2020, https://state.1keydata.com/state-population-density.php; "State of Homelessness."

[7] Schuetz, J. (2019, May 7). Housing trade-offs: Affordability not the only stressor for the middle class. https://www.brookings.edu/blog/up-front/2019/05/08/housing-trade-offs-affordability-not-the-only-stressor-for-the-middle-class/

Client: The Honolulu Mayor's Office of Housing

This report was prepared for the Mayor's Office of Housing at the City and County of Honolulu. The City and County of Honolulu is a consolidated city-county in the state of Hawaii and therefore, manages aspects of government traditionally exercised separately by municipalities and counties in most of the United States.[8] It is governed by a mayor-council type of government, in which the mayor is given a substantial degree of responsibility from the charter.

The Mayor's Office of Housing plays a central role in the City's pursuits to address affordable housing and homelessness on the island. Most recently, the Office of Housing has focused on addressing the growing affordable housing crisis in Honolulu, and with the Mayor's leadership, aims to address these needs with revised strategies and partnerships.[9]

During the 2019 State of the City Address, Honolulu Mayor Kirk Caldwell unveiled the Oahu Resilience Strategy, which details four primary goals addressing the challenges of climate change and decreasing affordability. The first of the four pillars identified in the strategy is "Remaining Rooted: Ensuring an Affordable Future for Our Island." In addressing the need for more affordable housing, five key actions were identified, the first of which is to "Reduce Empty Homes and Increase Affordable Housing Funding." Among the options for addressing the housing shortage, the high price of housing, and high vacancy rates, Honolulu officials are considering a tax on empty homes.

Policy Issue: Empty Homes and High Demand for Housing

Given the severity and trajectory of the housing problem in Honolulu, the local government strives to pursue initiatives that provide increased availability, affordability, and permanent resident occupancy of housing. Generally, a vacancy tax is a tax assessed on various types of properties left empty for a designated period in any given year. Based on a municipality's specific provisions, a vacancy tax can take the form of a tax on empty homes, commercial spaces, undeveloped land, and so forth. Therefore, a vacancy tax can more specifically be an Empty Homes Tax, a Vacant Residential Land Tax, or even a Vacant Property Tax. Although the focus of our client is on an empty-homes tax--a vacancy tax limited to residential properties--we perform due diligence by assessing the policy in the context of alternatives and confirm that it is the most politically feasible short-term strategy.

Due to the early success exhibited by vacancy taxes in other cities, Honolulu is considering implementing its own. With this study we aim to answer the following policy question:

What type of vacancy tax is best suited to the needs of the population and capacity of the local government in the City and County of Honolulu?

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[8] "City and County of Honolulu." *Guide To Government in Hawaii*, lrb.hawaii.gov/wp-content/uploads/cchon_guide.pdf.

[9] City and County of Honolulu. The Mayor's Office of Housing. "Housing and Homelessness: An Update." July 2019. www.honolulu.gov/rep/site/ohou/Update-190712.pdf.

The primary objectives of the policy are to:

1. Encourage the return of empty or under-used properties to active use as long-term rental stock for residents.

2. Provide a source of dedicated revenue to support directly the development of affordable housing units on the island.[1]

3. Create a community engagement strategy by which the City can effectively involve its community-members in the implementation of this and future policies.

In our analysis, we investigate existing vacancy tax models, evaluate the impacts and limitations of such an endeavor in Honolulu, and propose additional potential housing relief policies, and analyze effective strategies for community engagement.

Causes of the Housing Problem in Honolulu

High residential vacancy rates are a major facet of Honolulu's housing problem. Because Hawaii has the lowest property tax rate in the nation, international investors are incentivized to purchase property for speculation or use the island as a tax haven. Additionally, wealthy individuals from the mainland and neighboring countries purchase vacation homes for seasonal use. These practices lead to homes sitting empty where they are much needed in high-density urban areas like Honolulu County. Empty homes not only impact the housing market but also dampen economic activity--without residents to pay taxes, spend money on local goods and services, and contribute to their neighborhoods, these units sit empty for most, if not the entirety, of the year.

High Cost of Living and Low Wages

Honolulu has an incredibly high cost of living, low gross domestic product (GDP) relative to large metro areas, and a vast percentage of people experiencing homelessness. The city consistently ranks among the top U.S. cities with very high costs of living.[10] Other cities that are regularly in the top five are New York, Los Angeles, and San Francisco. Unlike Honolulu, these are cities with large populations, high GDPs, and substantial amounts of investment. Honolulu residents' incomes averaged 61.9% of the real cost of a home in 2018.[11] In comparison, the cities mentioned above with relatively high cost of living averaged incomes of 112%, 63.4%, and 64.1% of the cost of a

[10] Thomas C. Frohlich, "What It Actually Costs to Live in America's Most Expensive Cities," USA TODAY, accessed January 9, 2020, https://www.usatoday.com/story/money/2019/04/04/what-it-actually-costs-to-live-in-americas-most-expensive-cities/37748097/.

[11] "Metro-Affordability-2018-Existing-Single-Family-2019-06-11.Pdf," accessed January 9, 2020, https://www.nar.realtor/sites/default/files/documents/metro-affordability-2018-existing-single-family-2019-06-11.pdf.

single family home respectively in 2018.[12] In 2017 the cost of goods overall in Honolulu was 24% higher than the national average. That is higher than New York and Los Angeles and just behind the 28% of San Francisco. Meanwhile, Honolulu's real GDP per capita in 2017 was 35% lower than San Francisco's, 14% lower than Los Angeles', and 18% lower than New York City's.[13] Additionally, in the first three quarters of 2019, the State of Hawaii's per capita personal income was more than $9,000 lower than that of California and over $13,000 lower than New York State.[14]These economic and personal income metrics highlight Hawaii's increasing lack of affordability.

Vacation Homes, Luxury Development, and High Vacancy Rates

Hawaii is also particularly vulnerable to high vacancy rates and out-of-state ownership of housing units due to its desirability as a vacation destination. From 2008-2015, almost 30% of all housing units sold in Hawaii were purchased by out-of-state residents. These units were notably more expensive than those purchased by local residents. In fact, homes bought by international buyers were 65% more expensive than those bought by local buyers.[15] In Honolulu, 15% of sales were made to out-of-state buyers in 2018.[16]

The use of Hawaii properties by non-residents is a particularly growing and concerning issue as it relates to housing affordability and availability. In a 2019 survey of out-of-state property owners, 39% described their property as an investment and 62% saw their property as a vacation home for friends and family. Vacation rental units (VRUs) have become a leading cause of the reduction of available housing for Hawaii residents and are also accountable for driving up rental costs. The 2019 study found that of the total out-of-state owners surveyed, about 48% rented their units when they were not using them, while the other 52% left their units vacant.[17] Data from the 2017 American Community Survey (ACS) demonstrate that 4.1% of Honolulu's housing units serve as vacation rental units, totaling over 14,000 units. Statewide, Census data reveal that a total of 6.6% of Hawaii's housing units were seasonal units in 2017, while, by comparison, the national average ranges at about 2%.[18]

As a result of the demand for units by out-of-state buyers and their likeliness to leave those units vacant when not in use, the number of housing units available in the housing stock for in-state residents is significantly constricted. Vacation rentals and investment properties thus affect affordable housing in two key ways. First, they constitute units taken out of the overall housing

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[12] Ibid.

[13] "GDP per Capita." Open Data Network, www.opendatanetwork.com/entity/310M200US41860-310M200US31080-310M200US35620-310M200US46520/San_Francisco_Metro_Area_CA-Los_Angeles_Metro_Area_CA-New_York_Metro_Area_NY_NJ_PA-Urban_Honolulu_Metro_Area_HI/economy.gdp.per_capita_gdp?year=2017&ref=compare-entity.

[14] "Regional Price Parities by State and Metro Area | U.S. Bureau of Economic Analysis (BEA)," accessed January 9, 2020, https://www.bea.gov/data/prices-inflation/regional-price-parities-state-and-metro-area. Honolulu's Regional Price Parity in 2017 was 124.7. That is higher than Los Angeles at 117.1, New York City at 122.3, and just below San Francisco at 128.0.Regional Price Parity is an index that sets the national average cost of goods and services at 100, with a particular region's RPP showing how the cost of living in that region compares to that average.

[15] Residential Home Sales in Hawaii: Trends and Characteristics: 2008-2015 . State of Hawaii, 2016. files.hawaii.gov/dbedt/economic/data_reports/homesale/Residential_Home_Sales_in_Hawaii_May2016.pdf.

[16] SMS Research and Marketing Services Inc. . Hawaii Housing Planning Study, 2019. Hawaii Housing Finance and Development Corporation , 2019. dbedt.hawaii.gov/hhfdc/files/2020/02/State_HHPS2019_Report-FINAL-Dec.-2019-Rev.-02102020.pdf.

[17] Robert Stuart Weiss, *Learning from Strangers: The Art and Method of Qualitative Interview Studies*, First Free Press paperback ed (New York: Free Press, 1995), 51–53.

[18] Ibid.

market, not only locally, but statewide, ultimately limiting the supply and increasing the price of available units. Second, the prominent use of vacation rentals has the ability to inflate demand for new construction, providing developers with the opportunity to concentrate on building more profitable luxury units at the exclusion of lower-priced units.[19] Evidence indicates that developers target their marketing to individuals who have over $1 million to spend on condominium units, illustrating the dynamics of the real estate market.[20]

Out-Migration of Local Families

High costs of living and lack of affordable housing have contributed significantly to the outmigration the State of Hawaii has seen over the past several years. Between 2000 and 2010, population growth in the state stood at 1.2%. From 2010 to 2018, the rate fell to 0.5% annually, and then between 2017 and 2018 the State's population actually declined -0.3%. Significant losses have been felt in the City and County of Honolulu, with a net out-migration of over 19,000 people between 2010 and 2018, while all three of the other Counties in the state (Hawaii, Maui, and Kaua'i) experienced a lower-than-average population growth rate between the same period.[21] Between 2017 and 2018 only, Honolulu lost more than 13,000 people due to domestic outmigration, far exceeding the number of people migrating to Honolulu.

The prevalence of short-term, vacation, and high-end rentals constrict the supply of moderate-to-affordable housing in Honolulu. The aim of a vacancy tax is to generate revenue from properties that investors will continue to keep vacant in the interest of maintaining equity value as well as encourage the return of vacation and short-term rentals to the housing stock. Considering the high-end classification of the majority of these properties, the intended effect of the return of these units is a trickle-down of housing availability and an overall lowering of market prices. Oahu intends to be a livable place for its residents, and by taking innovative steps to address the mechanisms exacerbating its lack of affordability, the City and County of Honolulu can make it one.

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[19] Usborne, Isis, and Benjamin Sadoski. *The Hidden Cost of Hidden Hotels: The Impact of Vacation Rentals in Hawaii*. 2016, *The Hidden Cost of Hidden Hotels: The Impact of Vacation Rentals in Hawaii*, www.aikeahawaii.org/wp-content/uploads/Vacation-Rental-Report.pdf.

[20] Ibid.

[21] Robert Stuart Weiss, *Learning from Strangers: The Art and Method of Qualitative Interview Studies*, First Free Press paperback ed (New York: Free Press, 1995), 51–53.

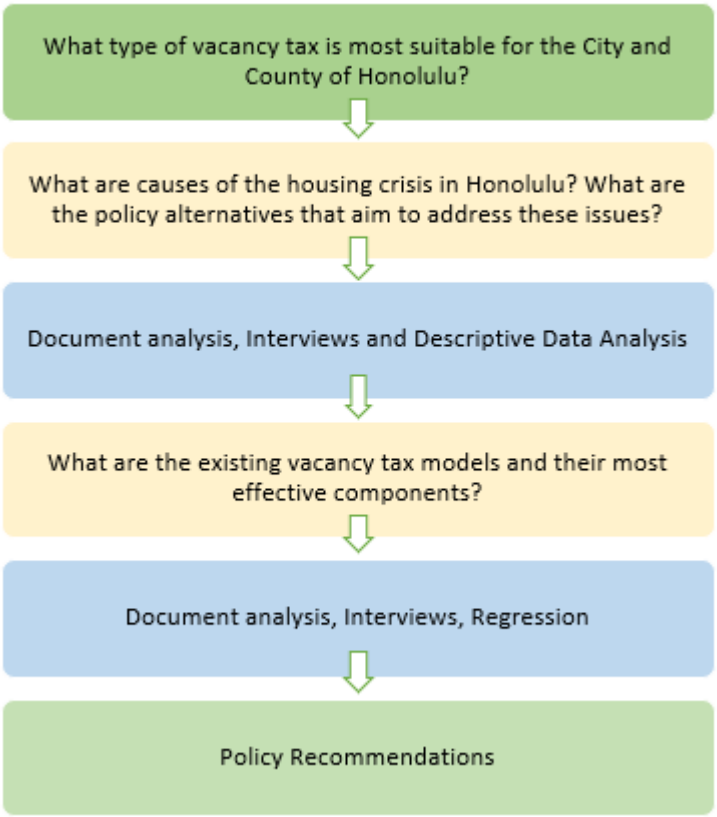
Logic of Approach

We began by researching the root causes of the high housing costs and increasing the vacancy rate on the island of Oahu. We used a mixed-methods approach to answer these questions, using both interviews and a quantitative data descriptive analysis. Through this process, we came across several policy alternatives that could address Honolulu's housing crisis. However, despite the potential benefits of these alternatives, we determined that none of them are currently as politically viable nor as targeted as an empty-homes tax.

We examined the motivations, approaches, and outcomes of other cities that have instituted a vacancy tax. To do this, we reviewed relevant documents, interviewed diverse stakeholders, and conducted program evaluations using multivariate linear regressions. This allowed us to evaluate the existing vacancy tax's success at returning empty units to market and determine if that success could translate to Honolulu.

To craft a specific revenue-generating vacancy tax structure for Honolulu, we broke down the existing vacancy taxes into their common components and evaluated them against a set of criteria. We chose the components best suited to mitigate the vacancy problem in Honolulu within the bounds of the municipality's capacity.

Figure 1: Logic of Approach



Finally, we conducted a document analysis of Oahu's resiliency plan, comparing it to the community engagement plans of the cities. This allowed us to identify best practices for the City and County of Honolulu in implementing an empty-homes tax as well as future policies.

Description of Collected Data

In this report, we utilized a mixed-methods approach, controlling for the collection of multiple types of data. Our data are categorized into three sections 1) Housing/Population Data, 2) Interviews, and 3) Community Engagement Documents. (Limitations to our data can be found in Appendix A).

Housing and Population Data for Program Evaluation

We compiled housing and demographic data into an original dataset. This dataset was used to analyze statistically both Honolulu's and our selected cities' housing markets to make comparisons across them.

This dataset is composed of demographic and housing data from the American Community Survey and the Canadian Census. The American Community Survey (ACS) is a yearly survey that produces one-year and five-year census estimates for every census tract within the United States. The Canadian Census occurs every five years and is an in-depth survey covering a wide range of topics, resulting in a statistical profile of the country (a full list of variables is available in Appendix B).

Our ACS data spans from 2010 to 2018 and is organized by census tract. We collected these data for Honolulu County and for Washington, D.C. We could not collect data for Oakland as the ACS data are only as recent as 2018, which is when Oakland passed its vacancy tax policy, therefore rendering statistical analysis of Oakland impossible.

The Canadian Census Data consists of data collected every five years from 1991 to 2016. All of these data are for the census subdivision of Vancouver City. While these data are not directly comparable, they present nine data collection points for Honolulu, Washington D.C., and six points for Vancouver. The result is a comprehensive dataset comprising housing and demographic variables across three jurisdictions.

Interviews

We conducted a total of 27 interviews in order to inform our policy analysis. These interviews helped us assess other policy options and assess the vacancy tax components using our selected criteria. We conducted 21 semi-structured interviews with relevant stakeholders across our subject cities: Honolulu, Vancouver, Washington D.C., Oakland.[22] To identify interviewees, we used a snowball sampling method beginning with our client and then subsequently reached out to contacts recommended by our interviewees.[23] The individuals interviewed included government officials, beneficiaries (i.e. community and advocacy groups), and opposing interests (i.e. property owners, developers, and investment groups) (Appendix C). In order to conduct these interviews, we created interview guides for our questions (Appendix D).

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[22] Alan Morris, "The What and Why of In-Depth Interviewing," 3.

[23] Weiss, *Learning from Strangers*, 25.

In addition, we reached out to scholars, locally and elsewhere, who have substantive and analytical expertise associated with urban planning, housing issues, and analytical methods for six unstructured, informational interviews. In these interviews we discussed the methods of study we would need to engage with to assess a vacancy tax, as well as the potential effects of different vacancy tax structures in Honolulu.

The identities of the individuals we interviewed are anonymized in order to elicit a more honest conversation. The resulting data helped us understand the underlying causes of the increasing vacancy rates on the island and provided a foundation of understanding in relation to the policy's political feasibility, Honolulu's enforcement capacities, and viable alternatives.

Community Engagement Documents

Prompted by our client, we studied community engagement practices for the implementation of our policy recommendations. We conducted an in-depth document search through the online databases available via the UCLA library. This resulted in one academic study and three best practices manuals.[24] We used the information contained in these results to analyze existing community engagement plans for Honolulu and three of the four comparison cities used in our analysis.[25] These plans encompass the publicly available documentation of past community engagement practices, principles, and/or requirements for community engagement and are available for download on the city government's websites.[26]

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[24] Frances Bowen, Aloysius Newenham-Kahindi, and Irene Herremans, "When Suits Meet Roots: The Antecedents and Consequences of Community Engagement Strategy," *Journal of Business Ethics* 95, no. 2 (August 1, 2010): 297–318, https://doi.org/10.1007/s10551-009-0360-1; "Best Practices for Meaningful Community Engagement, Tips for Engaging Historically Underrepresented Populations in Visioning and Planning," n.d., https://groundworkusa.org/wp-content/uploads/2018/03/GWUSA_Best-Practices-for-Meaningful-Community-Engagement-Tip-Sheet.pdf; "Community Planning Toolkit," 2014, www.communityplanningtoolkit.org; Stuart Hashagen, "Models of Community Engagement" (Scottish Community Development Centre, May 2002).

[25] To our knowledge, Washington D.C. has no public-facing community engagement strategy so it has not been used in this analysis.

[26] "Oahu Resilience Strategy," City and County of Honolulu Office of Climate Change, Sustainability and Resiliency, accessed March 1, 2020, https://www.resilientoahu.org/resilience-strategy; "Core Values, Ethics, Spectrum – The 3 Pillars of Public Participation - International Association for Public Participation," accessed March 1, 2020, https://www.iap2.org/page/pillars; "Melbourne for All People Strategy 2014-17," n.d., 13; "Community Engagement Summary Report," August 22, 2017, https://cao-94612.s3.amazonaws.com/documents/2017-08-22-Community-Engagement-Summary-Report-FINAL-082217_condensed.pdf; "Community Engagement Guidelines for Project Applicants" (City of Oakland, Planning and Building Department, April 2, 2018).

Assessment of Potential Policy Alternatives

We have identified policy alternatives that could, at least partially, address Honolulu's housing crisis. These alternatives surfaced in our interviews as different ways to achieve our client's objectives of returning units to the market and generating revenue for an affordable housing fund. An in-depth description of each can be found in Appendix E. The other options include:

- Increasing the Property Tax
- Increasing the Real Estate Conveyance Tax
- Decreasing the Mortgage Interest Deduction
- Inclusionary Zoning

All of these policy alternatives have their own unique benefits and provide effective ways to raise revenue and return vacant homes to the market. In fact, some of these options are being actively pursued as part of the City and County of Honolulu's broader plan to combat the housing crisis. This plan includes the recent increase in the conveyance tax and the passage of an inclusionary zoning bill.[27]

However, the present moment offers an opportune window for passing additional taxes, including a vacancy tax. Currently, the Mayor is in the last year of his term and is not pursuing re-election, insulating him from political backlash.[28] Similarly, five members of the Honolulu City Council are terming out, providing similar isolation to those councilmembers.[29] Additionally, housing is a growing concern pressing on the public's mind. Recent public opinion polls show that everyday living costs, such as utility costs, constitute the most significant financial stressor among Hawaii residents. This concern is closely followed by the rent and mortgage costs for housing.[30] These two factors open the window for further action to be taken on housing issues.

