S.R. NO. 126

MAR 0 7 2025

SENATE RESOLUTION

REQUESTING THE UNIVERSITY OF HAWAI'I ECONOMIC RESEARCH ORGANIZATION TO CONDUCT A STUDY ON THE POTENTIAL IMPACT OF THE USE OF TAXATION AND EMINENT DOMAIN ON THE PRICE AND THE AVAILABILITY OF HOUSING IN THE STATE TO ADDRESS THE CONCENTRATION OF RESIDENTIAL PROPERTY OWNERSHIP AMONG OWNERS OF VACANT AND SURPLUS HOUSING AND INSTITUTIONAL INVESTOR PROPERTY OWNERS.

WHEREAS, Hawai'i is experiencing a housing crisis, with high 1 prices and low supply that makes housing "extremely 2 unaffordable", according to the University of Hawai'i Economic 3 Research Organization's Hawai'i Housing Factbook 2024; and 4 5 WHEREAS, out-of-state buyers represent over twenty percent 6 7 of single-family home transactions and nearly thirty percent of condominium transactions; and 8 9 WHEREAS, over half of all condominium sales on Hawai'i 10 Island, Kaua'i, and Maui are made by out-of-state buyers; and 11 12 WHEREAS, approximately twenty percent of houses and 13 condominium units statewide are held by out-of-state owners, 14 with a substantially higher percentage on islands such as Maui, 15 where nearly a third of all homes are owned by non-residents; 16 and 17 18 WHEREAS, institutional investors have further exacerbated 19 the housing shortage through the purchase of large numbers of 20 single-family homes for the sole purpose of renting homes back 21 to the communities where the homes are located; and 22 23 24 WHEREAS, Honolulu has the fifth-highest share of institutional investor-owned property nationwide; and 25 26 WHEREAS, according to the 2023 American Community Survey 27 conducted by the United States Census Bureau, almost eighty 28 29 thousand housing units are vacant in the State, producing a



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1 statewide vacancy rate of fourteen percent, which is nearly fifty percent higher than the national average; and 2 3 WHEREAS, existing conditions have created an abundance of 4 "vacant and surplus housing", defined as houses or condominiums 5 that are not used by the property owner as a primary residence 6 or are unoccupied by the owner and are not rented for more than 7 six months out of the year; and 8 9 10 WHEREAS, property ownership by institutional investors has the potential to further increase rents and sales prices while 11 12 decreasing the overall housing availability; and 13 WHEREAS, the consequences of this long-term strain on the 14 15 State's housing market has resulted in out-migration, families being priced out of the local market, and homelessness; and 16 17 18 WHEREAS, despite meaningful efforts by the State and 19 counties to address housing affordability issues by, in part, increasing housing supply, according to the University of Hawai'i 20 Economic Research Organization Housing Factbook 2024, "the 21 22 ability to provide new housing remains extremely limited" with single-family home sales at a twenty-five-year low as "the rate 23 of new construction...[is] unable to keep up with losses to the 24 vacation rental market" on certain islands; and 25 26 27 WHEREAS, the State must consider more aggressive actions to decrease housing prices and increase housing supply, including 28 comprehensive taxation and potential condemnation of vacant and 29 surplus housing and properties owned by institutional investors; 30 and 31 32 33 WHEREAS, the State, through its taxation power, has the authority to impose a large tax on the gross profit of the sale 34 of homes by owners whose properties are held for a short term to 35 36 "flip" the property, or by institutional investor property owners who hold single-family homes for the sole purpose of 37 renting the property; and 38 39 WHEREAS, the State also has the authority to impose an 40 additional tax applicable to property owners of vacant and 41 42 surplus housing; and



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2 WHEREAS, similar taxes in other jurisdictions, such as the 3 Empty Homes Tax imposed by the city of Vancouver, Canada, have 4 produced more than a fifty percent decrease in vacancies while 5 simultaneously generating tax revenue equivalent to over \$35 6 million United States dollars; and 7

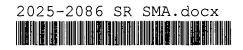
8 WHEREAS, the State also has the authority to impose a tax
9 on rent increases by property owners beyond a certain amount
10 determined in relation to the rate of inflation; and

WHEREAS, the State has previously used eminent domain on a 12 broad scale to correct a housing market skewed by artificial 13 deterrents to its normal functioning, address inflated housing 14 prices, increase the availability and turnover of residential 15 property, and to stabilize the State's economy by containing the 16 17 cost of living and the cost of public assistance, including via 18 the Land Reform Act of 1967, which both the Hawaii Supreme Court and United States Supreme Court upheld as proper exercises of 19 the State's eminent domain power in Hawaii Housing Authority v. 20 Lyman, 704 P.2d 888 (Haw. 1985), and Hawaii Housing Authority v. 21 Midkiff, 467 U.S. 229 (1984); and 22

24 WHEREAS, as the State's housing shortage persists, the 25 State should utilize its eminent domain power to correct these 26 conditions harming the existing housing market by seizing vacant 27 and surplus housing and, upon payment of just compensation, 28 acquiring and repurposing those properties as affordable housing 29 for state residents; and

31 WHEREAS, these measures would apply equally to residents 32 and nonresidents alike, but would likely fall heavier on persons 33 or entities who do not meaningfully contribute to the State via 34 labor, community and political engagement, or payment of taxes 35 other than property taxes; now, therefore,

37 BE IT RESOLVED by the Senate of the Thirty-third 38 Legislature of the State of Hawaii, Regular Session of 2025, 39 that the University of Hawai'i Economic Research Organization is 40 requested to study the potential impact of the use of taxation 41 and eminent domain on the price and availability of housing in 42 the State; and



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1 2 BE IT FURTHER RESOLVED that University of Hawai'i Economic Research Organization is requested to include in its assessment 3 4 of taxation and eminent domain, as applied to vacant and surplus 5 housing and housing owned by institutional investors, findings regarding the impact of these policies on housing sale prices, 6 rental prices, and housing supply, as well as on the state 7 8 economy in general; and 9 10 BE IT FURTHER RESOLVED that the University of Hawai'i Economic Research Organization is requested to submit a report 11 of its findings and recommendations, including any proposed 12 legislation, to the Legislature no later than forty days prior 13 14 to the convening of the Regular Session of 2026; and 15 BE IT FURTHER RESOLVED that University of Hawai'i Economic 16 Research Organization is requested to transmit requests or 17 recommendations to any relevant agency or agencies as necessary 18 to assess the legality and administrability of a taxation and 19 20 condemnation program; and 21 22 BE IT FURTHER RESOLVED that a certified copy of this 23 Resolution be transmitted to the Executive Director of the 24 University of Hawai'i Economic Research Organization. 25 OFFERED BY: Hal nhad 26 27

