

BUDGET AND FINANCE COMMITTEE

Council of the County of Maui

MINUTES

November 17, 2011

Council Chamber, 8th Floor

RECONVENE: 9:05 a.m.

PRESENT: Councilmember Joseph Pontanilla, Chair
Councilmember G. Riki Hokama, Vice-Chair (In 9:07 a.m.)
Councilmember Robert Carroll, Member (In 10:01 a.m.)
Councilmember Elle Cochran, Member
Councilmember Donald G. Couch, Jr., Member
Councilmember Danny A. Mateo, Member
Councilmember Mike White, Member

EXCUSED: Councilmember Gladys C. Baisa, Member
Councilmember Michael P. Victorino, Member

STAFF: Scott Kaneshina, Legislative Analyst
Camille Sakamoto, Committee Secretary

ADMIN.: Jeremiah L. Savage, Deputy Director, Department of Finance
Scott K. Teruya, Administrator, Real Property Tax Division, Department of Finance
Marcy Martin, County Real Property Technical Officer, Real Property Tax
Division, Department of Finance
Adrianne N. Heely, Deputy Corporation Counsel, Department of the Corporation
Counsel

OTHERS: Dain Kane
Geraldine Carroll

PRESS: *Akaku: Maui Community Television, Inc.*

CHAIR PONTANILLA: ...*(gavel)*... The Budget and Finance Committee meeting, for November 17, 2011, is now reconvened. Time is 9:05. Chair would like to introduce the Members that are here this morning. We do have Member Cochran --

COUNCILMEMBER COCHRAN: Good morning.

CHAIR PONTANILLA: --Member Couch, good morning.

COUNCILMEMBER COUCH: Good morning.

CHAIR PONTANILLA: Member White --

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COUNCILMEMBER WHITE: Good morning.

CHAIR PONTANILLA: --Member, Chairman Mateo. Good morning

COUNCILMEMBER MATEO: Good morning.

CHAIR PONTANILLA: Excused at this time are Members Carroll, Baisa, Hokama, and Victorino. Chair would like to introduce the Administration personnel that are here this morning. We do have Deputy Corporation Counsel Adrienne Heely.

MS. HEELY: Morning.

CHAIR PONTANILLA: Good morning. Deputy Director, Mr. Savage from Finance Department, good morning and from the Real Property Tax area, the Administrator Scott Teruya. Also joining us is Marcy Martin. Joining the Committee right now is Member Hokama. The Staff people that supporting the Committee this morning, we do have Legislative Analyst Scott Kaneshina and our Committee Secretary Camille Sakamoto. Members, this morning we don't have any public testimony. This a reconvene of the meeting of Tuesday.

ITEM BF-70: DISPARITY OF REAL PROPERTY ASSESSMENTS FOR AGRICULTURAL VERSUS NON-AGRICULTURAL LANDS (CC 11-227)

ITEM BF-86: REPEALING CHAPTER 3.28, MAUI COUNTY CODE, RELATING TO REAL PROPERTY TAX, AND AMENDING CHAPTER 3.48, MAUI COUNTY CODE, RELATING TO REAL PROPERTY TAX AGRICULTURAL USE DEDICATION (CC 10-185)

CHAIR PONTANILLA: This morning we'll be continuing our discussion on BF 70, Disparity of Real Property Assessments for Agricultural Versus Non-Agricultural Lands. Members on Tuesday the Committee received a PowerPoint presentation from Councilmember Mike White regarding the recommendation from the TIG. We have before us a proposed bill entitled a Bill for an Ordinance Amending Chapter 3.48 Maui County Code, Relating to the Tax Assessments of Homesites on Parcels Receiving Agricultural Use Assessments. Chair's intention this morning is that we'll be discussing some of the handouts that were passed to us, this morning. Chair intention is to adjourn this meeting when we are done with our discussion, and part of the reason is that some of the Members of the TIG that are not with us this morning will be attending our meeting on Tuesday. We have already polled the Members to meet on this particular item on Tuesday. And, Members, this will give the public additional time to provide public testimony. What I wanna do is also to remind that for those that will be affected in regards to what we'll be discussing, we do have, the County of Maui do have the Circuit Breaker that people can apply. So at this morning I'd like to call on Mr. Savage and Mr. Teruya if you guys have any comments to make at this time?