Through our interviews, it became clear that an empty-homes tax was uniquely politically feasible and that increasing property taxes and reducing the mortgage interest deduction were conversely politically infeasible. Eight out of ten of the interviewees based in Honolulu believed that an empty-homes tax was politically viable. Specifically, a current state senator and several housing advocates cited a vacancy tax's grassroots support.[31] A vacancy tax offers a special solution to political

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[27] Harimoto, Espero, Green, Keith-Agaran, Kidani, Nishihara, K. Rhoads, Baker, S. Chang, Galuteria, Ihara, Inouye, Riviere, Ruderman, Shimabukuro, SB1145-SD1"Relating to the Conveyance Tax", Hawaii State Senate, 2017, https://www.capitol.hawaii.gov/Archives/measure_indiv_Archives.aspx?billtype=SB&billnumber=1145&year=2017; Mizuno, HB698-HD1 "Relating to the Conveyance Tax", Hawaii State House of Representatives, 2017, https://www.capitol.hawaii.gov/Archives/measure_indiv_Archives.aspx?billtype=HB&billnumber=698&year=2017; Friedheim, Natanya, "New Honolulu Housing Bill Seeks The Middle Ground", Civil Beat, March 27, 2018, https://www.civilbeat.org/2018/03/updated-honolulu-housing-bill-seeks-the-middle-ground/; National Low Income Housing Coalition, "From the Field: Hawaii Legislators Work To Block Expanded Inclusionary Zoning in Honolulu", March 6, 2018, https://nlihc.org/resource/field-hawaii-legislators-work-block-expanded-inclusionary-zoning-honolulu; City and County of Honolulu, Department of Planning and Permitting, "Implementing an Affordable Housing Requirement", May 1st, 2018, https://planning.hawaii.gov/wp-content/uploads/City-and-County-of-Honolulu-Affordable-Housing-Requirement-and-Incentives.pdf;

[28] State of Hawaii, Office of Elections, "Terms of Office", 2020, https://elections.hawaii.gov/candidates/terms-of-office/

[29] Ibid.

[30] ALG Research, "Hawaii Perspectives; Understanding the Mindset of Hawaii Residents Spring 2019 Report", 2019, https://prphawaii.staging.wpengine.com/wp-content/uploads/2019/04/HP_Spring-2019.pdf

[31] Policy and Data Analyst, Hawaii Budget and Policy Center, Hawaii Appleseed, interview by Dickran Jebejian et al., March 2, 2020.

resistance grounded in property tax concerns. The solution is that it targets specifically people who either own multiple homes or live out-of-state. By providing a target population for the tax, which may not live in Hawaii or vote in Hawaii, a vacancy tax can bypass some of the anxiety around property taxes.

The sentiments expressed in the interviews are corroborated by Honolulu's recent electoral history. In 2019, Honolulu City Council overrode Mayor Caldwell's veto of a bill that increased the standard home exemption on property taxes, despite Mayor Caldwell's administration predicting the bill would cause the city to lose more than $10 million in annual revenue.[32] This evidence is particularly powerful considering Hawaii has the lowest state property tax rate and was ranked 52nd out of 53 areas studied for the lowest property tax rate. [33]

Increasing the conveyance tax was also treated with skepticism during our interviews because it was considered a barrier to more affordable home ownership. Some of the interviewees expressed that without an exemption for first time homeowners, it can potentially prevent people from accessing the housing market and the wealth-building potential therein.[34] Specifically, a developer of low-cost housing thought a conveyance tax increase lowers accessibility by increasing the transaction cost of a house being sold.[35] This cost can be carried by buyers or sellers, but in both cases it disincentivizes houses being sold or bought.[36]

Our research led us to conclude that while increasing property taxes might be an effective way to raise revenue and should be considered in the future, it is currently not politically feasible. An empty-homes tax, however, is politically feasible and can be used to bolster the array of housing policies already in place or being pursued in Honolulu.

State Senator, Honolulu, State of Hawaii, interview by Dickran Jebejian et al., February 28, 2020
Retired Attorney, Housing Advocate, interview by Adam Barsch et al., February 28, 2020.

[32] AP News, "Honolulu officials approve tax breaks for homeowners", April 21, 2019, https://apnews.com/6aea4ab27b1a447d99b568eb488ce816

[33] Research and Economics Analysis Division, Department of Business, Economic Development and Tourism, "An Analysis of Real Property Tax in Hawaii", March 2017, https://files.hawaii.gov/dbedt/economic/data_reports/real_property_tax_report_final.pdf

[34] Katie Wells, "A Housing Crisis, a Failed Law, and a Property Conflict: The US Urban Speculation Tax," Antipode, 2015, accessed November 15, 2017, https://www.academia.edu/11054883/2015_Article_in_Antipode_A_Housing_Cri...

[35] President/CEO, The Savio Group, interview by Dickran Jebejian et al., March 2, 2020.

[36] Katie Wells, "A Housing Crisis, a Failed Law, and a Property Conflict: The US Urban Speculation Tax," Antipode, 2015, accessed November 15, 2017, https://www.academia.edu/11054883/2015_Article_in_Antipode_A_Housing_Cri...

Comparison Cities Case Study

Since vacancy taxes are relatively new innovations, there is not a significant amount of data or research on the effectiveness of their different iterations. For the purposes of our research, we used existing vacancy tax policies in Vancouver, British Columbia, Canada, Washington D.C., Oakland, CA, and Melbourne, Victoria, Australia as benchmark models to consider. Each city has already defined vacancy differently, targeted different types of land, and structured the enforcement and levels of the tax in different ways. This natural distinction provides meaningful policy options to evaluate against our criteria.

Vancouver Model: Empty-Homes Tax

The empty-homes tax in Vancouver is generally regarded as a model tax by many local governments. According to interviews we have conducted, the tax itself was passed relatively swiftly, but implementation and enforcement were both expensive and time-consuming.

The tax was passed in 2016. It defines vacancy as "residential property that is not the principal residence of an occupier; or residential property that is not occupied for residential purposes by a tenant for at least 30 consecutive days".[37] This tax only applies to residential properties; vacant land and commercial properties are not subject to any form of taxation under this law. A residential property begins to be taxed if it has been left in a state of vacancy, as defined above, for six months. In order to avoid being taxed, residents of Vancouver must self-report a property status declaration form on or before the second business day of February; supplementary to the self-reporting requirement, random audits are conducted to monitor occupancy status. The rate at which the property is taxed is 1.25% of the taxable assessed value.[38] This amount is due by the tenth business day of April in the same calendar year. Failure to meet this deadline yields a 5% penalty. The revenue that is generated from this tax assessment is used for an affordable housing fund.

Within this model there are residential properties that are eligible for exempt status. The full list of exemptions for this taxation model, and the following cities, are detailed in Appendix F.

[37] Vacancy Tax By-Law No. 11674, City of Vancouver, (2020). https://bylaws.vancouver.ca/11674c.PDF

[38] Previously 1% until 2020.

Washington D.C. Model: Property Enforcement Amendment Act

The Washington D.C. model differs greatly from the Vancouver model in each part of the tax. The tax implemented here was designed to target vacant properties, blighted buildings, and vacant commercial space.[39] In 2003, a new tax class for abandoned and vacant property was created. In 2010, a new Class 4 for blighted property was created.

A property is considered vacant when the building has not been continuously occupied and the mayor's office has determined that no resident is present nor does one intend to occupy the property in question.[40] If this is the case, a property may be subject to tax after just 30 days of vacancy. The tax itself is assessed based on the type of building in question. Vacant property is taxed at a rate of 5% of its assessed value whereas blighted property is subject to a 10% tax of its assessed value.[41]

In 2017, D.C. enacted legislation for the "Vacant Property Enforcement Amendment Act of 2016." The enforcement of this tax is self-reported, but this self-reporting is less structured than the Vancouver model. In D.C. the owners of a vacant property must register their building with the mayor's office within 30 days of it becoming vacant. This registration requires a fee to be paid at the time of registration. The mayor's office may choose to extend this time period or waive the fee at their own discretion. There are also fines associated with enforcement protocols. Property owners may be fined up to $2,000 for failure to register a vacant property and up to $1,000 for failure to respond to a vacancy notice within 15 days.[42]

Melbourne Model: Vacant Residential Land Tax

The Melbourne vacant residential land tax is the closest tax to the empty-homes tax implemented in Vancouver. The target of this tax is residential property, with an emphasis placed on residential property that is not owned by a resident of the defined geographic region.

A vacant property, by Melbourne's definition, is a residential property that is not occupied by the owner, the owner's permitted occupier, as a principal place of residence, or a person under a lease or short-term letting arrangement.[43] Residential property includes land on which a residence is being constructed or renovated where land was capable of being used solely for primarily residential purposes before the start of construction or renovation.[44] If a property is in this state for six months it is subject to being taxed. The sixth month period does not have to be continuous. Properties that are subject to this tax are taxed at 1% of the capital improved value.

The enforcement of this tax is based on self-reporting. Owners of vacant residential properties are required to notify the State Revenue Office by the 15th of January each year. This is reported

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[39] The Office of the District of Columbia, "Significant Improvements Needed in DCRA Management of Vacant and blighted property program, https://dcauditor.org/wpcontent/uploads/2018/07/Vacant.Blighted.Report.9.21.17.pdf

[40] Ibid.

[41] Ibid.

[42] Ibid.

[43] "Vacant Residential Land Tax." *State Revenue Office, Victoria State Government*, www.sro.vic.gov.au/vacant-residential-land-tax.

[44] "Vacant Residential Land Tax." *State Revenue Office, Victoria State Government*, www.sro.vic.gov.au/vacant-residential-land-tax.

through an online portal. The office then monitors and reports on said properties to ensure compliance while also working to ensure that all vacant properties are being reported.[45]

Oakland Model: Vacant Property Tax Act

The vacancy tax enacted by the City of Oakland is the broadest tax of the four comparable cities. It was intended to have a distinct effect on the housing market due to the scope of taxable properties.[46] Within the breadth of this tax are various types of properties referred to by parcel categorization. Category 1 parcels are residential and non-residential land parcels that are both developed and undeveloped. Category 2 parcels are individually owned condominiums, duplexes, or townhouse units. And, Category 3 parcels are ground floor commercial spaces.[47]

Oakland has attempted to impose a tax on this wide variety of properties through their unique definition of vacancy. According to the city's municipal code, a parcel in any of the three categories is considered vacant if it is in use for less than 50 days during a calendar year.[48] If a property is subject to the tax, the rate is determined by the category it falls under. Category 1 parcels are subject to up to $6,000 per year in tax payments. Category 2 and 3 parcels are subject to a maximum of $3,000 in assessed taxes per year.

The funds from these taxes are required by law to go towards funding homelessness programs and services, affordable housing, code enforcement, and the clean-up of blighted properties and illegal dumping.[49]

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[45] Ibid.

[46] City of Oakland, Landreth, Sabrina B. "Vacant Property Tax Implementation Ordinance." *Vacant Property Tax Implementation Ordinance*, 2019.

[47] Ibid.

[48] Ibid.

[49] Ibid.

Objective 1:

Determining Whether a Vacancy Tax Returns Empty Units to the Housing Market

Objective 1: Determining Whether a Vacancy Tax Returns Empty Units to the Housing Market

The first objective of our analysis was to determine whether implementing a vacancy tax returns units to the market and lowers vacancy rates. To achieve this objective, we analyzed the comparison cities to determine which of them has the most similar housing market and demographic makeup to Honolulu. From this selection, we tested the effectiveness of the vacancy tax in returning units to the housing market.

To assess our first objective, we analyzed Honolulu, Washington D.C., and Vancouver using aggregated housing data from the American Community Survey 2010 to 2018 and five-year Canadian census data from 1991 to 2016. These cities were selected because they were the only three that had comparable comprehensive data available.

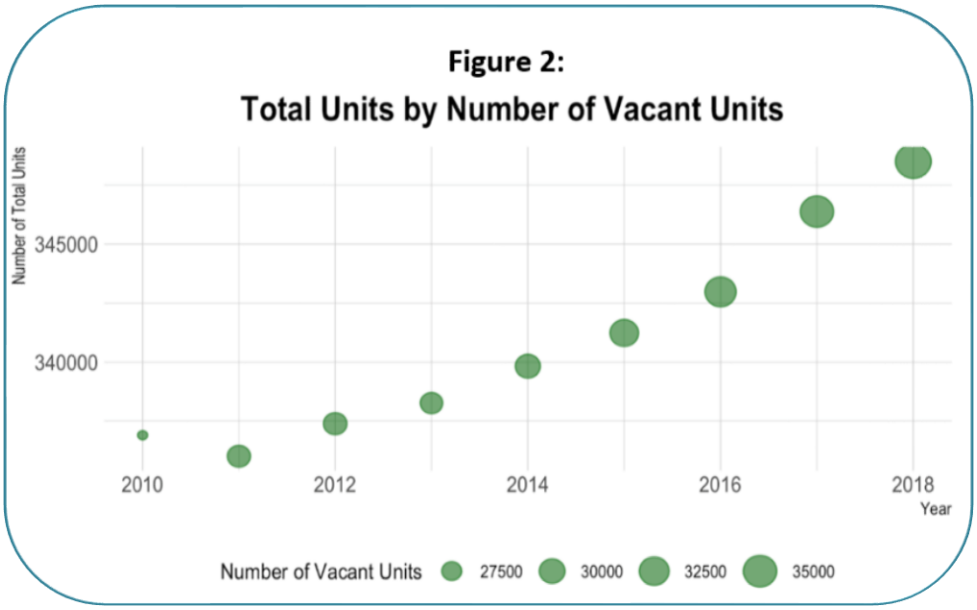
The following section is outlined as:

1. Descriptive statistics to explore key variables and comparisons of the cities to Honolulu,
2. Description of a matching method used to replicate a randomized experiment, and
3. Results of multivariate linear regressions used to determine the effectiveness of the vacancy tax.

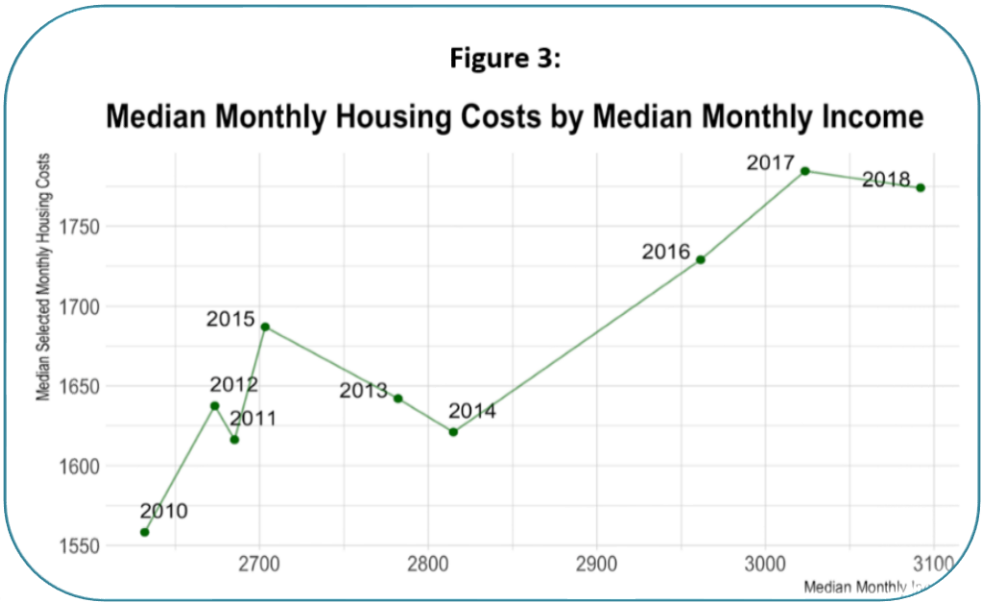
Descriptive Data and Trend Analysis

Honolulu

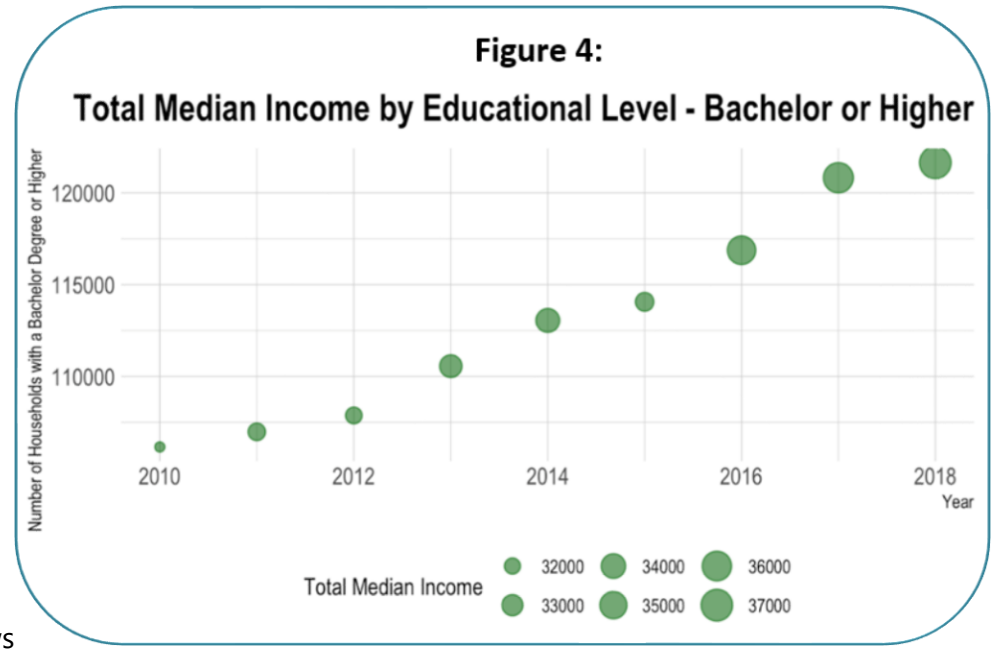
Our dataset showed that The City and County of Honolulu had a 9% average vacancy rate from 2010 to 2018. The composition of the housing market consists of 84% of households that contain the same resident(s) from the prior year, and 65% of residents are homeowners. Approximately 60% of all units contain families without children. Figure 2 shows a positive trend in the number of total units and the rise in the number of vacancies, ranging from about 25,000 in 2010 to 37,000 in 2018.



From 2010 to 2018, residents spent nearly 60% of their monthly income on monthly housing costs (mortgage payments, rent, utilities, etc.). Figure 3 shows that for any given year in Honolulu, monthly housing costs were, on average, more than half of the monthly median income for residents. Our subsequent regression analysis revealed that one of the primary reasons for Honolulu's affordable housing deficit is the cost of living relevant to wages on the island.

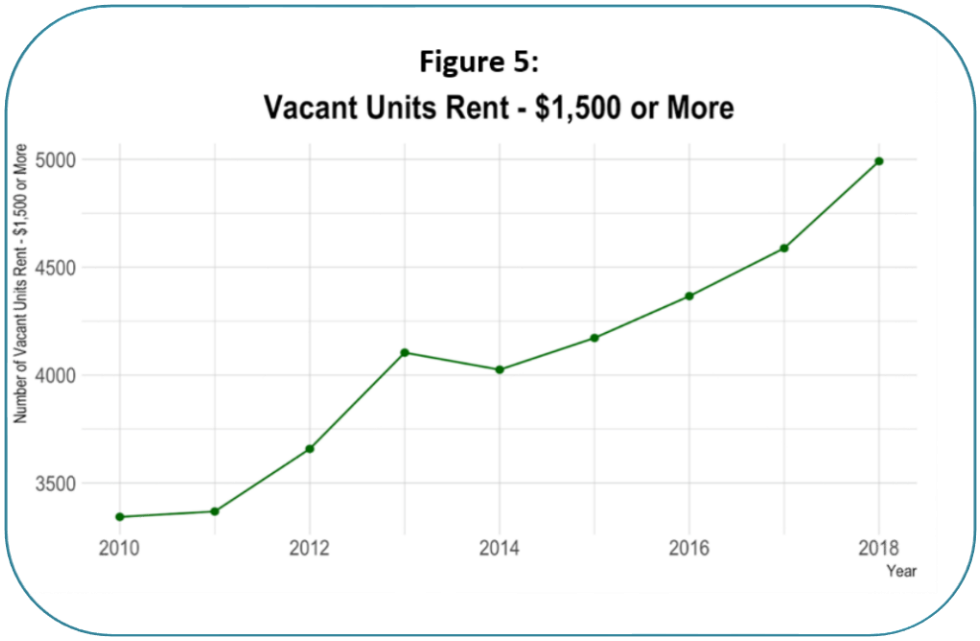


Despite stagnating wages, most Honolulu residents are highly educated. Over 30% of households had a resident with a bachelor's degree or higher. In contrast, 20% of occupants had a high school degree or equivalent as their highest level of education. The number of housing units occupied by these residents with a high school degree has consistently decreased. One key distinction between these populations is that Honolulu's higher-educated occupants are more likely to live at a residence that they own. Nearly 65% of these residents are homeowners. As displayed in Figure 4, there is a positive trend between the number of units with a bachelor's degree or higher and the annual median income. Conversely, there are fewer residents with high school degrees each year. Accounting for current educational attainment trends, our regression analyses and interviews revealed that these individuals are being priced out of the market.

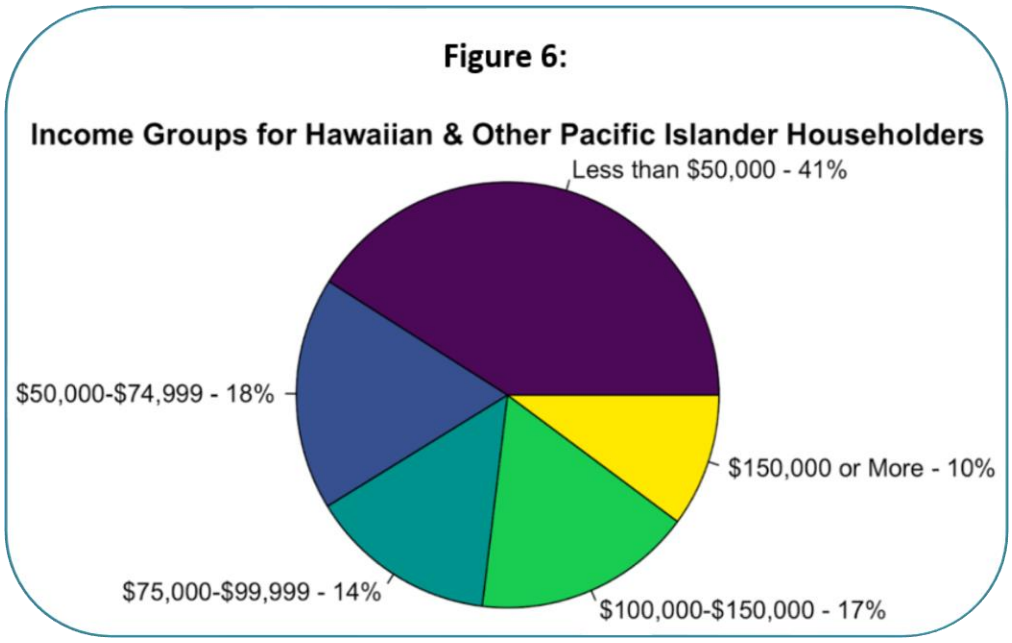


Our analysis shows that many Honolulu residents are being threatened by the expanding supply of vacant, high-priced units. With the monthly median income at approximately $2,800, there is a rising number of vacant units that require over 50% of the average resident's monthly wages.

Figure 5 shows that the number of vacant units asking for $1,500 or more in rent increased from about 3,300 to 5,000 over the years.

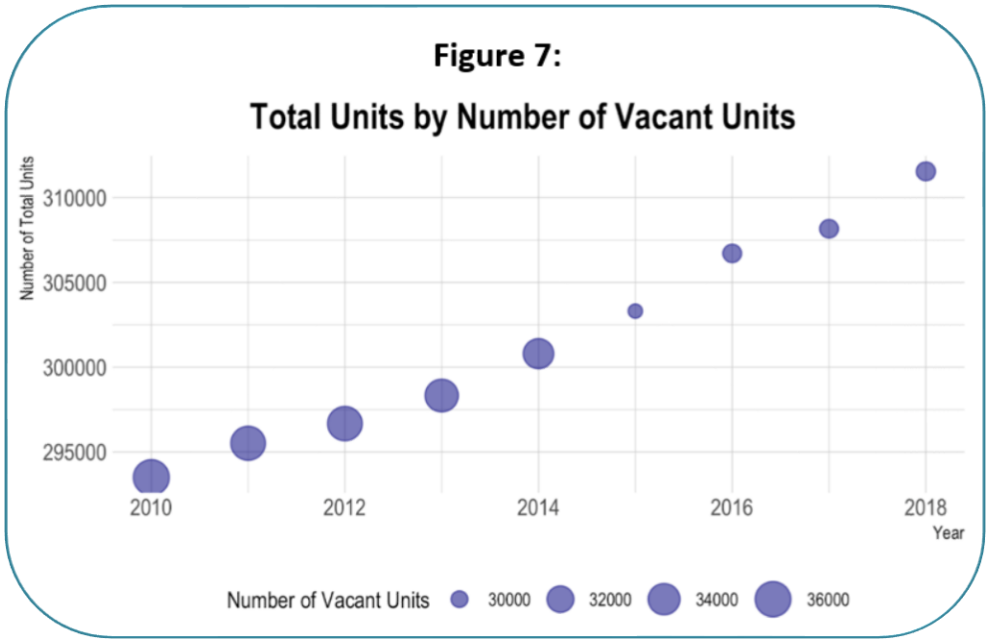


With rent rising and vacancies increasing, it is critical to examine how these changes are impacting racial groups. Of the City's occupants, 23% are White, 42% are Asian, and 6% are Native Hawaiian or from another Pacific Islander group. Figure 6 below shows that over 40% of Native Islanders make less than $50,000. In contrast, about 30% of White and Asian householders are in the lowest income group. Only 27% of Islanders are in the top two income groups, while 37% of White and Asian residents make up the same income categories, respective to their racial/ethnic group.

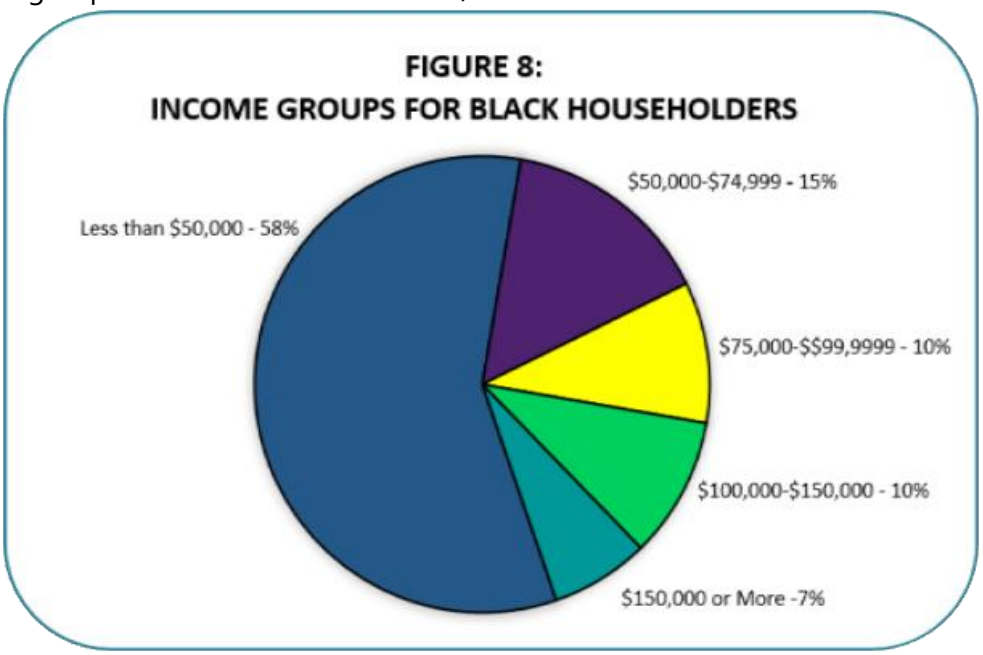


Washington D.C.

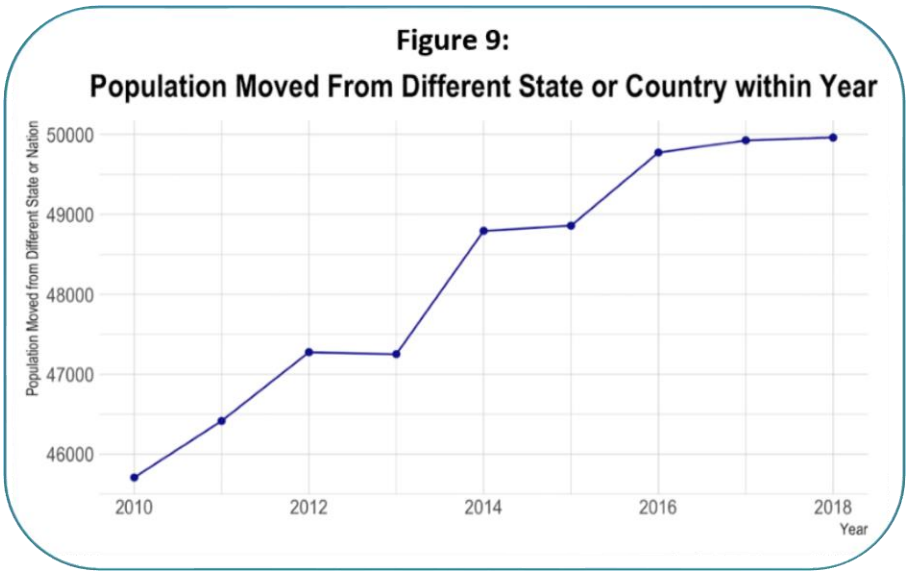
The data from Washington, D.C. showed that the district had approximately an 11% average vacancy rate from 2010 to 2018. The housing market consists of 81% of households that have the same occupant from the year prior. Most residents rent in the jurisdiction, with 58% of the City's housing units occupied by renters. Approximately 70% of all units are occupied by a family with no children. Figure 7 indicates that although the supply of housing in D.C. has steadily increased, the number of vacant units decreased beginning in 2010 when the City's vacancy tax policy was expanded. In 2015, there was a significant decrease in vacancies corresponding with the discussions of adopting more stringent enforcement measures to the original policy.



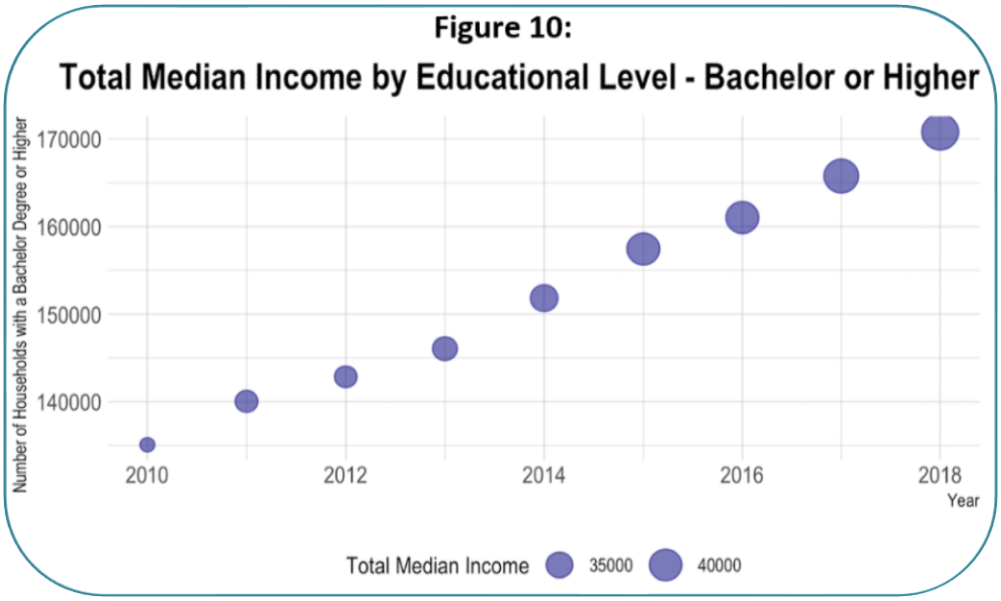
Our analysis of the housing market showed stability with housing costs over the years. From 2010 to 2018, residents in D.C. spent an average of 38% of their monthly income on housing expenses, a discernibly lower proportion than what was observed in Honolulu. To critically assess the market stability of housing costs and income, D.C. must be examined with a lens focused on racial equity. The two largest ethnic/racial groups of householders are Black/African-American and White at 41% and 36%, respectively. African-Americans disproportionately make up the renting population with a 50% share of the market. As depicted in Figure 8, nearly 60% of African-American tenants in D.C. make less than $50,000 annually. Only 17% of Whites made less than $50,000, and almost 40% have an annual income of $150,000 or more.



These housing inequities are further exacerbated by the increased residency of affluent out-of-state and international migrants in the jurisdiction. On average, over 48,000 residents moved from out-of-state or from a different country each year and made up about 8% of the total population during this time. The out-of-state-and-country movers have an annual median income of approximately $58,000, which is over $20,000 greater than both the total population and non-mover incomes. As displayed in Figure 9, the number of out-of-state or international movers increased from approximately 45,000 in 2010 to 50,000 in 2018.



When it comes to education, nearly half of D.C. residents had a bachelor's degree or higher, while only 5% had a high school degree equivalency or less. About half of occupants with a bachelor's degree or higher rent, while the other half own their residence. However, approximately 75% of occupants with a high school degree are renters. As Figure 10 depicts below, there is a positive trend between the number of units with a bachelor's degree or higher, which increased by over 35,000, and the annual median income. Educational attainment explains a great deal of the housed population statistics. Similar to the trend in Honolulu, there are fewer residents with only high school degrees each year. Along with our interviews, this descriptive analysis reveals that as the population becomes more educated and affluent, the construction of high-priced units is increased to target this group.



Vancouver

From 1991 to 2016, Vancouver had a 5% vacancy rate across 256,000 total units. The majority of residents rent in the City, representing 55% of the housing market. As Figure 11 shows, the number of total vacant units has moderately risen from approximately 20,000 to just below 26,000 from 2005 to 2016.

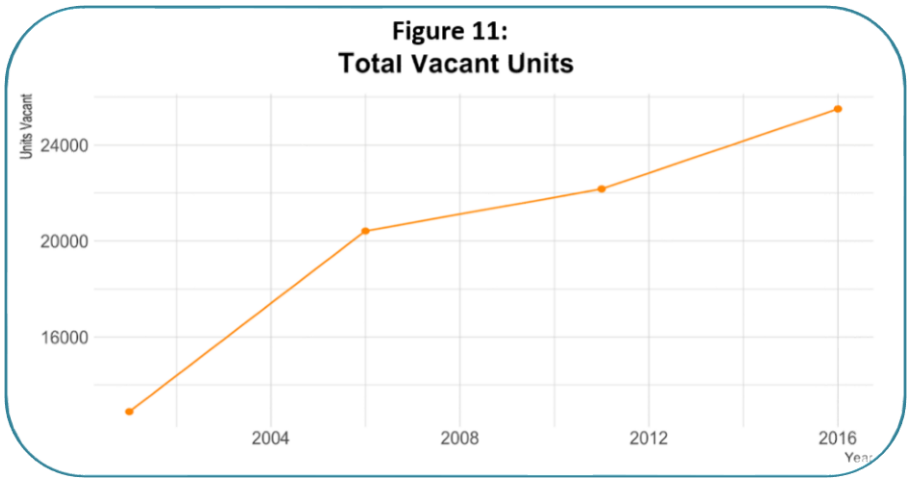


Figure 11: Total Vacant Units

A third of Vancouver's residents spend 30% or more on housing costs, and across the City, monthly housing costs are more than 50% of the median monthly income. As Figure 12 shows, as monthly housing costs and monthly earnings increased at a similar rate.

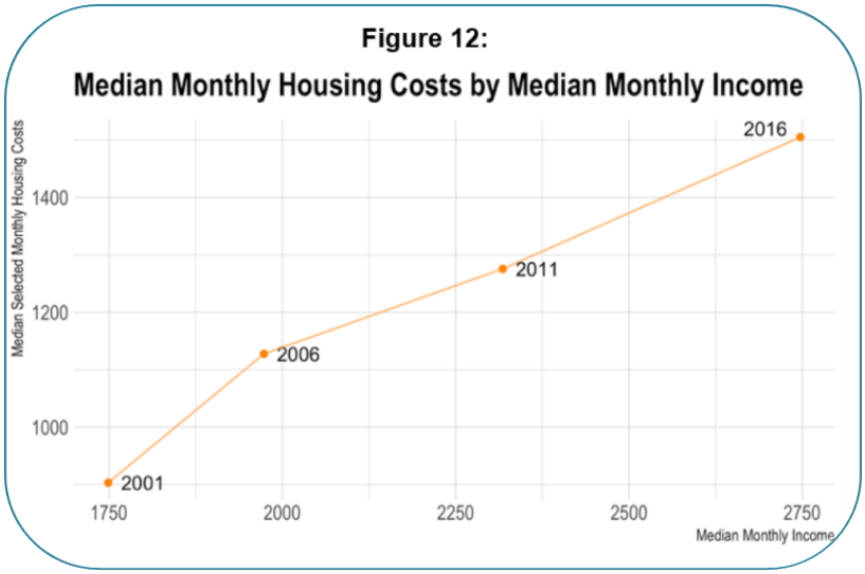


Figure 12: Median Monthly Housing Costs by Median Monthly Income

From 1991 to 2016, educational attainment in Vancouver was dispersed more evenly across degree types than in the other comparison cities. As Figure 13 shows below, 38% of adults have a bachelor's degree,
and 26% have a high school degree or equivalency.

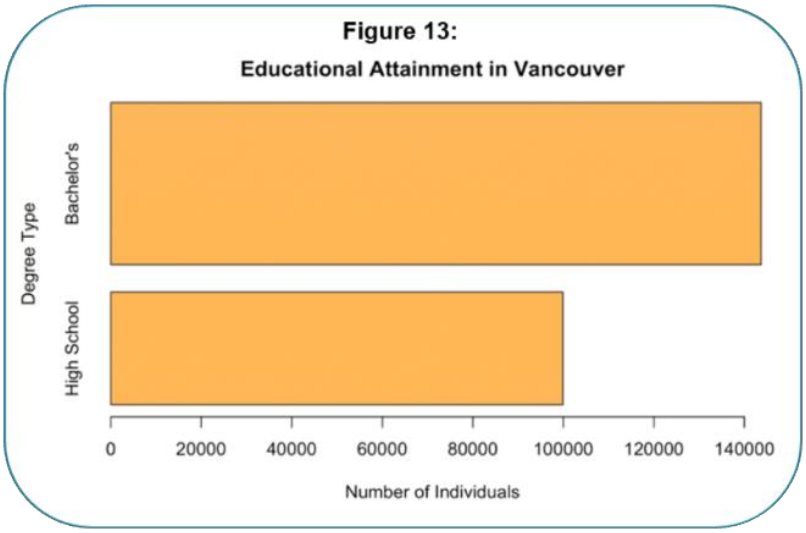
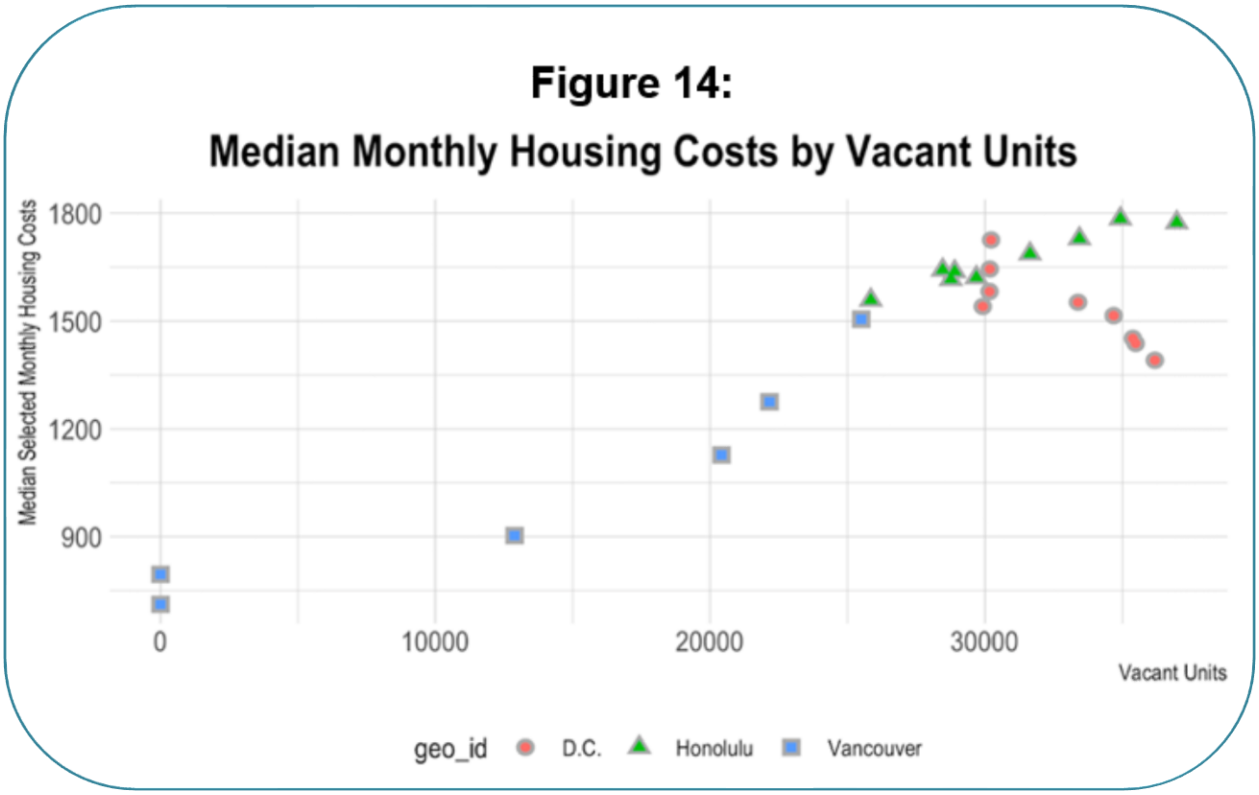


Figure 13: Educational Attainment in Vancouver

While our analysis established several important housing and population trends in Vancouver, there are limitations with the available data. According to the data that is available and our interviews with stakeholders in Vancouver, income is a prominent contributing factor in the housing market.