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MR. SAVAGE: I don't have any comments this morning, Chair.

CHAIR PONTANILLA: Thank you. Mr. Teruya?

MR. TERUYA: Chair and Members, Chair, would you want me to go over an earlier question that you had discussed regarding the mail-outs that we had done earlier?

CHAIR PONTANILLA: Yes, please.

MR. TERUYA: At this time maybe it'd be good for Marcy Martin to relay what, what has been mailed out and has been returned as far as the agricultural letters to the owners.

CHAIR PONTANILLA: Thank you. Marcy.

MS. MARTIN: Our office has been very busy with phone calls. We're getting about 20 phone calls a day asking questions. We're getting about five to ten people a day walking in asking us questions. We have received about 20 returns of people claiming they are no longer in ag and maybe 10 to 15 people have actually returned a completed application showing that they are actually in agricultural production. So we're expecting to be a lot busier next week because we're talking about 800 parcels. And, and some are, we are getting also returned mail, which we are trying to locate addresses and mail them the same letter again. It is the taxpayers responsibility to give us their current mailing address, but we'll make every effort to find a good mailing address if we can.

CHAIR PONTANILLA: Well thank you, if you don't have any response, what is the action the County will take for those that are not responding?

MS. MARTIN: Right now the letter says if there is no response we will remove the agricultural use assessment. At that time they will get their assessment notice in March and it will show the change in the value. At that time they will have the opportunity to appeal if they feel they are still in agricultural use.

CHAIR PONTANILLA: Thank you. Members, at this time, Chair would like to open up for questions. Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair, and thank you, Marcy, for being here. Question is you say that they'll get their assessments removed and then they'll get their notices and open up for appeal. You gonna have extra staff on for the appeal situation? Because I'm guessing there's gonna be a rise in appeals.

CHAIR PONTANILLA: Maybe, Mr. Teruya.

MR. TERUYA: Member Couch, first of all I'd like to at least tell the Council that as of today we are down to one last hearing which is supposed to be, I believe on December 7 of 2011, which is we

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would be completed all of our local Board of Review appeals, with the exception to any appeals at the Tax Appeal Court level which we don't really have any, you know, no guide. We cannot do anything until really the courts establish a date. So, at the local level we've done everything that we've done, should be completed. So if they do file an appeal it'll take the number processed, like we do every year. We, we do not have any additional staff other than the staff we have already, and I assume that we can complete all the appeals hopefully in a timely manner as well.

COUNCILMEMBER COUCH: Thank you.

CHAIR PONTANILLA: Thank you. Anymore questions Mr. Couch?

COUNCILMEMBER COUCH: Nope.

CHAIR PONTANILLA: Mr. White?

COUNCILMEMBER WHITE: Thank you Chair. I think it's important to point out that the, that this issue has no bearing on --

CHAIR PONTANILLA: Yes.

COUNCILMEMBER WHITE: --either the TIG report itself and the homesite, the potential of value in the homesite or the dedications. It's kind of a, it's a program that was done two years ago and this is a follow-up on those people who didn't respond to the request two years ago. So I just, I thought it was important to make that distinction.

CHAIR PONTANILLA: Thank you and your right, this is something that I as the Chairman of this Committee asked the Department to provide that information, because I think it's very important that now that we notifying, you know, all of those people that are claiming ag rates that they should be responding back to the County. And again, yeah it's two separate items.

COUNCILMEMBER WHITE: Well it's, it's tied very closely --

CHAIR PONTANILLA: Yeah.

COUNCILMEMBER WHITE: --but I, and I think this is a very, it's a great step that the Department's taking to, to make sure that all those that we asked for information from two years ago are now being at least exposed to losing their assessment if they don't respond. So I think it's a necessary step and a maybe a precursor to our dedication program that hopefully we'll...

CHAIR PONTANILLA: Thank you, Members, any more questions for the Department? Member, Chairman Mateo?

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COUNCILMEMBER MATEO: Thank, thank you, Mr. Chairman, and, Mr. Teruya, your reference to the appeal. Can you real briefly walk us through what that includes and the timetable involved in, in the appeals?