Descriptive and Trend Analysis Findings

Our descriptive analysis, in accordance with the information from our conducted interviews, showed that Washington D.C. had the most similar housing market to Honolulu. Conversely, Vancouver is dissimilar to the two cities in significant ways. The most prominent of these differences include demographic and racial makeup, educational status, housing costs, and the number of vacancies. Intuitively, there is a positive trend for all three cities between the number of vacant units and monthly housing costs. However, Honolulu and Washington D.C. are the most similar, as depicted by the clustering in the top right of the Figure 14 below. All facts considered, we proceeded with Washington D.C. as the primary comparison for our vacancy tax program evaluation with regards to returning units to the market.



Although we did not include Vancouver in our regression analyses, the benefits of its vacancy tax were compiled by the City in its *Second Annual Empty Homes Tax Report*.[50] Published in 2019, the report states that 1,989 properties were vacant in 2018, which was 549 fewer vacant properties than in 2017. The reduction in properties equates to a 22% drop, indicating an equivocal positive effect of the vacancy tax to return units to the Vancouver market.

[50] Housing Vancouver, City of Vancouver, "Empty Homes Tax Annual Report", November 1, 2019, pg. 2, https://vancouver.ca/files/cov/vancouver-2019-empty-homes-tax-annual-report.pdf

Data Matching to Replicate a Randomized Experiment

The process of implementing a vacancy tax in Washington D.C. was not done in a vacuum, so the treatment (a vacancy tax policy) in our study could not be randomly assigned as it would be in the ideal setting of a controlled experiment. Therefore, when estimating causal effects using observational data, it is recommended to replicate a randomized experiment as closely as possible by obtaining similar treated and control groups, known as matching. This goal can often be achieved by choosing similar samples of the original treated and control groups, reducing bias in the covariates. However, it is important to note that over-manipulating the observational dataset can lead to bias by removing too many observations. Matching methods are widely accepted and a recommended practice in social science research.

Table 1:	**Honolulu**	**D.C. (Pre-Vacancy Tax)**
Total Housing Units	1537	1660.7
Total Units Occupied	1389.6	1467.2
Total Units Vacant	147.5	193.5
Total Population	4123	3215
Out of State/Country Migrants	190.5	247.1
Householder w/ Any College Educ.	951.2	1025.4
Median Household Income	$90,127.30	$89,424.40
Median Individual Income	$35,051.70	$39,708.10
Median Monthly Housing Costs	$1,687.10	$1,588.60

We kept the Washington D.C. census tracts that were most similar to the Honolulu observations to create similar control (Honolulu) and treatment (Washington D.C.) groups. Statistics for the two cities could not be perfectly matched, because doing so would have required removing additional D.C. observations and could have compromised our findings. For the purposes of our regression analyses, the most important categories to closely match are median household income, median individual income, and median monthly costs. As recorded in Table 1, the results of our matching process were successful and allowed the subsequent regressions to produce robust and credible results.

Regression Analyses to Evaluate the Vacancy Tax

The purpose of our regression analysis was to conduct a program evaluation of an existing vacancy tax policy to determine if the implementation of the tax led to an increase, decrease, or no effect on the number of vacant units. We chose to use a multivariate linear regression model to understand the inherent and unique relationships between independent variables and the effect that they have on the number of vacant units. We chose our independent variables based on our literature review, interviews, and trend analysis. Those variables were then subjected to a correlation test, which determined if they overlapped to the point that their inclusion led to bias in our model. (See Table 2 for regression analysis results.) Each variable has an estimate that shows the expected change to the number of vacant units for every unit increase in the variable.

Table 2: Effect on Number of Vacant Units

	(1) Honolulu	(2) D.C. (Pre-Vacancy Tax)	(3) D.C. (Post-Vacancy Tax)
(1) Vacancy Tax	-	-	**-15.147****
	-	-	(7.692)
(2) Total Housing Units	**0.597*****	**0.338*****	**0.333*****
	(0.0320)	(0.0300)	(0.0230)
(3) Family Units w/Children	**-0.463*****	**-0.291*****	**-0.281*****
	(0.0360)	(0.0470)	(0.0330)
(4) Out of State/Country Migrants	**0.275*****	**0.128*****	**0.086*****
	(0.0430)	(0.0480)	(0.0310)
(5) Individual Median Income ($)	**0.003****	**-0.0002**	**-0.001****
	(0.00100)	(0.00100)	(0.00100)
(6) Units w/Householder w/Any Level of College Educ.	**-0.613*****	**-0.306*****	**-0.292*****
	(0.048)	(0.037)	(0.028)
(7) Household Median Income ($)	**0.0004**	**0.001*****	**0.001*****
	(0.0004)	(0.0002)	(0.0002)
(8) Median Monthly Housing Costs - Rent/Mortgage & Utilities ($)	**0.106*****	**-0.037**	**-0.007**
	(0.027)	(0.024)	(0.017)
(9) Constant	**-353.273*****	**9.58**	**-8.538**
	(44.164)	(36.900)	(27.940)
Observations	227	169	322
Adjusted R2	0.712	0.654	0.638

Note: *Statisically Significant at:*

$^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$

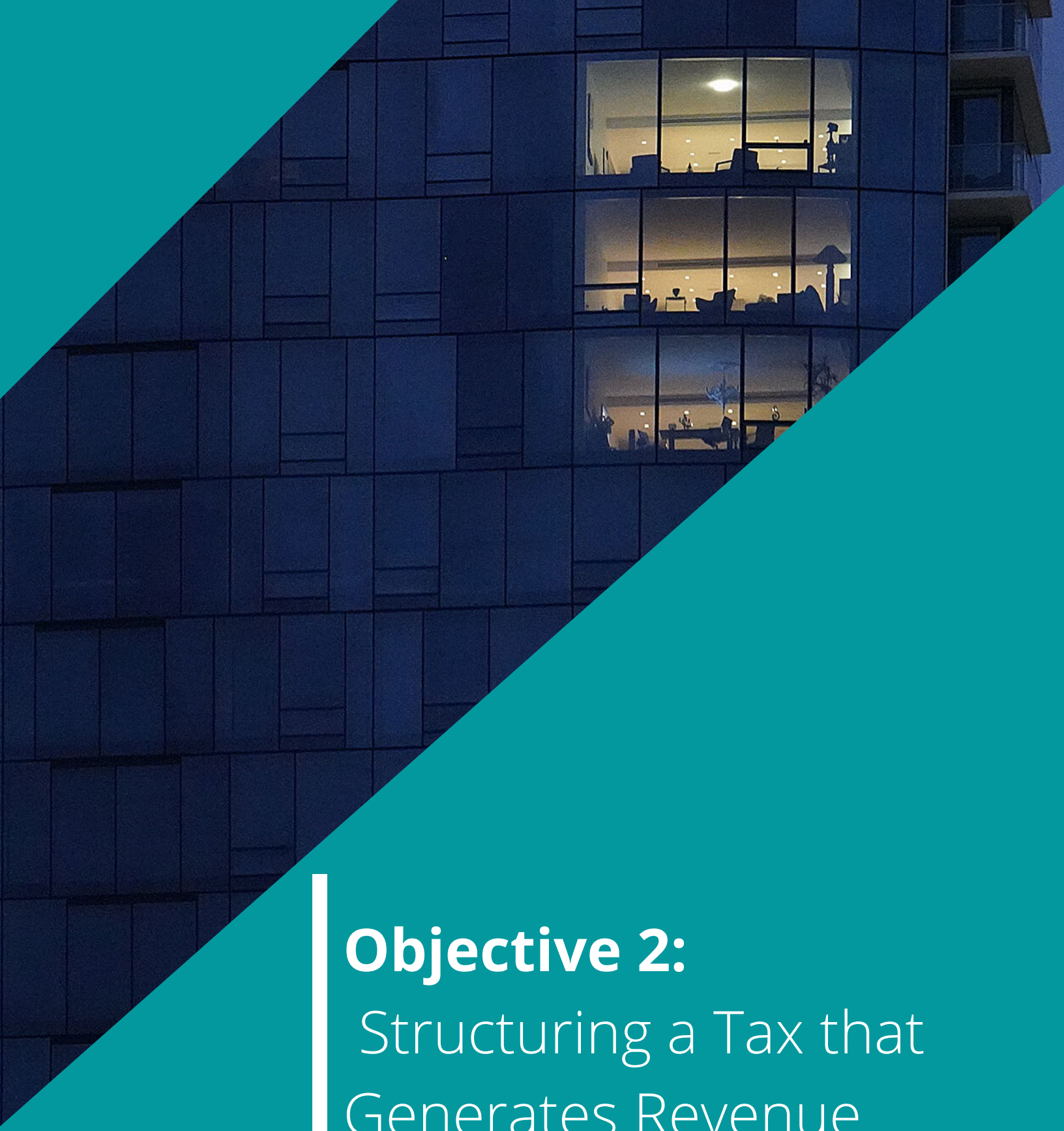
**R-squared indicates the percentage of the variance in the dependent variable that the independent variables explain.*

Findings

Our analysis reveals several significant findings and interpretations of the covariate estimates:

- **Our regression substantiates the credible causal claim that the vacancy tax has had a statistically significant effect of reducing the number of vacant units in Washington, D.C**.
    - All factors equal, the effect of the vacancy tax has led to an average *fifteen* vacant unit reduction in D.C. census tracts [Column (3) – Row (1)].
- **As the supply of housing increases in a census tract, vacant units increase**. Our interviews suggest that housing is built at a rate that exceeds demand, and new units often remain vacant.
- **As more families with children live in a census tract, vacant units decrease**. Information from our interviews establishes that families with children are actively pursuing permanent housing. We also understand that families with children are less likely to move year-to-year and are responsible for fewer vacancies.
- **As more individuals from out of state or from a different country move to a census tract, vacant units increase**. From our conversations with community stakeholders, the arrival of out of state/country movers often indicates affluent migrants vacationing in these districts. This effect generally leads to second homes that remain vacant throughout much of the year.
- **In Honolulu, as individual median income increases in a census tract, vacant units increase.** Our research shows that this trend is in part the result of developers targeting higher-income individuals.
- **In Washington D.C., as individual median income increases in a census tract, vacant units decrease.** Our interviews state that higher median incomes in D.C. indicate that the residents have housing security along with the ability to move.
- **As the number of household occupants with any college education increases in a census tract, vacant units decrease**. Our research shows that formally educated householders have unique insights into the housing market and non-financial resources that connect them with permanent housing.
- **In Washington D.C., as household median income increases in a census tract, vacant units increase.** Our research shows that this is likely the result of developers targeting higher-income families by building higher-priced units.
- **In Honolulu, as housing costs increase in a census tract, vacant units increase.** Several of our conducted interviews stated that many Honolulu residents are being priced out of the market, which is leading to higher vacancy rates.

The results of our program evaluation validate the potential of a vacancy tax to return vacant units to the market in Washington, D.C. As established in the descriptive data and trend analysis, and regressions, there are considerable similarities between the housing markets in Honolulu and Washington D.C. The combination of these proven similarities and the statistically significant effect of the vacancy tax in D.C. led us to conclude that a credible claim can be made that a vacancy tax can return vacant units to the housing market in Honolulu.



Objective 2:
Structuring a Tax that Generates Revenue

Photo: Cory Lum/Civil Beat

Objective 2: Structuring a Tax that Generates Revenue

To address the second objective of generating revenue, we analyzed several structural components of vacancy taxes which were identified through our research of existing vacancy taxes and through our expert interviews. Using our interview data, we assessed the options for each structural component along our four criteria. Through this analysis, we developed recommendations for each component and ultimately, constructed a recommended vacancy tax structure. The table below categorizes the components and the available options for each vacancy tax alternative.

Table 3: Vacancy Tax Components

Time Unoccupied to be Determined "Vacant"	Tax Rate	Taxable Property	Exemptions for Buildings	Exemptions for Owners	Enforcement Mechanism
30 days	1% of the capital improved value (CIV)	Residential property	Transfer of Property/If the owner inherited the subject property during that calendar year.	Death of Registered Owner	Self-Exemption (applying for exemption w/ evidence)
50 days	1% of assessed value	Commercial buildings	Construction or pending construction	Proven financial hardship	Determining vacancy through water utility data
3 months	1% - 5% of assessed value	Blighted vacant buildings	A property is used as a holiday home for at least 4 weeks per year	If the owner is at least 65-years old	Determining vacancy through electric utility data
6 months	>5% of assessed value	Undeveloped Land Parcels	Occupancy for full-time employment/ A property used by the owner for work purposes for at least 140 days per year	Resident residing in a hospital, long term or supportive care facility	Determining vacancy using postal service
9 Months (270 Days)	Graduated Tax Rate Based on Property Value Tiers	Ground floor commercial spaces	Court order prohibiting occupancy	The same owner cannot receive more than three cumulative years of exemptions	Auditing vacant units
1 year	Graduated Tax Rate Based on Income Tax Tiers	---	For sale or advertised for rent, but not to exceed one year from the initial listing of rent or sale	If the owner was serving in the military and was deployed overseas for at least 60 days	--

Criteria to Analyze Empty-Homes Tax Components

We utilized the criteria of revenue generated, administrative burden, political feasibility, and equity to evaluate the options across each structural component. All the criteria demonstrated to be of equal importance based on the qualitative interviews and our client's objectives and were deemed necessary for a vacancy tax to be implemented successfully.

Revenue Generated

All 21 interviews expressly covered the topic of potential revenue-generating capacity. This discussion directly addressed feasible tax rates, vacancy time frame, revenue use, and alternative methods of revenue generation. Revenue generation allows the City to have a dedicated fund for affordable housing development and other housing-related initiatives; therefore, our goal is to ensure this by measuring the projected revenue of the tax.

Administrative Burden (Capacity and Personnel)

The administrative burden criteria include the expected required capacity for enforcement and subsequent expected capture rate. In our 10 interviews with Honolulu city officials, politicians, and those who regularly work with city officials we expressly covered the topic of administrative burden. In these discussions we addressed staffing, hiring, IT demands, data collection, capacity, and prior experience.

Political Feasibility

Political feasibility is constituted by the likelihood of the policy passing into law as well as the expected backlash. In 15 of our interviews with Honolulu city officials, stakeholders, and representatives from our comparison cities, we expressly covered the topic of political feasibility. This covered the likelihood of passage, the timeline of implementation, the history of tax reforms, potential pitfalls of tax policy, and the polarization of local officials

Equity

Accounting for equity ensures that the tax targets the right population. All 20 interviews expressly covered the topic of equity. For our purposes, equity was discussed in relation to who would be taxed, how this tax might affect lower-income populations and/or heirs, targeted taxation, appropriate tax rates, and the race/class standing of property owners.

Analysis of Empty-Homes Tax Structural Components

We analyzed the various vacancy tax structural components (Property Type, Tax Rate, Exemptions, Enforcement Mechanisms, and Timeframe) using the qualitative data collected in our interviews. These 21 interviews were conducted with officials and stakeholders in Honolulu, Vancouver, Oakland, and Washington D.C. In each interview, we followed an interview guide, asking the informant about each structural component's options and its efficacy. We then collectively interpreted these responses in order to distill clear and concise findings. Our findings use a broad ranking of the data we collected. These rankings are presented in summary tables beneath the analysis of each structural component. The following rankings are based on this process:

Rankings
Good Fit Acceptable Fit Poor Fit/Not Recommended Unclear Based on Our Interview Data

Analysis of Property Type

The first structural component analyzed was the type of property to be taxed in the City and County of Honolulu. In our interview with the Mayor, he insisted that the main target of this tax be residential property.[51] Multiple interviews expressed this same sentiment and specifically aimed to tax expensive luxury residential development and condominiums.[52] The community advocates we spoke with noted that the income and employment status of many island residents simply cannot support this current housing stock.[53] While applying the tax only to residential property will generate the least revenue, since it would affect the least amount of land, it allows for greater political feasibility by targeting wealthier residents and out-of-state residents; it also serves as a more equitable approach since it is often the case that smaller commercial properties are vacant due to financial challenges, neighborhood blight, or lack of business rather than intention.[54] Interviews led us to understand that luxury residential property is often used by specific high-income residents and visitors to Oahu.[55] Though landowners tend to be voters, off-shore investors

[51] Kirk Caldwell, Mayor, City and County of Honolulu, interviewed by Mary Daou, January 23, 2020.

[52] Marc Alexander, Client.; Deputy Director, Land Use Permits Division, and Director, Department of Planning and Permitting, interview by Dickran Jebejian et al., February 27, 2020.; Retired Attorney, Housing Advocate, interview by Adam Barsch et al., February 28, 2020.; Acting Executive Director, F.A.C.E., Faith Action for Community Equity, interview by Dickran Jebejian et al., February 27, 2020.; President/CEO, The Savio Group, interview by Dickran Jebejian et al., March 2, 2020.
Chief of Staff, Office of City Council Chair Ikaika Anderson, interview by Dickran Jebejian et al., March 2, 2020; Philip Garboden, PhD University of Hawaii, Department of Urban and Regional Planning, interview by Dickran Jebejian et al., March 2, 2020.

[53] Acting Executive Director, F.A.C.E. *Interview.* February 27, 2020.; Policy and Data Analyst, Hawaii Budget and Policy Center, Hawaii Appleseed, interview by Dickran Jebejian et al., March 2, 2020.; Philip Garboden, PhD. *Interview.* March 2, 2020.

[54] Kirk Caldwell, Mayor, City and County of Honolulu, interviewed by Mary Daou, January 23, 2020.

[55] President/CEO. *Interview.* March 2, 2020.; Retired Attorney. *Interview.* February 28, 2020.

and non-residents do not vote in local elections. Those that do live in Honolulu are a minority of the total voting population.[56]

Conversations with officials from the City of Oakland pointed to added complexity associated with the taxation of vacant land, and an economics and real estate expert from Washington D.C. claimed that the taxation of multiple property types made their bill nearly unenforceable.[57] By targeting only residential property, a vacancy tax will have a lower administrative burden than if it targets other property types. This tax will also work towards greater equity by primarily taxing residential property that is not in regular use. Such a vacancy should either return these properties to market or generate revenue for affordable housing, achieving two of the City's objectives and thereby creating more housing on Oahu.[58]

Table 4: Analysis of Property Type				
Property Type	**Revenue Generated**	**Admin Burden**	**Political Feasibility**	**Equity**
Residential	Acceptable	Good	Acceptable	Good
Residential & Land	Acceptable	Acceptable	Poor	Poor
Residential, Land, & Commercial	Good	Poor	Poor	Unclear

Analysis of Tax Rate

In order to have a relative idea of the amount of revenue generated by different tax rates, we generated predictions of tax revenue for different vacancy tax rates using an estimate of the value of homes owned by out-of-state owners.[59] This value estimate was presented in "An Analysis of Real Property Tax", a report from the Research and Economics Analysis Division of the Department of Business, Economic Development, and Tourism in October 2017. The report compiles the total value of properties owned by out-of-state owners. The total value is estimated as $13,634,475,235.[60] We multiplied this property value by the percent tax in order to create those predictions. While these assumptions mean that these numbers cannot be relied upon as accurate projections, they can be used to compare options against one another. The calculations are seen in Table 5. For more information, please see Appendix H.

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[56] Former State Assembly Member, Honolulu, State of Hawaii, Interview by Dickran Jebejian and Adam Barsch, March 2, 2020.

[57] Rick Rybeck, Director, Just Economics LLC, interview by Dickran Jebejian and Adam Barsch, March 11, 2020; Revenue and Tax Administrator and Revenue Analyst, Finance Department, City of Oakland, interview by Adam Barsch, Erika Cervantes, and Mary Daou, March 10, 2020.

[58] Acting Executive Director, F.A.C.E. *Interview.* February 27, 2020.; Policy and Data Analyst. *Interview.* March 2, 2020.; Philip Garboden, Phd. *Interview.* March 2, 2020.; Chief of Staff. *Interview.* March 2, 2020.; Former State Assembly Member, Honolulu. *Interview.* March 2, 2020.; President/CEO. *Interview.* March 2, 2020.

[59] Department of Business, Economic Development and Tourism, Research and Economic Analysis Division, "An Analysis of Real Property Tax in Hawaii", Appendix I, October 2017, pg. 54, https://files.hawaii.gov/dbedt/economic/data_reports/property_tax_report_2017.pdf

[60] Ibid.

Table 5: Analysis of Predicted Revenue by Tax Rate		
Tax Rate	**Equation**	**Predicted Revenue**
1%	$13,634,475,235 x .01	$136,344,752.35
2%	$13,634,475,235 x .02	$272,689,504.70
3%	$13,634,475,235 x .03	$409,034,257.05
5%	$13,634,475,235 x .05	$681,723,761.75
7%	$13,634,475,235 x .07	$954,413,266.45
Average of 1%, 3%, 5% (Used for graduated tax rate based on Property Value)	($136,344,752.35 + $409,034,257.05 + $681,723,761.75)/3	$409,034,257.05

Previously, a 1% flat vacancy tax rate had been considered, as seen in the Oahu Resiliency Plan.[61] However, our interviews indicated that a higher tax rate would be politically feasible, lead to more units returning to the market and generate more revenue, thereby making a higher tax rate more desirable. Given that many of the objectives in the Oahu Resiliency Plan are similar to those of Vancouver, it is prudent to raise a similar amount of revenue.[62,63] A 1% tax rate would generate $136,344,752.35 at a 100% capture rate. While there are no precise estimates on other cities' capture rates, city officials in Oakland approximated a 50% capture rate based on their qualitative experience.[64] If we assume a 50% capture rate on the tax, this would generate $68,172,376.18 in Honolulu. Granted, the generated revenue will be lower due to claimed exemptions and listing vacant properties on the market. After all of these factors are considered, a 1% tax rate would therefore generate a comparable amount of revenue generated by Vancouver's vacancy tax, which was $38 million.[65] It is also equitable because the 1% flat rate is based on property value, meaning that it scales up with the value of the residence. If we assume property value increases with income, even a flat 1% tax rate would be progressive and more equitable. It also provides the opportunity to increase the tax rate in the future, as Vancouver is currently doing. We arrived at 1% because it is politically feasible and matches Vancouver's generated revenue.

A graduated tax rate based on the value of residential property would generate an equally comparable number and our interviews demonstrated a desire for a graduated tax rate in Honolulu. However, this approach would lead to more administrative burden as well as confusion,

[61] "O'ahu Resilience Strategy," City and County of Honolulu Office of Climate Change, Sustainability and Resiliency, accessed March 1, 2020, https://www.resilientoahu.org/resilience-strategy.

[62] "O'ahu Resilience Strategy," City and County of Honolulu Office of Climate Change, Sustainability and Resiliency, accessed March 1, 2020, https://www.resilientoahu.org/resilience-strategy.

[63] "Housing Vancouver Strategy", Housing Vancouver, City of Vancouver, Published 2017, https://council.vancouver.ca/20171128/documents/rr1appendixa.pdf

[64] Revenue and Tax Administrator and Revenue Analyst, Finance Department. *Interview.* March 10, 2020

[65] Housing Vancouver, City of Vancouver, "Empty Homes Tax Annual Report", November 1, 2019, pg. 5, https://vancouver.ca/files/cov/vancouver-2019-empty-homes-tax-annual-report.pdf

making it less politically and administratively feasible.[66,67]Additionally, it is unclear how property values would be categorized and accordingly, taxed. This combination of factors led us to disregard a graduated tax rate.

Ultimately, a 1% flat tax rate provides the best balance of political and administrative feasibility, while also generating enough revenue for the Affordable Housing Fund under the Oahu Resilience Strategy.[68]

Table 6: Analysis of Tax Rate				
Tax Rate	**Revenue Generated**	**Admin Burden**	**Political Feasibility**	**Equity**
Flat Rate - 1% or Less	Poor	Acceptable	Good	Acceptable
Flat Rate - 1% - 5%	Acceptable	Acceptable	Good	Acceptable
Flat Rate - More than 5%	Unclear	Acceptable	Poor	Poor
Graduated - Property Value	Good	Acceptable	Acceptable	Acceptable
Graduated - Income	Unclear	Poor	Acceptable	Good

Analysis of Exemptions

There are many reasonable exemptions for allowable vacancies that must be considered when implementing a tax of this nature. A list of exemptions compiled from our comparison cities and from our interviews are found in Appendix F. Though there are many exemptions that should be considered in Honolulu, interviews with officials from Oakland and stakeholders from Washington, D.C. illuminated the many enforcement issues that come with a long list of exemptions.[69] Noting their experience, it is clear that exemptions must be limited, simple, and therefore, administrative. These exemptions should take into account concerns about negative externalities that would negatively affect equity. Any exemption will result in less overall taxation and thus generate less revenue. They will create more administrative burden, but without exemptions political feasibility will be very low, so a balance is necessary. While this is a comprehensive list of possible exemptions, community engagement should be used to determine the proper exemptions.

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[66] Retired Attorney. *Interview.* February 28, 2020.; Philip Garboden, PhD. *Interview.* March 2, 2020.; President/CEO. *Interview.* March 2, 2020.

[67] Associate Director, Revenue Services and Project Manager, Revenue Services, City of Vancouver, Interview by Dickran Jebejian et al., February 3, 2020.

[68] "O'ahu Resilience Strategy," City and County of Honolulu Office of Climate Change, Sustainability and Resiliency, accessed March 1, 2020, https://www.resilientoahu.org/resilience-strategy.

[69] Revenue and Tax Administrator and Revenue Analyst, Finance Department. *Interview.* March 10, 2020; Rick Rybeck. *Interview.* March 11, 2020

Analysis of Tax Enforcement Methods

In each interview, we asked our respondents about their opinions on enforcement mechanisms and the ability of the local government to carry out enforcement. We gained an understanding of the enforcement options and capabilities available to the City and County of Honolulu. The following enforcement mechanisms were discussed: an owner-occupied tax exemption, monitoring water usage through utilities, monitoring electricity usage through utilities, monitoring the mail through USPS, self-reporting through Homeowners Associations, a blanket tax that requires exemption (opt-out), and self-reporting (opt-in).

Through the interview process, it became clear that the USPS and electrical utility monitoring are non-starters. As noted by city officials, developers, and academic researchers, the USPS is a federal entity, and thus not under the jurisdiction of the City and County.[70] Our interviews also illuminated two major issues with electricity monitoring. First, electrical utilities on the island are privately owned and operated and the local government is not involved in billing and usage.[71] Second, due to the abundance of good weather and thus sunlight, many homes have solar power which would make monitoring difficult.[72] According to the developer we interviewed, most new condominium developments and high-end neighborhoods on the island have HOAs.[73] However, they are not part of the city government, and though HOAs are already responsible for many different enforcement mechanisms, using them to monitor vacancy would create no incentive for honest reporting.[74]

There were methods the interviewees believed would function as proper enforcement mechanisms. Residents already file owner-occupancy exemptions for property tax purposes.[75] Due to prior revenue negotiations, these taxes are collected at the local level.[76] Interviews with officials and stakeholders noted that at a minimum this tax form can be used to initially monitor vacancy based on occupancy.[77] City Council staff clearly stated that water utilities, though semi-autonomous, are a part of the local government, making it a viable option for monitoring and enforcement.[78] While some interviewees expressed concerns about older buildings not having split metering, most new developments do.[79] To address split metering concerns, buildings can be monitored as a whole with estimates of average unit use applied to the total units in a building.[80] This calculation would create a guide for enforcement staff to audit.

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[70] Philip Garboden, PhD. *Interview.* March 2, 2020.; President/CEO. *Interview.* March 2, 2020.; Chief of Staff. *Interview.* March 2, 2020.

[71] Retired Attorney. *Interview.* February 28, 2020.; President/CEO. *Interview.* March 2, 2020.; Chief of Staff. *Interview.* March 2, 2020.

[72] Retired Attorney. *Interview.* February 28, 2020.

[73] President/CEO. *Interview.* March 2, 2020.

[74] Philip Garboden, PhD. *Interview.* March 2, 2020.

[75] Former State Assembly Member, Honolulu. *Interview.* March 2, 2020.; Retired Attorney. *Interview.* February 28, 2020.

[76] Policy and Data Analyst. *Interview.* March 2, 2020.

[77] Retired Attorney. *Interview.* February 28, 2020.; Former State Assembly Member, Honolulu. *Interview.* March 2, 2020.; Marc Alexander, Client. *Interview.* January 30, 2020.

[78] Chief of Staff. *Interview.* March 2, 2020.; President/CEO, *Interview.* March 2, 2020.; Philip Garboden, PhD. *Interview.* March 2, 2020.; Deputy Director, Land Use Permits Division, and Director. *Interview.* February 27, 2020.

[79] President/CEO. *Interview.* March 2, 2020.; Philip Garboden, Phd. *Interview.* March 2, 2020.

[80] Philip Garboden, PhD. *Interview.* March 2, 2020.

The enforcement of this tax effort would likely be the duty of either DPP or the Property Tax Department (PTD), neither of which currently have the capacity for robust enforcement. Our interviews with DPP made it clear that they are currently struggling to enforce recent legislation restricting Airbnb properties on Oahu.[81] The department was not given funding for additional staff to carry out enforcement efforts, and as a result, it has a large backlog of complaints being handled in an ad hoc manner.[82] City Council staff seemed to believe that this could be remedied in PTD for the purposes of an empty homes tax.[83] The current PTD resides in multiple places within the structure of the city government.[84] According to our interviews, the combined salary budget allocated to assess and collect property taxes is about $10 to $12 million annually, and an increase of 1-2% to bring on enforcement staff would be reasonable and politically feasible.[85] This funding can go towards either full-time staff, or it may be allocated to hire third-party staff that can do enforcement on an as-needed basis.

We believe that a mixed methods enforcement system, utilizing water usage and required exemptions, in combination with a 1-2% increase in budget for enforcement staff would be sufficient to implement a tax of this nature.

Table 7: Analysis of Enforcement Mechanism

Enforcement Mechanism	Revenue Generated	Admin Burden	Political Feasibility	Equity
Owner-Occupied Tax Exemption	Acceptable	Good	Good	Acceptable
Monitor Water Usage	Good	Acceptable	Acceptable	Acceptable
Monitor Electricity Usage	Good	Poor	Acceptable	Acceptable
United States Postal Service	Acceptable	Poor	Acceptable	Unclear
Homeowners Authority self-reporting	Unclear	Good	Unclear	Acceptable
Implement a tax that requires (opt out)	Good	Unclear	Acceptable	Unclear
Self-reporting (opt in)	Poor	Good	Acceptable	Unclear

[81] Revenue and Tax Administrator and Revenue Analyst, Finance Department. *Interview.* March 10, 2020.

[82] Ibid.

[83] Chief of Staff. *Interview.* March 2, 2020.

[84] "City and County of Honolulu The Executive Program and Budget Fiscal Year 2020: Volume 1 — Operating Program & Budget," accessed March 10, 2020, http://www4.honolulu.gov/docushare/dsweb/Get/Document-235412/FINAL_BBook_Operating_FY20_2019-03_01_v1_OPTIMIZED.pdf.

[85] Chief of Staff. *Interview.* March 2, 2020.

Analysis of Timeframe

Determining the exact timeframe required for a property to be deemed "vacant" required balancing the criteria. Too short of a timeframe does not allow for enough time to place a property on the market and too long will not generate revenue and therefore, not lead to more affordable housing programs. Since this policy is meant to address a housing crisis that mainly affects lower-income residents of Honolulu, the benefits for revenue and equity are more important. Interviews conducted with academics in Honolulu stated that three months is a reasonable amount of time to either sell or rent a given property if it is priced competitively.[86] However, interviews with officials from Vancouver and Oakland noted the reduction in administrative burden associated with a time frame of either six months or one year.[87] With this in mind, if three months is too burdensome or infeasible, then a six-month window is an ample amount of time to sell or rent a unit and would be acceptable considering our criteria.

Table 8: Analysis of Timeframe

Timeframe	Revenue Generated	Admin Burden	Political Feasibility	Equity
1 Month	Good	Poor	Poor	Poor
3 Months	Good	Acceptable	Unclear	Acceptable
6 Months	Acceptable	Good	Acceptable	Good
9 Months	Acceptable	Acceptable	Unclear	Acceptable
1 Year	Poor	Good	Acceptable	Good

Vacancy Tax Policy Recommendation

Based on our qualitative interviews and analysis, we recommend that the City and County of Honolulu institute a vacancy tax with the following structural components:

Property Type: All residential property

Both at the request of our client and as informed by our interviews, Honolulu should limit any vacancy tax to residential properties. Including vacant land and commercial properties would add to the complexity of monitoring. Additionally, such a tax would target a broader population, making it far less politically feasible. Although limiting this tax to residential property would generate less revenue, it will cost less to implement and be more administratively and politically feasible.

[86] Philip Garboden, Phd. *Interview.* March 2, 2020.

[87] Associate Director, Revenue Services and Project Manager, Revenue Services, City of Vancouver, interview by Dickran Jebejian et al., February 3, 2020.

Tax rate: Flat 1% tax rate of assessed value, paid annually

In order to account for revenue and equity considerations, the City and County of Honolulu should implement a flat 1% tax rate based on the assessed value of the property with potential annual increases, which we've justified through our interviews. Through our estimates, taxing at 1% would also generate revenue similar to Vancouver's vacancy tax, meaning housing programs like Vancouver's become more feasible.

Timeframe deemed as vacant: 6 months of vacancy per year

Considering that this tax aims to generate revenue and pressure luxury housing, we recommend a timeframe for a property to be considered vacant to be six months. According to our interviews, the average time it takes to turn a rental or sale over is about three months, but this shortened time frame would create too great of an administrative burden and would make any vacancy tax less politically feasible. As such, we recommend that any property not occupied for six months in one calendar year be subject to taxation.

Enforcement methods: Mixed methods utilizing a universal tax with an opt-out provision and regular monitoring based on water usage that is executed by additional staff

In order to generate the most revenue and to have the widest tax catchment, we recommend a tax that applies to all residential properties. In order to avoid paying the tax, property owners and renters will have to prove continued residency for a minimum of six months. Residency can be proved by utilizing the existing property tax owner exemption process. The City and County will need to create an additional process for renters as well.

To properly enforce this tax, the City and County will have to hire additional full-time staff to monitor vacancy, investigate claims, and handle the added administrative burden. City officials have made it clear that additional staff for this purpose would be reasonable and that the budget additions if kept within 1%-2% of the current budget, should not affect political feasibility.

Exemptions: limited list of reasonable exemptions based on other cities, interviews, and community feedback (see below)

Exemptions will vary on a case-by-case basis. For the City and County of Honolulu we recommend that the initial exemptions to the tax be based on the following provisions collected from comparison cities and interviews:

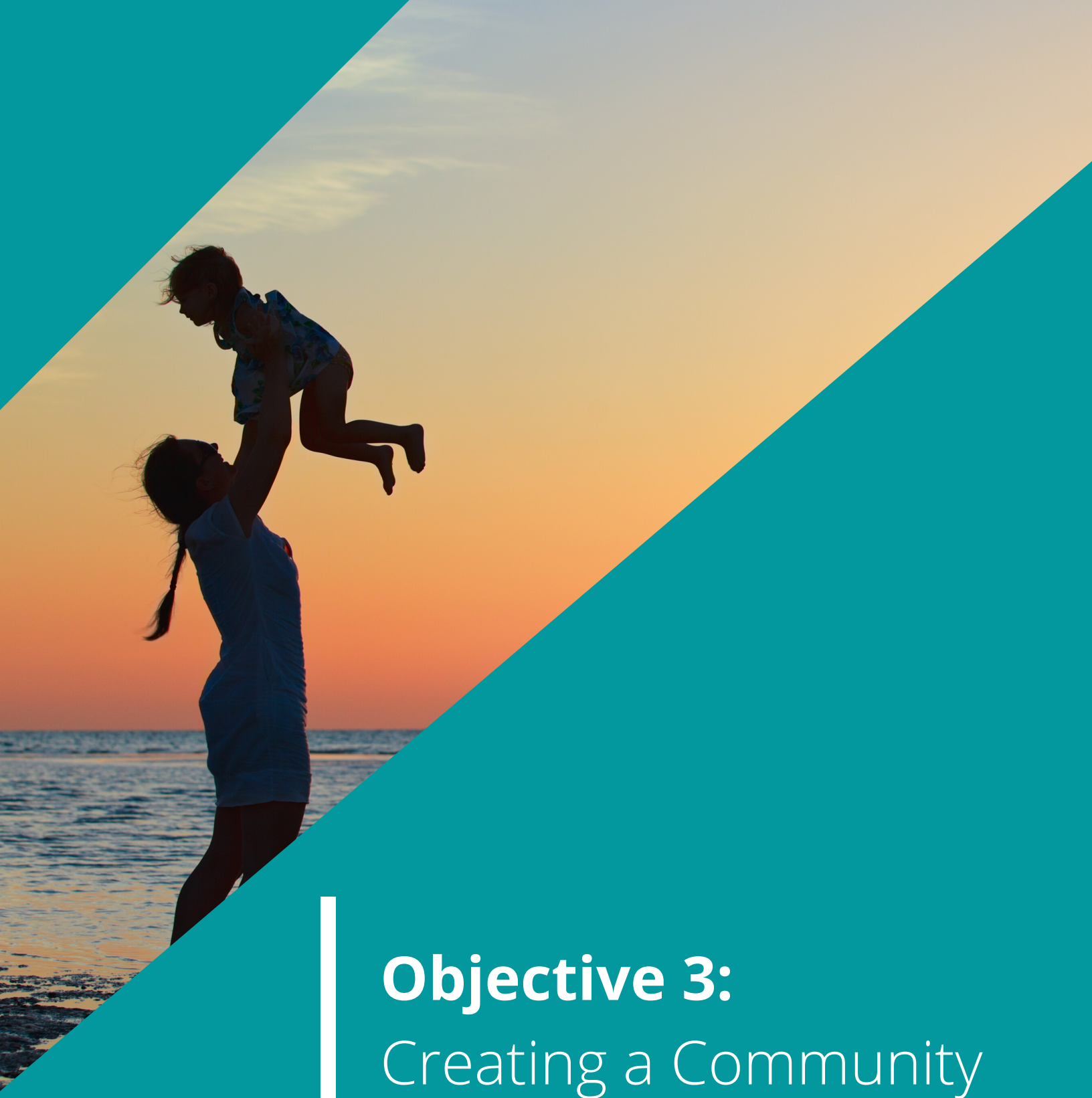
- Death of the registered owner with 12 months
- Property undergoing redevelopment or major renovations that make tenancy untenable not to exceed 24 months
- Owner residing in a hospital, long term or supportive care facility within 12 months
- Transfer of property within the last 6 months
- Occupancy elsewhere as required by the employer for a period not to exceed 12 months

- Part-time occupancy based on student status
- Court order prohibiting occupancy, subject to time frame ordered by the court
- For sale or advertised for rent, no longer than three months
- The property owner can prove financial hardship or has declared bankruptcy
- If the owner was serving in the military and was deployed overseas for at least 90 days
- If the owner is at least 65-years old and on a low or fixed income, such as social security disability insurance benefits
- The same owner cannot receive more than 24 months cumulative of exemptions

These exemptions must be either curtailed or expanded based on community input. Community engagement should be enacted to solicit responses that would ensure all exemptions are accounted for. Table 9 below, summarizes our recommended tax structure:

Table 9: Vacancy Tax Policy Recommendation	
Component	**Recommendation**
Property Type	**All residential property**
Tax Rate	**Flat 1% tax rate of assessed value, paid annually**
Timeframe	**6 months of vacancy per year**
Enforcement Method	**Mixed methods utilizing a universal tax with an opt out provision and regular monitoring based on water usage that is executed by additional staff**
Exemptions	**Reasonable exemptions based on other cities, interviews, and community feedback (see Appendix F)**

This structure reflects the collective insight of the interviews and best fulfills the four criteria necessary for a vacancy tax in Honolulu. Structuring a vacancy tax as such will achieve the City and County of Honolulu's second objective of generating revenue to directly support the development of affordable housing units.