MR. TERUYA: Okay, every taxpayer receives an assessment notice annually on or about March 15th of every year. That assessment notice is the legal means that we need to notify every owner as to the land classification, the valuation, and any exemptions on the property. So the taxpayer has the right to file an appeal to either the local Board of Review or the Tax Appeal Court on or before April 9th of every year. So that is the window and that is the only chance a taxpayer has to amend the notice that was sent to them. So in the event like in agriculture as it pertains to this bill if somebody was to lose the agricultural use assessment, I would, I would assume that the value would be substantially higher in the land portion in their assessment notice. At that time that they would have the appeal -- ability to appeal to local Board or the Tax Appeal Court by April 9th as to why that they felt that maybe their land value should be lower or such.

COUNCILMEMBER MATEO: And now that appeals have been caught up, the timetable for one's appeal to be heard, we talking 30, 60 days?

MR. TERUYA: Well after April 9th, which is the last day to appeal, the staff is working on Certification. From that point 'till we certify the roll and given to the Council, probably around April 19th of every year, at that point, the Board has their local organization, first organization meeting which establishes, you know, the Chairman and the, so forth. I believe that their first organization meeting is in May, middle of May, and the first appeals normally will be heard as soon as the beginning of June or July.

COUNCILMEMBER MATEO: Thank you. Thank you Mr. Chair.

CHAIR PONTANILLA: Thank you. Any more questions, Members? Mr. Hokama?

VICE-CHAIR HOKAMA: Chairman, I think what might also be important is that even during the appeal, I believe and in a way of Mr. Teruya but if memory serves me right, I believe the property owner or one responsible for the taxes still needs to pay 50 percent of their tax during the appeal period, regardless and that the County holds that in a escrow or a temporary Trust and Agency Account until the appeal is settled. So is that a correct understanding of the Committee, provision?

MR. TERUYA: Yes, that is correct, according to the County Code, 50 percent of the amount in dispute is, is held in litigated fund in a litigated account. The County cannot expend that money until the appeal is adjudicated.

VICE-CHAIR HOKAMA: So, so you know, Mr. Chairman, I just bring that up because there's still a responsibility on the owners until the case is settled, the appeal is settled. and it currently, you know, the amount required is half of the I guess the proposed bill, and if you dispute it, you know, you still need to pay that 50 percent of that total amount. But that will be again

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determined after the appeal process whether there's an adjustment or he needs to put back another 50 percent of the original assessed amount due. That would be correct, Mr. Teruya?

MR. TERUYA: Yeah, well first of all, whatever is due you must pay it in full. I thought you were mentioning through the Certification process. But because the bill is split in half by fiscal year, yes, you would still have to pay the full amount owing, even though your appeal is being lodged with the Board of Review or the Tax Appeal Court.

VICE-CHAIR HOKAMA: So you still pay the second 50 when you get that second notice?

MR. TERUYA: Yeah, the second notice, right.

VICE-CHAIR HOKAMA: Okay, okay, okay, once the local...Chairman, can I follow up real quick?

CHAIR PONTANILLA: Sure.

VICE-CHAIR HOKAMA: And I know, you know, it has something to do with this and, and, but it's more generic. If the local, you feel still feel aggrieved after the local Board, does the property owner still have an additional ability to go to land court or an appeals, a judicial process?

MR. TERUYA: That is correct, it's, it's 30 days after the final notice from the County to the appellant, that they can further take it to the...the Tax Appeal Court. We had recent legislation at the Hawaii Revised Statutes that the, each county has the ability to amend their County Code to make it required to go to the local level first prior to bypassing them and going directly to Tax Appeal Court.

VICE-CHAIR HOKAMA: Okay, thank you, Mr. Teruya. Thank you, Mr. Chairman.

CHAIR PONTANILLA: Thank you. Members, any more questions for the Department? If not...

COUNCILMEMBER COCHRAN: Chair, Chair?

CHAIR PONTANILLA: Member Cochran.

COUNCILMEMBER COCHRAN: Mr. Teruya, that last comment you made in regards to HRS allowing County to amend Code, is that so our practice is the complainant can go either way right now, they can choose to go local level or the other route?

MR. TERUYA: Correct. That is the current Code allows the taxpayer to either go before the Board of Review or should they choose, bypass the local level and go directly to State Tax Appeal Court. Last year it was signed by the Governor that each county shall have its own ability, if they so choose, to amend the County Code to require them to go to the local level first, prior to going to Tax Appeal Court.

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COUNCILMEMBER COCHRAN: And so to follow up, Chair.

CHAIR PONTANILLA: Go ahead.

COUNCILMEMBER COCHRAN: So do you feel that would be something good for us to do? Or are we in the process?

MR. TERUYA: Well I think we lobbied for that because it gives the County more ability to settle a case rather than have it be tied up in the Tax Appeal Court, which is already tied-up system. Right now we're experiencing court cases taking at least two years from the time it's filed before it's being heard. So that ties up monies for the County that we can't even have any, any process on, yeah.

COUNCILMEMBER COCHRAN: Okay, so again, do we wanna ...(chuckles)... pursue it and try it again and do the amendment --

MR. TERUYA: Well --

COUNCILMEMBER COCHRAN: --to Code?

MR. TERUYA: --that, that gives this body the leverage whether or not it feels that we should be amending our Code to take advantage of what's allowed.

COUNCILMEMBER COCHRAN: Thank you.

CHAIR PONTANILLA: Go ahead, Mr. Hokama.

VICE-CHAIR HOKAMA: Chairman, listening to some of the discussion your allowing which I thank you for and you know that's part of Mr. White's report. Maybe part of our initial public outreach prior to us, we actually implementing anything specific Council may want to approve in the near future, would be to, to present to them some of the proposed changes. But also maybe also state what is also available to that property owner should certain things arise. So let's say the concern is the bill is gonna go up regarding the homesite portion or whatnot, I think we should also remind them that we still have the Circuit Breaker --

CHAIR PONTANILLA: Uh-huh.

VICE-CHAIR HOKAMA: --we still have an homeowners exemption --

CHAIR PONTANILLA: Exemption.

VICE-CHAIR HOKAMA: --and that taking all those additional tools into account potentially, again you know depending on, on, on your accountants and whatnot, you may still pay a minimal bill.

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CHAIR PONTANILLA: Uh-huh.

VICE-CHAIR HOKAMA: And so you know, I agree that you know with our, our Chair, Chairman's comment in the TIG report that very good public outreach prior to us starting anything would be critical in maybe dissolving some of the misconceptions or that we're just trying to go and gouge somebody that's was doing legitimate agricultural practices. So, I, I just share that, that, you know, and hearing this, it's a experience we learn from Oahu about doing very good pre-implementation, public outreach, and I think that's something worthwhile for us to consider, Chairman. Thank you.

CHAIR PONTANILLA: Thank you. Mr. Teruya.

MR. TERUYA: Hi, Chairman, I would like to also touch up on Section 6 of the proposed ordinance, where it talks about shall take effect for tax years beginning on or after July 1 of 2012. That comment would allude to that this would take effect for this upcoming assessment year starting January 1, 2012. So at this time I would just note that our assessments are almost completed already and that if we are gonna continue with the language, that we will try our best in trying to assess the homesites according to what is outlined in the ordinance.

CHAIR PONTANILLA: Okay so as far as the date that is noted on Section 6 --

MR. TERUYA: Yes.

CHAIR PONTANILLA: --it is my understanding that you be able to, to be completed --

MR. TERUYA: Yeah.

CHAIR PONTANILLA: --or we can move forward that particular date?

MR. TERUYA: Yes, Chairman the current system that we have doesn't allow for as easy of an implementation as it may seem. All of the agricultural properties that are gonna be receiving agricultural use we would probably be doing a manual entry on the amount of properties that are affected.

CHAIR PONTANILLA: Thank you. Members, any more questions for the Department at this time? If not, thank you again, Mr. Teruya, for those comments and information that is being provided to us this morning. Members, at this time we were handed out again you know several charts in regards to what came out of the Temporary Investigative Group. At this time I would like to call on the Chairman of the group to kinda provide us with some information regarding this particular charts that were given to us this morning. Mr. White.