Objective 3: Creating a Community Engagement Plan

Objective 3: Creating a Community Engagement Plan

To ensure that each piece of the above recommendation is effective, equitable, and ultimately functional, community engagement should be part of the policy process. This involves taking each of these recommendations to the community for education, input, debate, and feedback. In doing so, the officials in charge of drafting and passing this policy will be ensuring community support. This will ultimately lend legitimacy to this policy proposal and may potentially streamline implementation and enforcement efforts in the future. For Honolulu to ensure that an engagement practice is a useful and effective part of this process we have looked to best practices on a global scale.

To identify best practices of community engagement, we conducted a literature review and document analysis. We identified what strategies are most appropriate for community engagement and how such strategies would work to benefit both the party practicing engagement (in our case, cities) and those being engaged (residents of said cities).[88] The literature review process helped us determine that most engagement strategies have long-term benefits that offset what may be immediate cost-benefit losses.[89] These findings allowed us to understand the utility of community engagement to effective policy-making and implementation and solidified the concept that community engagement is a cost-effective practice that benefits both parties involved.[90] We took the language from this study and created keywords to search for community engagement best practices and strategies. Using the keywords *framework for community engagement, community engagement strategies, community engagement model*, and *community engagement planning* we searched the databases available through the UCLA library databases. While the search we conducted yielded many results, we parsed through these findings, again using context and a humanist approach, to discover texts and documents directly related to equitable and effective community engagement.[91]

Utilizing the best practices models found through this process, we created a rubric that included all the practices utilized or suggested by these models (see Appendix I). From this rubric we identified 21 keywords or categories of words and 80 sub-keywords that can be associated with equitable community engagement (see Appendix J for full list). We then took these keywords and utilized Atlas.ti, a qualitative document analysis software, to analyze publicly facing documents from

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[88] Frances Bowen, Aloysius Newenham-Kahindi, and Irene Herremans, "When Suits Meet Roots: The Antecedents and Consequences of Community Engagement Strategy," *Journal of Business Ethics* 95, no. 2 (August 1, 2010): 297–318, https://doi.org/10.1007/s10551-009-0360-1.

[89] Bowen, Newenham-Kahindi, and Herremans.

[90] Ibid.

[91] Humanist interpretation is the use of one's judgement to determine the viability of a given sample to study being undertaken. In order to analyze the qualitative data, we used a humanist approach to interpret the data. According to Biernacki humanist interpretation allows for context, which is "integral to the determination of meaning", and provides for clearer communication. The humanist approach achieves its analysis by taking the data in context and explaining the context during analysis. This project captures how each city's unique situation and needs has informed their vacancy tax structure in order to extract more generalizable information pertinent to our policy recommendation. Context is vital to accomplishing that objective as each city is unique in its planning, implementation, and execution of an empty homes tax. Richard Biernacki, "Humanist Interpretation Versus Coding Text Samples," Qualitative Sociology 37, no. 2 (June 1, 2014): 173–88, https://doi.org/10.1007/s11133-014-9277-9.

Honolulu, HI, Vancouver, BC, Melbourne, AU, and Oakland, CA.[92] Please see Appendix K for the results of the in-depth analysis for each city.

Summary of Comparisons

Upon reviewing the publicly facing documents of all three comparison cities, it is clear that they have strategies in place to address equitable community engagement. *Equity, follow up, inclusion, and listening* all show up often in these strategies. These keywords, along with *barriers, needs, capacity, resources,* and *trust,* all have strong levels of co-occurrence with the keywords *community group* and *engage*. This means that engagement and community are being discussed in conjunction with many of the keywords we have identified as markers of equitable participation processes. This analysis shows that at a minimum these cities have been outward and public about their work towards addressing equitable community engagement.

Community Engagement Strategy Recommendation

Our recommendation for the City and County of Honolulu is that city officials commit to joining the International Association of Public Participation. By doing so, the local government would be making a public commitment to training and implementing best practices as certified by an international organization that certifies cities across the world, thus fostering trust between Honolulu residents and the local government. Access to this program is relatively inexpensive, and training and certifications can be completed through online courses.[93] Upon completion of this certification process, iap2 provides its members with materials to use while both promoting and practicing engagement. From a practical and public standpoint, this option would be the most robust and would work towards building an effective practice of engagement for the City and County of Honolulu (please see Appendix K and L for details of this practice).

If this is unattainable, then our secondary recommendation is that the City and County formally adopt a version of the Oakland Community Engagement Guidelines for Project Applicants (CEGPA, fully detailed in Appendix L). The steps detailed in this plan cover the preparation of a community engagement plan, working with pertinent community organizations, effective communication strategies, and detailed follow up and reporting.[94] At a minimum we recommend that the CEGPA be adopted informally, while working towards iap2 membership.

These two models for engagement directly address all the best practices identified through our document analysis. Additionally, they account for many of the key factors that often inhibit

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[92] "Oahu Resilience Strategy," City and County of Honolulu Office of Climate Change, Sustainability and Resiliency, accessed March 1, 2020, https://www.resilientoahu.org/resilience-strategy; "Core Values, Ethics, Spectrum – The 3 Pillars of Public Participation - International Association for Public Participation," accessed March 1, 2020, https://www.iap2.org/page/pillars; "Melbourne for All People Strategy 2014-17," n.d., 13; "Community Engagement Summary Report," August 22, 2017, https://cao-94612.s3.amazonaws.com/documents/2017-08-22-Community-Engagement-Summary-Report-FINAL-082217_condensed.pdf; "Community Engagement Guidelines for Project Applicants" (City of Oakland, Planning and Building Department, April 2, 2018).

[93] "IAP2 USA - Online Application for Government Agencies," accessed March 17, 2020, https://iap2usa.org/govapp.

[94] We have made some linguistic changes to reflect the needs and communities present on Oahu and these steps will satisfy the need for engagement to pass the tax we are proposing and future legislation

community engagement from being truly representative and effective for all members of a given community. We realize that either of these strategies could require a significant amount of time and effort on behalf of the City. Our evidence shows that this phase may initially be somewhat cumbersome and costly. However, his strategy will allow for a more efficient implementation of the proposed empty-homes tax, and the result will be saved time and money for Honolulu.

Recommendations and Conclusion

Photo Credit: Lawrence Tabuldo

Summary of Recommendations and Conclusion

Primary Recommendations

In sum, we recommend that the City and County of Honolulu implement a robust and enforceable Empty-Homes Tax informed by, and implemented through, the proper practice of community engagement. This tax should apply to vacant residential property, be 1% of assessed value, and be paid annually in accordance with all other taxes due to the city. It should apply to any residential property not occupied for a minimum of six months per calendar year. These six months can be measured and enforced through a universal tax that requires residents to opt-out by proving residency. Throughout the year, suspected vacancies should be monitored with water usage data. There are reasonable exemptions to this tax that would allow for a resident to have a property that is vacant for more than six months but no longer than 24 months. If a resident wishes to file an exemption, the burden of proof will be on the resident in question. To properly engage the community, we recommend that the City become a party to the iap2. This will result in many city officials gaining access to training, practices, and materials that will allow them to adequately conduct community engagement with the residents of Honolulu. In the time it takes to join iap2 and train staff, we recommend that the city implement the amended five-step strategy for community engagement borrowed from Oakland's developer model. This plan is an adequate baseline for engagement and should suffice while working towards iap2 membership.

Complementary Recommendations

To ensure compliance and enforcement of this tax we have identified the following complementary recommendations that the City and County of Honolulu may implement:

- Use the language of an *Empty-Homes Fee*. By using this language in the bill and supplemental engagement and marketing efforts, the city will be making a clear distinction of what property will be subject to assessment, and that the collected revenue will be earmarked specifically for housing rather than the general fund. When a housing crisis is afoot, no home should be empty. By calling this an *Empty-Homes Fee,* residents, citizens, and stakeholders will have a basic understanding of the purpose of this initiative. Additionally, this language speaks directly to the issue of housing, making it clear that empty homes serve no citizen of Honolulu.

- Hire additional enforcement staff and/or third-party investigators. Our research clearly shows that the City and County of Honolulu has struggled to enforce prior housing legislation. We have also learned that there is distrust between the local government and those they serve. This tax will be difficult to enforce, and without robust enforcement there will be an incentive to flout the tax. In interviews with city staff, we were told that the budget for staff could be up 1% or 2% to accommodate better enforcement. When Oakland

introduced their legislation, they spent $120,000 on outside consulting.[95] This amount is between 1% and 2% of the current operating budget available in Honolulu.[96]We know that the local government can afford to hire additional staff, and not doing so would be akin to passing an unfunded mandate. Additional staff should be brought on and enforcement should be public enough to suppress the willingness to avoid following this tax law.

- Build up capacity for proper data collection and monitoring. Other cities we have spoken to noted that implementation and execution of this tax was time consuming and expensive.[97]Any costs and time constraints that can be mitigated in advance should be addressed. If the local government of Honolulu wishes to generate revenue and appropriately levy an Empty-Homes Tax, it will require a database of housing on Oahu. This database will need to be regularly monitored and updated to allow for robust enforcement of this tax.

Housing in the United States is in a precarious moment. Honolulu is attempting to take action to add stability to the housing market for its citizens, and the passage and proper implementation of an Empty-Homes Tax would work to ensure greater stability for all residents of the island. Our analysis has made it clear that an Empty-Homes Tax is feasible, useful, and would provide a source of dedicated funds for the City's housing initiatives. While this tax will not solve the housing issues facing Oahu, it will be an important measure to ensure a more equitable housing landscape for its residents.

[95] City of Oakland & SCI Consulting Group, Professional and Specialized Services – Vacant Property Tax ("VPT") Agreement. March 29, 2019.
[96] The budget allocated to assess and collect property taxes is about $10 to $12 million annually; Chief of Staff. *Interview.* March 2, 2020.
[97] Associate Director and Project Manager, Revenue Services. *Interview.* February 3, 2020.

Appendices

Appendix A. Methodological Limitations

This report utilized a mixed-methods approach, controlling for the collection of multiple types of data. Although we were successful at gathering significant levels of information, we did experience some limitation in our data collection. These limitations are outlined below:

1. Due to the lack of data on the housing market in Honolulu and comparison cities, we are unable to measure, and consequently project, the number of units returned to the housing market due to the empty-homes tax. We acknowledge that this effect is one of the primary objectives of the empty-homes tax and would be of great help to our report and of value any future analysis the City and County pursues. However, we are unable to create such a projection without better data and more time.
2. We are also making assumptions about the nature of vacant units in Honolulu; specifically, that the vacant unit's value is the same proportionally as the total housing market. This assumption is most likely wrong and could be eliminated with more precise housing and vacancy data. However, given that we do not have that data, the assumption is necessary for our assessment, but is a limitation to its accuracy.
3. Our group was not able to complete this process for Oakland and Melbourne. We did not analyze Oakland because the City's vacancy tax had yet to be implemented during the course of our study and the available data is only limited to only 2018. Melbourne was also not included because we could not collect comparable data to ACS data. These cities could be included in future analyses if these limitations are overcome. These limitations left us to focus on Honolulu, Washington D.C. and Vancouver for this report.

Appendix B. List of Variables

The independent variables selected were based on our literature review, interviews, and theory. Most of the data collected for the listed variables were used to conduct descriptive analysis and generate visualizations. Several of the variables were included in our program evaluation regression model. The full list of variables used is below:

1. Geography ID
2. Total Housing Units - Median Selected Owner Costs (In 2018 Inflation-Adjusted Dollars)
3. Total Housing Units
4. Total Owner-Occupied Housing Units; Occupied by an Asian Alone Householder
5. Total Occupied Housing Units
6. Total Renter Occupied Housing Units; Occupied by an Asian Alone Householder
7. Total Vacant Housing Units
8. Total Owner-Occupied Housing Units; Occupied by a Native Hawaiian or Other Pacific Islander Householder
9. Population Total
10. Total Renter Occupied Housing Units; Occupied by a Native Hawaiian or Other Pacific Islander Householder
11. Total Owner-Occupied Housing Units
12. Total Owner-Occupied Housing Units; Occupied by a White Alone Householder
13. Total Renter Occupied Housing Units
14. Total Renter Occupied Housing Units; Occupied by a White Alone Householder
15. Total Vacant Housing Units - For Rent
16. Total Population in Households; Age One Year and Older that Lived in the Same Household One Year Ago
17. Total Vacant Housing Units - Rented, but Not Occupied
18. Total Population in Owner Occupied Housing Units; Age One Year and Older that Lived in the Same Household One Year Ago
19. Total Vacant Housing Units - For Sale Only
20. Total Population in Renter Occupied Housing Units; Age One Year and Older that Lived in the Same Household One Year Ago
21. Total Vacant Housing Units - Sold, but Not Occupied
22. Total Population in Households; Age One Year and Older that Moved from a Different State within the Past Year
23. Total Vacant Housing Units - For Season, Recreational, or Occasional Use
24. Total Population in Owner Occupied Housing Units; Age One Year and Older that Moved from a Different State within the Past Year
25. Total Vacant Housing Units - For Migrant Workers
26. Total Population in Renter Occupied Housing Units; Age One Year and Older that Moved from a Different State within the Past Year
27. Total Vacant Housing Units - Occupant's Residence is Elsewhere
28. Total Population in Households; Age One Year and Older that Moved from a Different Country within the Past Year
29. Total Owner-Occupied Housing Units - By Occupant with Less than High School Education
30. Total Population in Owner Occupied Housing Units; Age One Year and Older that Moved from a Different Country within the Past Year

31. Total Owner-Occupied Housing Units - By Occupant with High School Education or Equivalence

32. Total Population in Renter Occupied Housing Units; Age One Year and Older that Moved from a Different Country within the Past Year

33. Total Owner-Occupied Housing Units - By Occupant with Some College Education or associate degree

34. Total Housing Units; Occupied by an Asian Alone Householder - Household Income, Less than $50,000

35. Total Owner-Occupied Housing Units - By Occupant with bachelor's degree or Higher

36. Total Housing Units; Occupied by an Asian Alone Householder - Household Income, $50,000 to $74,999

37. Total Renter Occupied Housing Units - By Occupant with Less than High School Education

38. Total Housing Units; Occupied by an Asian Alone Householder - Household Income, $75,000 to $99,999

39. Total Renter Occupied Housing Units - By Occupant with High School Education or Equivalence

40. Total Housing Units; Occupied by an Asian Alone Householder - Household Income, $100,000 to $149,999

41. Total Renter Occupied Housing Units - By Occupant with Some College Education or associate degree

42. Total Housing Units; Occupied by an Asian Alone Householder - Household Income, $150,000 or More

43. Total Renter Occupied Housing Units - By Occupant with bachelor's degree or Higher

44. Median Family Income in the Past 12 Months (In 2018 Inflation-Adjusted Dollars)

45. Total Housing Units; Occupied by a Native Hawaiian or Other Pacific Islander Householder - Household Income, Less than $50,000

46. Median Income in the Past 12 Months (In 2018 Inflation-Adjusted Dollars)

47. Total Housing Units; Occupied by a Native Hawaiian or Other Pacific Islander Householder - Household Income, $50,000 to $74,999

48. Median Income in the Past 12 Months (In 2018 Inflation-Adjusted Dollars) - Total Population in Households; Age One Year and Older that Lived in the Same Household One Year Ago

49. Total Housing Units; Occupied by a Native Hawaiian or Other Pacific Islander Householder - Household Income, $75,000 to $99,999

50. Median Income in the Past 12 Months (In 2018 Inflation-Adjusted Dollars) - Total Population in Households; Age One Year and Older that Moved from a Different State within the Past Year

51. Total Housing Units; Occupied by a Native Hawaiian or Other Pacific Islander Householder - Household Income, $100,000 to $149,999

52. Median Income in the Past 12 Months (In 2018 Inflation-Adjusted Dollars) - Total Population in Households; Age One Year and Older that Moved from a Different Country within the Past Year

53. Total Housing Units; Occupied by a Native Hawaiian or Other Pacific Islander Householder - Household Income, $150,00 or More

54. Median Gross Rent; Total Renter Occupied Housing Units

55. Total Vacant Housing Units - Monthly Rent Asked for, $1,500 or More

56. Total Housing Units; Occupied by a Black or African American Alone Householder

57. Total Housing Units; Occupied by a White Alone Householder - Household Income, Less than $50,000

58. Total Housing Units; Occupied by an Asian Alone Householder

59. Total Housing Units; Occupied by a White Alone Householder - Household Income, $50,000 to $74,999

60. Total Housing Units; Occupied by a Native Hawaiian or Other Pacific Islander Householder

61. Total Housing Units; Occupied by a White Alone Householder - Household Income, $75,000 to $99,999

62. Total Owner-Occupied Housing Units; Occupied by a Black or African American Alone Householder

63. Total Housing Units; Occupied by a White Alone Householder - Household Income, $100,000 to $149,999

64. Total Renter Occupied Housing Units; Occupied by a Black or African American Alone Householder

65. Total Housing Units; Occupied by a White Alone Householder - Household Income, $150,000 or More

66. Total Housing Units; Occupied by a Black or African American Alone Householder - Household Income, Less than $50,000

67. Total Housing Units - Median Value (In 2018 Inflation-Adjusted Dollars)

68. Total Housing Units; Occupied by a Black or African American Alone Householder - Household Income, $50,000 to $74,999

69. Total Housing Units; Occupant Spending Less Than 30% of Income on Housing Costs

70. Total Housing Units; Occupied by a Black or African American Alone Householder - Household Income, $75,000 to $99,999

71. Total Housing Units; Occupant Spending 30% or More of Income on Housing Costs

72. Total Housing Units; Occupied by a Black or African American Alone Householder - Household Income, $100,000 to $149,999

73. Dummy Variable for Vacancy Tax (Enforcement Act)

74. Total Housing Units; Occupied by a Black or African American Alone Householder - Household Income, $150,000

Appendix C: List of Interviewees

We conducted a total of 27 interviews in order to inform our policy analysis. We conducted 21 semi-structured interviews with relevant stakeholders across our subject cities which included government officials, beneficiaries (i.e. community and advocacy groups), and opposing interests (i.e. property owners, developers, and investment groups). We also conducted informational interviews with subject matter experts on urban planning and housing issues, and analytical methods. A full list of our interviewees is detailed below.

Table 10: Interviewee List: Informational

Professor Name	Department	University	Date
Randall Akee	Public Policy and American Indian Studies	UCLA	1/27/2020
Michael Lens	Urban Planning and Public Policy	UCLA	2/5/2020
Paavo Monkkonen	Urban Planning and Public Policy	UCLA	2/4/2020
Ananya Roy	Urban Planning, Social Welfare, and Geography	UCLA	2/3/2020
Karen Umemoto	Urban Planning and Asian American Studies	UCLA	3/11/2020
Joseph Rios	Education Psychology, emphasis in quantitative methodology	University of Minnesota	Several

Table 11: Interviewee List: Semi-Structured

Title	Organization	Date
Mayor	City and County of Honolulu	1/23/2020
Associate Director, Revenue Services	City of Vancouver	2/3/2020
Project Manager, Revenue Services	City of Vancouver	2/3/2020
Acting Executive Director	Faith Action for Community Equity (FACE) Hawaii	2/27/2020
Deputy Director, Dept. of Planning and Permitting	City and County of Honolulu	2/27/2020
Director, Planning Division	City and County of Honolulu	2/27/2020
Director, Land Use Permits	City and County of Honolulu	2/27/2020

Division		
Retired Attorney, Housing Advocate	N/A	2/28/2020
State Senator Honolulu	State of Hawaii	2/28/2020
Former State Assembly Member	State of Hawaii	3/02/2020
President and Chief Executive Officer	The Savio Group (Hawaii based real estate development group)	3/2/2020
Chief of Staff, Office of Council Chair Ikaika Anderson	Honolulu City Council	3/2/2020
Policy and Data Analyst	Hawaii Budget and Policy Center	3/2/2020
Professor Philip Garboden	Urban and Regional Planning, University of Hawaii	3/2/2020
Revenue Analyst, Finance Department	City of Oakland	3/10/2020
Revenue and Tax Administrator, Finance Department	City of Oakland	3/10/2020
HALT Advocate	Housing Action for Local Taxpayers (HALT) (Vancouver)	3/11/2020
Director	Just Economics, LLC, (Washington D.C.)	3/11/2020
Professor Justin Tyndall	University of Hawaii, formerly of the University of British Columbia	3/27/2020
Real Property Assessment Administrator	City and County of Honolulu	5/1/2020

Appendix D. Interview Guide

In order to conduct our interviews, we created an interview guide to help lead our discussion around vacancy tax structures. Topics covered in the guiding questions included political feasibility, administrative capacity/enforcement, community outreach, among others. The full guide is available below:

Interview Guide:

INTRODUCTION:

Hello, our names are _____ and _____. We are both Master of public policy students at the UCLA Luskin School of Public Affairs.

We are currently working with the City and County of Honolulu on strategies to address the housing affordability issue on the island. Our aim is to work with you to gather information regarding your city's application of an empty-homes tax to better understand the feasibility and practicality of establishing a similar policy in the City and County of Honolulu.

With your permission, we would like to record this interview to ensure that we are able to properly gather your responses to these questions. If there is anything you would prefer to share off the record, please feel free to let us know and we will pause the recorder. Please let us know if/how you'd like to be identified in the study, otherwise we plan to only use the name of your city department as the personal identifier. You are not expected or required to answer every question. Feel free to ask us for clarification when you do not understand a question or say that you would prefer not to answer. Please be aware that this interview may take as long as an hour. Feel free to interrupt us at any time if you need a break. Should we run out of time we may contact you for a follow up interview.

Recording: Yes / No

1. Vacancy Problem - Background
    a. How did the City of _____ become aware that vacancies were a problem in the housing market?
        i. Where did the idea of an Empty-Homes Tax come from?
        ii. Were there other policy options explored?
    b. What factors do you believe led to a large number of vacant properties in the City of _____?
        i. Were there other factors that were explored that were shown to be less of an issue?
    c. What were the main objectives within housing that this tax was seeking to address?
        i. Return to market
        ii. Lower costs
        iii. House more people
        iv. Affordable housing
    d. Would an empty-homes tax help address this problem? How?

e. Were their discussions related to the use of tax revenue taking place prior to the implementation of a tax?
    i. If so, what uses were discussed?
    ii. How if at all, has the revenue use differed in practice?

2. Defining Vacancy

    a. How does your city define a "vacant" home?
        i. How did the city go about creating this definition?
        ii. Did your city consider different definitions and if so, why was it not chosen?
        iii. What factors were taken into consideration during this decision?
    b. Why did the city choose to go with an empty-homes tax as opposed to other policies?
    c. How did the city go about choosing their tax amount of __%?
    d. How did the city determine the amount of time before a property was considered vacant?

3. Process

    a. What other city departments were involved in the process of developing the empty-homes tax policy?
        i. What role did these departments play in the process?
        ii. Were there any departments that were not involved that in retrospect may have been useful?
    b. How was this process managed?
        i. What was the structure involved, i.e. working groups, consultation, research, literature?
    c. Were there any significant legal constraints the city came up against in trying to pass/implement this policy?
    d. How were the exemptions for the empty-homes tax established?
    e. Was there any conversation within city stakeholders about the tax?
        i. If so, what were these conversations like? (see comm engage questions)
        ii. If not, why not?

4. Population Demographics and Housing Data
    a. Can you share how the city collected its housing and population data for the purposes of developing an empty-homes tax policy?
        i. Do you believe that data collection strategy was/is effective?
        ii. Were there data collection issues or results that you did not anticipate?
    b. Do you believe the information gathered through this process provided the information needed to accurately assess the need for an empty-homes tax?

5. Enforcement/Results
    a. How does the city track and monitor vacant homes?
        i. How effective has this process been thus far?
        ii. Does the city have a data management system to help track the vacant homes?

b. Has there been an evolution in the tracking process to fix initial issues?
c. How has the money been utilized?
    i. Has this been effective?
    ii. Have there been deficiencies?
d. Has the tax led to a significant reduction in vacancies?
    i. Has it returned units to the market?
    ii. Has it lowered housing costs?
    iii. Is there more affordable housing available?
e. Upon reflection, are their areas of the tax that could be improved upon?
    i. rate/percent?
    ii. Timeframe?
    iii. revenue/enforcement?
    iv. Property type or occupancy characteristics?

6. Community Engagement Questions

    a. Does the City of _____ have a formal community engagement office and /or strategy?
        i. If so, is there someone within that office we can contact or is there someone whom we may want to speak with who was involved in engagement around this tax?
    b. Are you aware of the community engagement efforts involved in any of the following topics?
        i. Target Audience
        ii. Potential sensitivities
        iii. Capacity building
        iv. Inclusion
        v. Underrepresented groups
        vi. Language barriers
        vii. Alternative perspectives
        viii. Meeting time/location
            1. Multiple meetings
        ix. Childcare and/or food provision
        x. Transportation
    c. Were all the following people invited or addressed?
        i. People whose preferred language is one other than English People with low levels of literacy
        ii. Single parents or working parents
        iii. People of color
        iv. Immigrants
        v. Refugees
        vi. People with disabilities
        vii. Faith communities
        viii. People who are LGBTQ (Lesbian, Gay, Bisexual, Transgender, Questioning)
        ix. Ex-offenders
        x. Individuals who are homeless

xi. Youth
xii. Elders

d. Was the involvement of certain populations important to this tax specifically?

7. Concluding Questions
    a. Is there anything you feel we may have missed?
    b. Do you recommend that we reach out to another department or have a contact who can tell us more about_____?
    c. Would you like me to send you a recap of our conversation?

Appendix E: Descriptions to Policy Alternatives to a Vacancy Tax

Through our initial research into the root causes of the high housing costs and increasing the vacancy rate on the island of Oahu, we came across several policy alternatives that could address Honolulu's housing crisis. However, despite the potential benefits of these alternatives, we determined that none of them are currently as politically viable nor as targeted as an empty-homes tax. This determination is based on information gathered through our interviews as well as their potential to meet our client's objectives of returning units to the market and generating revenue for an affordable housing fund. These alternative policies include:

Increasing the Property Tax

Each state across the U.S. has varying levels of property tax rates. The State of Hawaii has the lowest property taxes in the country at just 0.27%.[98] At this low rate, homeowners with a home valued at the state median home value of $587,700, are only paying $1,607 in annual property taxes each year. By only slightly increasing the property tax rate, it is evident that Hawaii would see substantial increases in revenue across the state.

Increasing the Real Estate Conveyance Tax

A real estate conveyance tax (or a real estate transfer tax or anti-speculation tax) is a tax imposed by a jurisdiction that occurs when the ownership of a real property changes hands within that jurisdiction.[99] Theoretically, this tax is an effective way of raising revenue for jurisdictions and is another option available to the City and County of Honolulu to bolster their revenue from property taxes.[100] The state of Hawaii already imposes a conveyance tax on the seller of the property. Their tax is done on a sliding scale across 7 tiers of property value, with the rate of the tax increasing for each tier of property value. [101]

Inclusionary Zoning

For this report we are referring to the commonly understood definition of inclusionary zoning in housing policy, as described by policy expert Emily Hamilton's brief for the Mercatus Center at George Mason University:

"These policies require or incentivize developers to designate a portion of new housing units as affordable for households making low or moderate incomes in exchange for density bonuses, allowing developers to build more market-rate housing than they would otherwise be allowed. But has inclusionary zoning actually improved housing affordability? Inclusionary zoning programs vary widely in their implementation. While most offer density bonuses to fully or partially offset the cost of providing below-market-rate units, not all do. Some programs require developers to provide income-restricted units as a condition of building new market-rate housing, while others offer

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[98] Kiernan, John S., "2020's Property Taxes by State" Wallethub News, February 25, 2020 https://wallethub.com/edu/states-with-the-highest-and-lowest-property-taxes/11585/

[99] Kagan, Julia, "Conveyance Tax" Taxes and Regulation, Investopedia, June 7, 2018, https://www.investopedia.com/terms/c/conveyancetax.asp

[100] McElree, Johnny, "Hawaii's Conveyance Tax", Hawaii Luxury Listings LLC, June 2, 2018, http://hawaiiluxurylistings.com/hawaiis-conveyance-tax/

[101] Ibid.

density bonuses in exchange for the optional provision of income-restricted homes. In some jurisdictions, inclusionary zoning units must be affordable to low-income residents (those earning less than half of their region's median income) while in others, inclusionary zoning units are targeted to those earning the median income or even higher.

Inclusionary zoning is popular among policymakers for two reasons. First, it appears "free." It produces affordable housing units without an outlay of tax dollars. Second, it allows policymakers to appear as if they're adopting a pro-affordability agenda without reforming the exclusionary zoning that leads to high house prices in the first place. Policymakers should not pursue inclusionary zoning as an affordability strategy. Rather, policymakers who want to create an environment of housing stability for households of all incomes should pursue land use liberalization (allowing for more abundant housing supply) along with subsidies targeted to those households that need them to afford market-rate housing. "[102]

Reducing the Mortgage Interest Deduction

When the report refers to reducing the mortgage interest deduction, we are referring to the problem and potential solution laid out in the report by Eric Stoner, Margery Austin Turner, Katherine Lim, Liza Getsinger for the Urban Institute, "Reforming the Mortgage Interest Deduction". They describe the mortgage interest deduction as follows: "The mortgage interest deduction (MID) is one of the oldest and largest tax expenditures in the federal income tax and is the largest single federal subsidy for owner-occupied housing. The president's fiscal year 2010 budget reports that, in 2012, the MID will cost the federal Treasury an estimated $131 billion, much more than the total of *all* outlays by the Department of Housing and Urban Development ($48 billion). Homeowners also benefit from other federal tax preferences, including deductibility of residential property taxes on owner-occupied homes ($31 billion), and exclusion of tax on the first $250,000 ($500,000 for joint returns) of capital gains on housing ($50 billion)."[103]

The report investigates potential impacts of reforming or eliminating the mortgage interest deduction. Their conclusion about potential MID changes summarizes their findings and expected general impacts. It is stated below:

"The mortgage interest deduction is one of oldest and largest tax preferences in the federal income tax and the largest single federal subsidy for owner-occupied housing. Yet most scholars find it has little effect on homeownership levels. The deduction only benefits taxpayers who itemize deductions on their tax returns and provides a larger subsidy per dollar of interest to higher-income taxpayers because the value of the deduction rises with the tax rate. Because most of the subsidy goes to individuals who would likely own homes without the tax benefit, it has little effect

[102] Hamilton, Emily "Inclusionary Zoning Hurts more than it Helps", Mercatus Center, George Mason University, September 2019, pg. 2, https://www.mercatus.org/system/files/hamilton_-_policy_brief_-_inclusionary_zoning_hurts_more_than_it_helps_-_v1.pdf

[103] Toder, Eric, Turner, Margery Austin, Lim, Katherine, Getsinger, Liza, "Reforming the Mortgage Interest Deduction", Urban Institute, Tax Policy Center, What Works Collaborative, April 2010, pg. 1,http://webarchive.urban.org/uploadedpdf/412099-mortgage-deduction-reform.pdf

on homeownership. More broadly-based interest subsidies or credits for first-time home purchases could increase homeownership more, at the same or lower fiscal cost."[104]

Appendix F. List of Exemptions to Vacancy Tax by City Model

There are many reasonable exemptions for allowable vacancies that must be considered when implementing a tax of this nature. A list of exemptions from our comparison cities, as listed in their respective vacancy tax ordinances, are listed in the table below.

Table 13: List of Exemptions by City Model	
Vancouver Model: Empty-Homes Tax[105] [106]	• Death of the registered owner • Property undergoing redevelopment or major renovations • Resident(s) residing in a hospital, long term or supportive care facility • The residential property is a strata unit in a strata development and prior to 11/16/2016 either prohibited rentals or restricted the number of units to be rented • Transfer of property (an exemption from the payment of property transfer tax under certain sections of the British Columbia Property Transfer Tax Act (e.g. first-time home buyers) • Occupancy for full-time employment • Court order prohibiting occupancy • Limited use residential property: Lawful use of property is limited to vehicle parking; Size/shape/other limitation prevents residential building from being constructed on the parcel
Washington D.C. Model: Property Enforcement Amendment Act[107]	• Undergoing construction and there is a building permit to make the building fit for occupancy that was issued, renewed, or extended within 12 months of the registration date. • For sale or advertised for rent, but not to exceed one year from the initial listing of rent or sale (if residential) and not to exceed two years from the initial listing (if commercial) and should have a valid certificate of occupancy. • It is exempted by the authority of the Mayor for extraordinary circumstances upon showing substantial undue economic hardship, not to exceed 12 months. • Subject to probate or title litigation, not to exceed 24 months.

[104] Toder, Eric, Turner, Margery Austin, Lim, Katherine, Getsinger, Liza, "Reforming the Mortgage Interest Deduction", Urban Institute, Tax Policy Center, What Works Collaborative, April 2010, pg. 16,http://webarchive.urban.org/uploadedpdf/412099-mortgage-deduction-reform.pdf

[105] Vancouver, City of. "Empty Homes Tax FAQ." City of Vancouver, vancouver.ca/home-property-development/empty-homes-tax-frequently-asked-questions.aspx#pdSet46387

[106] Vacancy Tax By-Law No. 11674, City of Vancouver, (2020). https://bylaws.vancouver.ca/11674c.PDF

[107] The Office of the District of Columbia, "Significant Improvements Needed in DCRA Management of Vacant and blighted property program ,https://dcauditor.org/wpcontent/uploads/2018/07/Vacant.Blighted.Report.9.21.17.pdf

	● The subject of a pending application for development is awaiting approval by District bodies (i.e., Board of Zoning, Historic Preservation Review Board, etc.), not to exceed 12 months. ● The same owner cannot receive more than three cumulative years of exemptions.
Melbourne Model: Vacant Residential Land Tax [108]	● Properties exempt from the land tax (i.e. municipal land, health centers…) ● Change of ownership in a calendar year exempts property from the tax in the following year ● The property becomes residential land during the preceding calendar year ● A property is used as a holiday home for at least 4 weeks per year ● A property used by the owner for work purposes for at least 140 days per year ● If the property was the owner's principal place of residence immediately before their death, it is not subject to vacant residential land tax for up to three years
Oakland Model: Vacant Property Tax Act [109]	● The property owner's combined family income is equal or less to the "Very Low-Income Limit" for the Oakland-Fremont, CA HUD Metro FMR Area. ● The property owner can prove financial hardship. ● If the owner has declared bankruptcy. ● If the owner was serving in the military and was deployed overseas for at least 60 days. ● If the owner died that calendar year. ● If the owner inherited the subject property during that calendar year. ● Exceptional specific status approved by the City Administrator, such as the extreme physical conditions that prevent the property from being developed. ● There is active construction on the property, and the owner has a valid and active building permit for at least 50 days. ● If the owner is at least 65-years old and is low-income. ● If the owner has received disability or social security disability insurance benefits. ● If the owner's property functioned as a non-profit organization for at least 180 days.
Interviews	● Part-time occupancy based on student status[110]

[108] "Vacant Residential Land Tax." *State Revenue Office, Victoria State Government*, www.sro.vic.gov.au/vacant-residential-land-tax.

[109] City of Oakland, Landreth, Sabrina B. "Vacant Property Tax Implementation Ordinance." *Vacant Property Tax Implementation Ordinance*, 2019.

[110] Retired Attorney. *Interview.* February 28, 2020.

Appendix G. Statistical Interpretation of Covariate Estimates in the Regression Analysis

For transparency and comprehension, we interpreted all statistically significant covariate coefficients from the regression analysis on page 28. We identified statistically significant coefficients at the 95% confidence interval and above (**p<0.05 and ***p<0.01).

- All factors equal, for every ***two*** additional housing units built, we expect, on average, a ***one*** unit increase in vacant units for Honolulu census tracts [Column (1) – Row (2)].
- All factors equal, for every ***three*** additional housing units built, we expect, on average, a ***one*** unit increase in vacant units for D.C. census tracts [Column (3) – Row (2)].
- All factors equal, for every ***three*** additional units that include families with children, we expect, on average, a ***one*** unit decrease in vacant units for Honolulu census tracts [Column (1) – Row (3)].
- All factors equal, for every ***four*** additional units that include families with children, we expect, on average, a ***one*** unit decrease in vacant units for D.C. census tracts [Column (3) – Row (3)].
- All factors equal, for every ***four*** additional out of state or from different country migrants, we expect, on average, a ***one*** unit increase in vacant units for Honolulu census tracts [Column (1) – Row (4)].
- All factors equal, for every ***two*** additional out of state or from different country migrants, we expect, on average, a ***one*** unit increase in vacant units for D.C. census tracts [Column (3) – Row (4)].
- All factors equal, for every ***$1,000*** increase in individual median income, we expect, on average, a ***three*** unit increase in vacant units for Honolulu census tracts [Column (1) – Row (5)].
- All factors equal, for every ***$1,000*** increase in individual median income, we expect, on average, a ***one*** unit decrease in vacant units for D.C. census tracts [Column (3) – Row (5)].
- All factors equal, for every ***two*** additional units that include an occupant with any college experience, we expect, on average, a ***one*** unit decrease in vacant units for Honolulu census tracts [Column (1) – Row (6)].
- All factors equal, for every ***four*** additional units that include an occupant with any college experience, we expect, on average, a ***one*** unit decrease in vacant units for D.C. census tracts [Column (3) – Row (6)].
- All factors equal, for every ***$1,000*** increase in household median income, we expect, on average, a ***one*** unit increase in vacant units for D.C. census tracts [Column (3) – Row (7)].
- All factors equal, for every ***$100*** increase in monthly housing costs, we expect, on average, a ***ten*** unit increase in vacant units for Honolulu census tracts [Column (1) – Row (8)].

Appendix H: Predictions of Expected Revenue

In order to generate predictions of tax revenue for different vacancy tax rates, we used an estimate of the value of homes owned by out-of-state owners.[111] This value estimate was created in "An Analysis of Real Property Tax", a report from the Research and Economics Analysis Division of the Department of Business, Economic Development and Tourism in October 2017. The report compiles the total value of properties owned by out-of-state owners. The total value is estimated as $13,634,475,235.[112]

While this estimate does not capture all the vacant units nor their value, out-of-state owners are an approximate measure of vacant properties as the owner's claim of residence elsewhere, implying that the property is vacant for at least part of the year. Fortunately, this makes the estimate conservative, less likely to overestimate, for the value of all vacant properties.

Our predictions of the revenue generated by the tax are based off this number. We multiplied this property value by the percent tax in order to create those predictions. While these assumptions mean that these numbers cannot be relied upon as accurate projections, they can be used to compare options against one another. Comparison is viable because all the calculations were made using the same assumptions. We also averaged 1%, 3% and 5% to create an estimate for the graduated rate. We used an average because without more precise data, we do not know the proportions of vacant homes value and how many homes would fall into each bucket. These numbers are seen in the table below:

Table 5: Analysis of Predicted Revenue by Tax Rate

Tax Rate	Equation	Predicted Revenue
1%	$13,634,475,235 x .01	$136,344,752.35
2%	$13,634,475,235 x .02	$272,689,504.70
3%	$13,634,475,235 x .03	$409,034,257.05
5%	$13,634,475,235 x .05	$681,723,761.75
7%	$13,634,475,235 x .07	$954,413,266.45
Average of 1%, 3%, 5% (Used for graduated tax rate based on Property Value)	($136,344,752.35 + $409,034,257.05 + $681,723,761.75)/3	$409,034,257.05

[111] Department of Business, Economic Development and Tourism, Research and Economic Analysis Division, "An Analysis of Real Property Tax in Hawaii", Appendix I, October 2017, pg. 54, https://files.hawaii.gov/dbedt/economic/data_reports/property_tax_report_2017.pdf
[112] Ibid.