COUNCILMEMBER WHITE: Thank you, Mr. Chair. The first item handed out is a spreadsheet. At the top it says Changes in Ag Values and Taxes from 2001 to 2011 Assessment Years. There are four spreadsheets. The first spreadsheet identifies the totals in the ag assessed value category,

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and this is not the agricultural parcels that are paying at market rate, these the ones that are receiving the discounted rate. And it's broken down by diversified ag, pineapple, sugar cane, and pasture lands. And you can see they, it reflects the total acreage, the current market value, current use value, and then the percentage of the market value that the current use represents, and then the taxes paid, and then the approximate number of acres that are currently paying minimum tax out of that total acreage, and then the percentage reflected by that number in, in the minimum tax category. And as you know, the minimum tax is going to somewhat skew the, the tax numbers, so because obviously if your, if your tax due on a parcel is less than 150,000 or less than \$150 then the amount paid is still gonna reflect the higher number of 150. What this shows is that over this ten-year period, there was a loss of diversified agricultural acreage of 1,000 acres, and in pineapple, and we're not sure exactly how this happened but there is an increase in acreage. There is a slight increase in acreage for sugar cane of 126, and then the majority of the loss that we mentioned at the last meeting is in pasture lands of about 16,000 acres. And then at the bottom you can see that over time, over this period of time, the total increase in market value has gone from 2.6 or 2.7 billion to 5.4 billion and the taxes have increased slightly, less than a percent. And if you also take a look at the total percent of market value in 2001, the taxes being or the valuation of the parcels in ag use represented 1.34 percent of the total market value, but because the market values have increased significantly, that percentage is now .66. And as we mentioned in the meeting the other day, we had discussed the, the concept of following Honolulu's lead in assessing based on a percent of market value as opposed to the ag use valuations. The challenge we ran into would, is shown by the percent of market value column. If you'll note in in diversified ag, they're now paying, for 2011, they're paying .37 of a percent. So if we went with 1 percent for them it would be, we would triple the taxes that we would be charging them; for pineapple which is currently at 2 percent they would come down, I'm sure they would be happy with that; and for sugar cane, we're currently at 4.8 percent of value so it would result in a significant decrease there; and then for pasture lands it would result because their paying .22 percent now, a 1 percent tax would increase their taxes by about four and a half times. So that's why we, we didn't feel comfortable just simply switching to the Honolulu method. The following pages are simply those same numbers broken down, and I have to thank Marcy for the quick turnaround on these numbers, because we were pretty, pretty pushy and, and she was very responsive and came up with the numbers. The second sheet shows all the changes, all based on the same kind of information, but the second page is for parcels in ag use that are less than five acres in size. And then the second or the third page I guess is for lands between 5 acres and 25 acres in size. And then the, the fourth page is for lands that are more than 25 acres. And what's, what I think is important to point out is that the majority of the lands that have transferred out of active ag use are in the larger categories, in the as you'll see in diversified ag we actually lost 1,500 acres in the over 25 acre category and we lost 15,400 acres in the over 25 acre parcel list in the pasture lands. So then following that, we compared the...because there was the realization that because we're using ag values that were generated in 1967, we wanted to compare what the growth was in all other tax categories compared to ag. We can't do that going back to '67, we can't do it going back to '81, so all we, all we could do is go back to 2001, and so that's why the previous sheets are all based on 2000 comparing 2011 to 2001. So we did the same thing with these so we went back to 2001, and you'll see that residential in 2001, was the total residential category was valued at 1.99 billion and it's now

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valued at 7 point, I'm sorry, 3.7 billion so it's increased by 85, I'm sorry 88 percent. The Apartment category has gone from a valuation of 567 million to 1.65 billion or a 190 percent increase, Commercial has gone up just over double, Industrial has increased by 45 percent, and the Agricultural lands with and this is a line that I added in, this was not on the spreadsheet that we used in TIG, but I thought it was important to add that back in. These are the Agricultural lands without the assessed, the ag assessed value. So all the lands that are, have been paying the market rate have gone up by 103 percent from just under 1 billion to just over 2 billion, and Conservation has actually gone down a little bit; Hotel and Resorts have gone up by 78 percent; and the Homeowner category has gone up by 90 percent. So comparatively the values in, in total of other lands besides those in ag use have gone up by 91.6 percent and the lands with Ag assessed values have gone up by .02 percent or two hundredths of a percent. The taxes paid by all the other categories have gone up by 94.8 percent, and the ag lands with assessed values have not changed at all or have gone up by about \$38. So if there any questions on that handout, I'd be happy to answer the other Members' concerns.

CHAIR PONTANILLA: Okay, thank you. Members, any questions for Mr. White at this time in regards to the particular charts and especially the last page? Member Cochran, any questions?