Appendix I: Community Engagement Planning Rubric

Utilizing the best practices models found through the process of document analysis of community engagement documents, we created a rubric that included all of the practices utilized or suggested by said models. The following is our Community Engagement Planning Rubric used to analyze across these models:

Have these three core factors been thoroughly discussed and evaluated prior to engagement and has there been reflection on them as engagement occurs?[113]

- Objectives
- Target Audience
- Potential Sensitivities

Core factor utilization *___/3*

Have the following factors been considered prior to engagement, and will they be malleable to the needs of the community once engaged?[114]

- Scope
- Purpose
- Participants
- Context
- Follow Up
- Results

Prior engagement plans *___/6*

CIRCLE model - Capacity, Inclusion, Resources, Community organization, Listening and learning, and Effective participation[115]

The Working together; Learning together programme - Scottish Community Development Centre

Capacity – building skills

- Do not imply that 'the community' lacks the skills, knowledge and confidence to act in its own interests
- public agencies respond provide space for capacity building initiative
- all partners need to develop their understanding of each other, and all need to develop knowledge and skills.
- Research has shown the community sector is the most excluded

Inclusion – building equality

- An awareness of inclusion issues is crucial.
- Must engage with the formal representatives of communities and with a whole range of groups and interests.
- If community planning is to address all community issues and perspectives it must also find ways to engage with the excluded. Be aware of diversity, recognizing that a diversity of origin, perception and need in communities is a source of strength

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113 "Community Planning Toolkit," 2014, www.communityplanningtoolkit.org.

114 Ibid.

115 Stuart Hashagen, "Models of Community Engagement" (Scottish Community Development Centre, May 2002).

Resources – sustaining change

- lack of resources and assets is a core determinant of poverty and exclusion
- community planning should find ways to build on the assets that communities do have, i.e. buildings and institutions, local knowledge, networks, motivation and energy.
- community planning should adopt an explicit aim of building on the assets and resources that a community has.

Building community organization

- Communities have a rich network of groups providing mutual care and support, bringing together interests and concerns, making representations and linking to the wider economy and society.
- Engage these groups and organizations, and facilitate the establishment of new groups where they are needed

Building understanding - listening and learning

- Community planning partnerships should also ensure that they are working interactively as learning partnerships, involving all the key stakeholders, and developing methods to monitor, evaluate and learn from the changes they are putting into place

Questions to address CIRCLE-

- Is there investment in supporting communities to gain access to the information and knowledge, and to help develop the skills they themselves identify as needed?
- Has inclusion been fully considered? Have there been efforts to include underrepresented groups? Have these efforts been successful?
- What resources does the community offer? Have these been considered? Has there been an effort to effectively utilize these resources and to bring engagement to the community?
- Have these community organizations been identified? Is the list of them comprehensive? Have they attended engagement sessions or met with the City to voice their opinions?
- Is there a feedback loop running concurrent to the engagement effort? Does the city meet with people and/or organizations more than once? Is this regulated or prescribed as part of the process?

Total usage of CIRCLE ___/5

Twelve Practices of Effective Community Engagement for Underrepresented Groups[116]

Used as a guide to measure whether cities are using best practices for community engagement.

- Identify who is underrepresented at your meeting or event.
- Put yourself in other people's perspectives.
- Listen more than you speak
- Gather input and buy-in on your project, its aims, and its marketing materials.
- Address language barriers.
- Be thoughtful about the location of meetings and events.
- Get creative in defining what "engagement" looks and feels like.
- Tap existing networks to spread the word.
- Provide food and childcare at all events.

[116] "Best Practices for Meaningful Community Engagement, Tips for Engaging Historically Underrepresented Populations in Visioning and Planning," n.d., https://groundworkusa.org/wp-content/uploads/2018/03/GWUSA_Best-Practices-for-Meaningful-Community-Engagement-Tip-Sheet.pdf.

- Verbally and publicly acknowledge citizen distrust and historical patterns of decision making that is not reflective of previously gathered public input.
- Manage expectations by being up front and honest.
- Take time to establish "rules of engagement," sourced from stakeholders in the room.

Total Utilized ___/12

Have they addressed why people do not show up?

- Lack of knowledge of the political system
- Previous negative community engagement experience
- Historical patterns of municipal decisions not reflecting community input, broken promises made by political candidates, or both, resulting in reinforced distrust of government and institutions
- Economic barriers; needing to focus on basic needs of self and family
- Not seeing one's own culture or identity reflected in meeting format or content
- Fear of being judged, unsafe, or unwelcome
- Transportation barriers
- Childcare needs
- Spiritual beliefs and practices
- Immigration status
- Meeting time or date does not consider work schedules, religious holidays, mealtimes, or other family needs

Total Addressed ___/11

Which underrepresented groups were intentionally involved or present?

- People whose preferred language is one other than English People with low levels of literacy
- Single parents or working parents
- People of color
- Immigrants
- Refugees
- People with disabilities
- Faith communities
- People who are LGBTQ (Lesbian, Gay, Bisexual, Transgender, Questioning)
- Ex-offenders
- Individuals who are homeless
- Youth
- Elders

Total Underrepresented Groups Involved ___/12

Appendix J: Community Engagement List of Keywords

From the Community Engagement Planning Rubric (Appendix I), we identified 21 keywords or categories of words and 80 sub-keywords that can be associated with equitable community engagement. These keywords (outlined below) were input into Atlas.ti, a qualitative document analysis software, to analyze publicly facing documents from Honolulu, HI, Vancouver, BC, Melbourne, AU, and Oakland, CA.

Table 14: Community Engagement List of Keywords

- Audience
- Barriers
  - Underrepresented
  - Minority
  - Identity
  - Culture
  - Consent
  - Understand
  - Safe
    - Unsafe
  - Fear
  - Judge
    - Judgement
  - Belief
  - Religion
  - Spirit
    - spiritual
  - Immigration
    - Immigrant
    - Illegal
    - Document
  - Schedule
  - People of color
  - Native
  - Indigenous
  - Refugee
  - Ability
    - Disability
  - LGBTQ
    - Lesbian, Gay, Bisexual, Transgender, Questioning, Queer
  - Homeless
    - Houseless
- Capacity
- Community group
  - Nonprofit
  - Neighborhood council
    - Neighborhood
  - Community organization
  - Local
    - Local knowledge
  - Network
  - Asset
  - Resource
  - Society
  - Constituent
  - Partnership
  - Stakeholders
    - Stake
  - Voice
  - Community planning
- Context
- Engage
  - Participate
- Equality
  - Inequality
  - Equity
  - Equitable
- Follow Up
  - Feedback
  - Response
- Inclusion
  - Exclusion
  - Diversity
  - sensitive
- Listen
- Learning
- Interactive
- Monitor
- Evaluate
- Input
- Interests
- Meeting
  - Location
  - Time
  - Childcare
  - Food
- Need
- Objective
- Perspective
  - Perception
  - Motivation
- Poverty
  - Poor
  - Income
  - Wealth
  - Money
- Public
- Purpose
  - Goal
- Resource
  - Investment
- Result
- Scope
- Scale
- Trust
  - Distrust
  - Honest
  - Dishonest

Appendix K: City Community Engagement Document Analysis

The keywords (outlined in Appendix J) were input into Atlas.ti, a qualitative document analysis software, to analyze publicly facing documents from Honolulu, HI, Vancouver, BC, Melbourne, AU, and Oakland, CA. Below are the results of the in-depth analysis for each city:

Honolulu: Oahu Resilience Strategy[117]

By using a humanist interpretation to assess our codes we found that many of the codes were in a few areas of the study. Within these areas much of the focus was on a one-way exchange of information from the government to the community. Atlas.ti has a tool that compares word usage across codes to determine if two codes interact with one another in the text of a document. We found many instances of co-occurrence between the codes with the highest counts in the text. This shows that the areas of the report that focus on community engagement tend to be the same areas. This speaks to the scope of community engagement as it relates to the entire strategy. That scope being small and only related to some topics, rather than being a practice that is used throughout their strategy to ensure an adequate practice. This co-occurrence also shows that some important codes, like *barriers* and *inclusion*, were often in use with *community groups*. Barriers and inclusion reflect equity considerations. The use of words coded under these categories in conjunction with those that fit within the community groups category shows that there is an effort towards considering equity in community meetings. However, we have found that there have been no efforts to offer childcare, acknowledge underrepresentation, or to solicit feedback. All of these codes registered little to no results in the process of our coding. Additionally, there has been very little discussion of capacity, follow up, objectives, perspectives, poverty, scope, and trust. These items are reflected on our rubric because they are imperative to the proper practice of equitable community engagement. Noting how low these numbers are reflected in our coding strategy is troubling for the efficacy of the resilience engagement strategy.

Melbourne: Melbourne for All People Plan[118]

The *Melbourne for All People Plan* (MAPP) was a report put together by the City in 2014. It is the sole public facing document that addresses community engagement available for Melbourne. The goal of this report was to serve as a guide for future planning decision making, resource allocation, and services programs for the residents of Melbourne.[119] The document spoke extensively about the City's planned community engagement efforts. Again, practicing humanist interpretation, we found that the document contained 148 codes that were relevant to the practice of community engagement. Within these codes we found that most codes fell into the categories of *barriers, community groups, and meetings*. Of our 20 coding groups MAPP reflected 15 groups in their document. At a minimum this shows a commitment to using the language we have associated with community engagement. Additionally, the MAPP shows a good faith effort to include language that reflects special attention given to diversity and aboriginal groups within Melbourne. However, a thorough reading of the MAPP illuminates that this document is mostly aspirational. With no

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[117] "O'ahu Resilience Strategy," City and County of Honolulu Office of Climate Change, Sustainability and Resiliency, accessed March 1, 2020, https://www.resilientoahu.org/resilience-strategy.

[118] City of Melbourne, "Melbourne for All People Strategy 2014-17," 2014.

[119] "Melbourne for All People Strategy 2014-17,"

subsequent follow-up on implementation or report on their effort we cannot understand what the tangible practice of community engagement is in the City, and thus we do not recommend looking towards Melbourne for useful community engagement practices.

Vancouver: International Association of Public Participation

The City of Vancouver is part of the International Association of Public Participation (iap2), an international non-profit organization that provides community engagement training, guidelines, and best practices to government bodies.[120] iap2 has three pillars of public participation that they recommend to their participants in order to achieve successful community engagement.[121] These pillars are the iap2 Spectrum of Public Participation, the iap2 Core Values, and the iap2 Code of Ethics.[122] Each of these pillars have short public facing web pages that we have assessed in our document analysis. These four documents resulted in 67 total codes, of which the overwhelming majority fell under the "public" keyword group. A reading of the *spectrum* recommends that members of iap2 inform, consult, involve, collaborate with, and empower communities that are being engaged with.[123]

Inform – providing the public with objective information and to assist the public in understanding problems, alternatives, and opportunities and solutions
Consult – obtain public feedback on alternatives and decisions
Involve – ensure public concerns and aspirations are consistently understood and considered
Collaborate – partner with public in each aspect of decision making
Empower – place final decision making in the hands of the public[124]

The code of ethics is a comprehensive list of principals meant to inform the actions of community engagement practitioners in order to ensure that officials guiding the participation process are acting with full integrity.[125] These principals encompass clear definitions of: purpose, role of practitioners, trust, public's role, openness, access to the process, respect for communities, advocacy, commitments, and support of practice.[126] In addition to ethics the iap2 process has seven core values that all members must uphold.[127] These values address, but are not limited, needs, understanding, listening and respect. These keyword groups are all deeply important to the proper practice of community engagement. As a result of this analysis we recommend that the City and County of Honolulu explore becoming party to the iap2. The annual cost of membership is relatively low, starting at just under $400, and this membership will provide adequate training to

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120 "About the IAP 2 USA," accessed March 17, 2020, https://iap2usa.org/about.

121 "Core Values, Ethics, Spectrum – The 3 Pillars of Public Participation - International Association for Public Participation."

122 "IAP2 Spectrum of Public Participation," accessed March 17, 2020, https://cdn.ymaws.com/www.iap2.org/resource/resmgr/pillars/Spectrum_8.5x11_Print.pdf; "IAP2 Code of Ethics for Public Participation Practitioners - International Association for Public Participation," accessed March 17, 2020, https://www.iap2.org/page/ethics; "Core Values - International Association for Public Participation," accessed March 17, 2020,

123 "IAP2 Spectrum of Public Participation,"

124 Ibid

125 "IAP2 Code of Ethics for Public Participation Practitioners - International Association for Public Participation,"

126 Ibid

127 "Core Values - International Association for Public Participation,"

ensure that city staff have a proper understanding of what it takes to properly and ethically engage with the community of Oahu.[128]

Oakland: Community Engagement Summary Report & Community Engagement Guidelines for Project Applicants

The City of Oakland has two public facing documents that we have analyzed. These are the *Community Engagement Guidelines for Project Applicants* (CEGPA) and the *Community Engagement Summary Report* (CESR).[129] Combined, these documents had 126 codes reflecting the keywords and groups we used for analysis. Within these codes we saw clear emphasis on barriers, engagement, follow-up, and listening with additional emphasis on community groups and meetings. Most of the text of the CEGPA is spent on outlining a comprehensive five step process for developers to follow when proposing a development in the City.[130] These steps cover many areas of engagement identified in our rubric. However, these steps suffer from a lack of mandated formalization. That is, many of these steps are suggestions rather than requirements.[131] Though the report does call for a written submission of engagement activities, it fails to stipulate a threshold of engagement necessary to ensure proper public participation in planning activities.[132]

The CESR was a retrospective report on engagement activities on behalf of the city completed in 2017.[133] Notably, this is the only document we have encountered that shows direct reporting of interviews with community members.[134] The City was practicing some form of good faith feedback, though it remains unclear if this feedback was put into action. Constructed by a city created *equity team,* this report directly and repeatedly addresses equity concerns in the process of city planning. This team led meetings with "community leaders" that resulted in tangible recommendations for the City.[135] While we do not know what, if anything, came of these meetings, we do know that this feedback is integral to the practice of community engagement.

Without a clear understanding of the results associated with these documents it is unclear if the Oakland approach to engagement has been successful. If the City and County of Honolulu were to use the language and practices of Oakland it would be an adequate starting point to properly functioning community engagement.

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128 "IAP2 USA - Online Application for Government Agencies," accessed March 17, 2020, https://iap2usa.org/govapp.

129 "Community Engagement Guidelines for Project Applicants" (City of Oakland, Planning and Building Department, April 2, 2018); City of Oakland, "Community Engagement Summary Report," August 22, 2017,https://cao-94612.s3.amazonaws.com/documents/2017-08-22-Community-Engagement-Summary-Report-FINAL-082217_condensed.pdf.

130 "Community Engagement Guidelines for Project Applicants"

131 Ibid

132 Ibid

133 "Community Engagement Summary Report," August 22, 2017,https://cao-94612.s3.amazonaws.com/documents/2017-08-22-Community-Engagement-Summary-Report-FINAL-082217_condensed.pdf.

134 Ibid

135 Ibid

Appendix L: 5 Step Engagement Strategy[136]

Borrowing from the Oakland model for project applicants we have determined that the City and County of Honolulu should implement the following steps when conducting community engagement for Empty-Homes Tax homes tax:

Step 1. Prepare an inclusive community engagement plan and identify the outcomes, measures, and deliverables for the City's engagement efforts.

- Include key activities, milestones, and products on the project timeline, specific engagement activities based on an overall strategy with clear outcomes, measures, and deliverables
    - Identify and plan to build relationships with the community, particularly low-income communities as identified through the mapping of census data, communities of color, Native Hawaiian residents, and non-English speakers; create a welcoming atmosphere at all activities and events through the use of specific meeting times and services; ensure accessibility for all participants; develop alternative and culturally appropriate methods for engagement; maintain an ongoing presence in the community; and develop partnerships with Native Hawaiian and long term resident community organizations
- Identify the outcomes, measures, and deliverables for the City's engagement efforts
    - Number of people attending engagement activities or contacted about the project; demographic mix of people reached by engagement activities; level of community understanding about the tax ordinance; community attitudes and opinions about the housing needs and target populations; and degree of tax design in response to community input.

Step 2. Identify and partner with a community-based organization that has experience working with nearby stakeholders who will be affected by the proposed development project.

- Consider partnering with community-based organizations, such as Faith Action for Community Equity, Aloha United Way, Alternative Hawaii, Office of Hawaiian Affairs, etc., that are already experienced and equipped in reaching out and hosting community meetings and would be interested in informing the development project.
- Consider partnering with a community-based organization that focuses on work with landlords, developers, part-time residents, and investors.
- Special effort should be made to reach stakeholders traditionally marginalized or under-represented in the political process. Considerations for maximizing under-represented groups in the engagement approach should include things such as the location and time of day for scheduled meetings, childcare, and translation/interpretation needs.

Step 3. Identify and contact impacted residents, employees, business owners, neighbors, and other stakeholders.

- Conduct a good faith effort to identify and contact stakeholders within each community on Oahu, including residents, neighbors, and community and business organizations, such as

[136] "Community Engagement Guidelines for Project Applicants" (City of Oakland, Planning and Building Department, April 2, 2018).

community-based organizations, recreation centers, libraries, places of worship, and business associations
- Contact information for any questions or concerns to be directed
- Advertise date, time, and location of planned outreach event with all partners and identified communities
- Advertise date, time, and location of any related public hearings or meetings for the tax with all partners and identified communities
- Flyers and written information should be offered in multiple languages and written in a manner that is easily understood to those not familiar with tax policy

Step 4. Conduct community engagement activities.

Tax charrette: A planning session with policy makers, developers, stakeholders, and interested community members to discuss impacts, expectations, and revenue plans for the tax.

- Workshop: A public meeting to exchange information with the community members.
- 'Pop-up' or mobile workshop: A 'pop-up' workshop brings the project representatives to places of interest and local gathering spots in the community
- Living room or focus group chats: Smaller 'living room' events or focus groups held in community spaces (e.g., coffee shop, residents' homes, school classrooms) allow community members to provide input and exchange ideas, and can also be used to have focused follow-up discussions after a large event.
- Endorsement program: Public endorsement should be gained by first educating community members about the proposed tax, asking for their feedback and opinion, and addressing their feedback and opinions, followed by an invitation to support the tax and subsequent affordable housing development projects.
- Have a sign-in sheet or other type of means for contacting interested parties about the project or follow-up activities.
- Collect demographic information of the attendees.
- Take careful notes from any event for reference in follow-up discussions with community members or City staff.
- Consider hosting the meeting during the evening or weekend when stakeholders are more likely to be home, choose a location strategically, and offer services
- Decide if you need a language interpreter and if it is best to meet with the community in their own trusted gathering place, such as a local community center, place of worship, or library, and identify what the platform should be.
- Always provide an opportunity for community members to submit written comments at the event and after the event for those who do not feel comfortable speaking up at a large event or did not have the opportunity to participate.
- Have an evaluation form for attendees to provide feedback on the effectiveness of the engagement activity.

Step 5. Evaluate, summarize, present, and implement.

- Following each community engagement activity (Step 4 outlined above), the developer or project representative should evaluate the effectiveness of the engagement efforts, including whether engagement goals were achieved. Use evaluation forms at engagement events or through other venues to receive feedback from stakeholders and participants in the process.

- Summary of the community engagement plan, outcomes, and measures (Step 1)
- Summary of stakeholders contacted and methods of doing so (Steps 2 and 3)
- Summary of community engagement activities (Step 4), including notes and summary of stakeholder and community input, numbers of participants, demographic information of attendees, and copies of any printed materials related to the event(s) (flyers, postcards, emails, sign-in sheets, presentations, etc.); and
- Explanation of how stakeholder and community input has been or will be incorporated into the tax model and explanation of any input that has not or will not be incorporated into the model.

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