COUNCILMEMBER COCHRAN: It's too early to be looking all, all this kine stuff. My brain's totally fried --

COUNCIL MEMBERS: ...*(Laughter)*...

COUNCILMEMBER COCHRAN: --and eyes cross-eyed, but yeah that was quite curious to see the figures for pineapple because I know firsthand it's been majorly decreased.

COUNCILMEMBER WHITE: Right.

COUNCILMEMBER COCHRAN: So I'm just, I don't know I just don't even know where to start in adding and subtracting and figuring out the end result here. You know is there any comment to that? If this just hasn't...because your waiting for your finalized, your letters have been sent out so perhaps --

CHAIR PONTANILLA: Department?

COUNCILMEMBER COCHRAN: --it'll be more up to date soon?

MR. SAVAGE: Councilmember Mike White, I'm just curious on the percent changes, is that a weighted average or is that the average of just the percent change?

COUNCILMEMBER WHITE: Percent change in the market value or percent change in the taxes?

MR. SAVAGE: The 94.8 on the total other lands, is that a weighted average of all of the taxes paid or tax valuable or...because if you take...

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COUNCILMEMBER WHITE: That is, that is just taking the total taxes paid by the other categories in 2011 and dividing it by the total for 2001. So it's not a weighted average. But the averages by category are shown in the columns, in that same column above. And these are, these are land values only, these do not include building values on any of the parcels.

MR. SAVAGE: Okay.

CHAIR PONTANILLA: And I think Member Cochran had a question? Can you repeat your question Member Cochran?

COUNCILMEMBER COCHRAN: Well I'm just trying to figure out, I'm just, you know, looking at the pineapple section for now.

CHAIR PONTANILLA: Yeah. I, I...

COUNCILMEMBER COCHRAN: To take in all the others, because just the numbers seem a little off, I guess, needless to say. I'm just wondering why that discrepancy is there?

CHAIR PONTANILLA: Maybe...

COUNCILMEMBER COCHRAN: 2001 versus 2011 there's been a lot of changes in those years and it should be in negatives but yet here it's stating positives. So I'm not quite sure where these figures came from originally and why they're here presented this way?

CHAIR PONTANILLA: Maybe, Mr. Teruya?

MR. TERUYA: All of these are, are extracted from our database as far as we're coding crops. So what we can do for you in...prior to maybe the next meeting is to maybe give you a thematic map of what the 2001 pineapple areas were and 2011. So you can maybe look at it from a map standpoint as to what areas use were for pineapple. Would that help?

COUNCILMEMBER COCHRAN: No, I mean because I physically see the difference already where I live, acres and acres are no longer there. So how...I don't...I just really have a tough time seeing the positive here. So I don't need maps to show me that 'cause I physically see it on a daily basis. So anyways.

VICE-CHAIR HOKAMA: Chairman?

UNIDENTIFIED SPEAKER: Chairman?

VICE-CHAIR HOKAMA: Chair, Chair?

CHAIR PONTANILLA: Mr. Hokama?

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VICE-CHAIR HOKAMA: Chairman, maybe to assist Ms. Cochran. Maybe I can ask the Department, does this acreage, you know, that miss...and I'm looking at the first page of Mr. White's handout our TIG Chair's handout on the total acreage, you know, she makes a good point, we can see under pineapple, pineapple grew in, in acreage about 450 acres. And, and, you know, Lanai we took out about 13-15,000 acres of pineapple and Molokai we lost thousands of acres of pineapple land, but is this because it's still part of a agricultural dedication, and that is why those acreages are still counted in the totals we are currently seeing? Even if it's not being cultivated is this part of a dedicated parcel?

MS. MARTIN: That is true, a lot of the pineapple is in dedicated lands, and when they either change the agricultural use or withdraw from the agricultural use they are given a year to make those changes. So it is possible that some them are in that year where they can either cancel or change to another use.

VICE-CHAIR HOKAMA: And then for...as I understood what we learned, and again, Chairman, you know, just within the agricultural component of our property tax system it is a lot more complex than simple to, to those of us that kind of understand the system itself. And, and so I bring that up because we've learned about the intricacies of just within the agricultural component that just by categories we treat things differently and that is why the concept of percentage or market value, while conceptually it is a great way to go. We couldn't make it work because we got all these categories with different percentages and somebody's gonna have to make up and someone's gonna get big benefits, and it's interesting how we learn this through, through the information division and Mr. White gave us. But back to...for Ms. Martin or Mr. Teruya, the current practice is if the dedication original term expires, they're allowed to have currently one year extensions? That, that's what we currently allow?

MS. MARTIN: Yes, indefinitely, correct.

VICE-CHAIR HOKAMA: Yeah, yeah. And if...I'm trying to recall, maybe Mr. White or you can help us, my memory is not as good as others in the morning. But do we have a lot of this one year rolling extensions?

MS. MARTIN: Almost all of it is in a one year rolling period.

VICE-CHAIR HOKAMA: Okay, so, so I bring that up, Chairman, because it has made an impact on, on how we look at things, how are we valuing things, and as well as how the acreage numbers are, are being played with. It's, you know, I wish it was simpler, I wish it was easier for the division to be able to, you know, just cut the line here and say this or that. But we are dealing with a lot of fluidity in this tax component that, you know, again, I wish it was simpler but it is the way it is, Chairman. ...*(chuckles)*... And so you know I, I may not be helping Ms. Cochran but I'm trying to explain --

COUNCILMEMBER COCHRAN: Thanks.

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VICE-CHAIR HOKAMA: --that this this additional components the division must take into account to be able to come up with numbers, and they are following the procedures and requirements that the rules and the laws dictate them to follow. So, you know, I just say that as part of my learning experience of the TIG. Thank you, Chairman.

CHAIR PONTANILLA: Thank you. You know for me I was thinking about all the lands that Wailuku Agribusiness had cane at one time, then was pineapple, you know, adding acreage to the pineapple category. Mr. White?

COUNCILMEMBER WHITE: Thank you, Chair. I think the...

CHAIR PONTANILLA: Oh, I'm sorry. No, no, Mr. White had his hands up prior to you, Member Couch.

COUNCILMEMBER COUCH: I said it at the same time as him.

UNIDENTIFIED SPEAKER: Yeah.

COUNCILMEMBER WHITE: Oh, go ahead.

CHAIR PONTANILLA: Oh, if you wanna go, go.

COUNCILMEMBER WHITE: Go ahead.

COUNCILMEMBER COUCH: Just real quick on the, on the maps, I would like to see the maps because, you know, you show an increase of pineapple and there certainly is a huge decrease in pineapple, and you're saying they get a year to change the use or change their dedication use and it's been more than a year. So I'd like to see on the map where they're, they're still saying they're in pineapple and how long ago that was that they stopped. I mean we can figure that out by looking at the maps, but I'd like to see those maps, Mr. Chair.

CHAIR PONTANILLA: Thank you, and I would think that some the pineapples that are...that were grown over here is no longer...we all know, yeah, it's no longer in pineapple. Mr. White?

COUNCILMEMBER WHITE: Thank you, Mr. Chair. I think the...we, we don't need to focus too much on the, on the gross numbers of acreage --

CHAIR PONTANILLA: Yeah, yeah.

COUNCILMEMBER WHITE: --because everything is in flux in pineapple and we need to be careful what we wish for, because as soon as they determine where that use is gonna go, if it goes to diversified ag their taxes drop by...drop to about 20 percent of what they're paying now, if they

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go to pasture it drops by about six or seven times. So I'm okay with it staying in pineapple, for the time being.

COUNCILMEMBER COCHRAN: I want something productive off of it.

CHAIR PONTANILLA: Okay, Members, any more questions regarding ...*(chuckles)*... this chart? Member Hokama?

VICE-CHAIR HOKAMA: I think maybe one thing I should have asked in the TIG component is that take the acreage across Tropical Plantation, you know, it went between pineapple and sugar, does it impact the dedication at all on what they have informed you? Because we have categories of diversified, pineapple, sugar, pasture, did it make a difference to the landowner which crop they grew on that ag dedication part portions?

MS. MARTIN: They are supposed to notify us of any change in crops.

VICE-CHAIR HOKAMA: Okay, and I just mention it because we, we see the difference in how we assess and tax, yeah, by a category, so I just was wondering. Thank you very much, Ms. Martin.

CHAIR PONTANILLA: Thank you. Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair. You know Mr. White brought up a good point as far as you'd like to see it stay in pineapple because it goes into a different category. But if it goes to a different category do...aren't they supposed to be growing something on it? Most of these pineapple, old pineapple fields are fallow at this point, have been for a while. So if something like that, if it's been fallow for a couple years do you now take it out of ag dedication or...and do the rollback? I don't how that works with the current law.

MR. TERUYA: Well first of all it's incumbent on the owner to notify the division of what their changing the uses for. Other than that we go basically by complete...complaint driven inspections. As we noted before by the TIG's work is after interviewing several sources it is very clear that periodic inspections are mandatory in order to maintain a program that is gonna be worthy of the cause. So, I think that is something that the division will look into, into ramping up the ongoing site inspections, both initially and periodically moving forward.

COUNCILMEMBER COUCH: Thank you.

CHAIR PONTANILLA: Okay, any more questions in regards to the charts this morning? Member Couch?

COUNCILMEMBER COUCH: One last question, whether it's the Department or Mr. White. You, you talk about taxable value in 2001 and then 2011, now I'm assuming that's not on the same number of properties. Is that right? For instance, residential I'm assuming went way up and agricultural should have gone down by 16,000 acres.

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COUNCILMEMBER WHITE: I think the...yeah, these don't reflect anything to do with the number of units, number of lots, number of houses or apartments, or hotels or whatever, so these are just gross values. So this doesn't reflect what's happened to an individual homeowner because of the, the change in units.

COUNCILMEMBER COUCH: Right.

COUNCILMEMBER WHITE: But as far as the overall ag valuations are concerned, where you see the agricultural in the upper body of the, of this page?

COUNCILMEMBER COUCH: Uh-huh.

COUNCILMEMBER WHITE: Where under agricultural lands without ag assessed valuation, those are basically they're all market driven, so those are all getting increased as the, as the market changes or decreasing if the market drops. If you go down to the green line, ag assessed...or ag lands with ag assessed values, those the, the small increase you see there is probably to do the homesites where, where you saw the 16,000 acres drop off. I believe the difference has been made up by ag lands with homesites because the homesites are based on a market value calculation, so as the homesites or as the market value increases, the portion of the homesites is making up that difference, because they are...the homesite itself is moving with the market.

COUNCILMEMBER COUCH: Okay, so...

COUNCILMEMBER WHITE: And maybe the Department can add to that.

COUNCILMEMBER COUCH: So in essence when you took the 16 let's just throw the numbers out, that the 15,000 acres out of 25 acres or greater. They essentially probably went into residential for the most part, so residential acreage increased, certainly the number of units increased, and that helps with the...bring up the change...the increase change in taxes on the residential side. Is that right?

COUNCILMEMBER WHITE: I don't know that you can make the assumption that anything that came out of active ag actually went into residential, automatically. I think it's more likely that it went, went into inactive ag which is paying market value.

COUNCILMEMBER COUCH: Okay.

COUNCILMEMBER WHITE: So that could be a portion of the value increase that you see in the, in the upper level.

COUNCILMEMBER COUCH: Okay, thank you, Chair.

CHAIR PONTANILLA: Okay, Member Cochran?

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COUNCILMEMBER COCHRAN: Thank you. Another disturbing figure is the Conservation decrease by negative 3.3. I'm just curious, doesn't Conservation mean that it's conserved and it...there shouldn't be? Oh, it's just the value of it now? Or is it 'cause...

MR. TERUYA: Member Cochran, when you look at Conservation lands, majority of the Conservation lands are State forest reserves, parks, open spaces. So --

COUNCILMEMBER COCHRAN: Uh huh.

MR. TERUYA: --I think in the valuation, overall valuation scheme of things those values are very minimal to begin with and therefore the values didn't change.

COUNCILMEMBER COCHRAN: 'Cause I live on Conservation my taxes go up ...*(chuckles)*... every year.*(chuckles)*...

MR. TERUYA: Yeah. Well, well there, there are smaller ocean front parcels as well as Conservation but the vast majority of Conservation lands are your State forest reserve.

COUNCILMEMBER COCHRAN: It's designated Conservation all around Honolua Stream. That's where I live.

VICE-CHAIR HOKAMA: Chairman?

CHAIR PONTANILLA: Mr. Hokama?

VICE-CHAIR HOKAMA: Maybe at the...in a...at the time of your choice, Chairman, I would...was wondering whether you would ask the TIG group to come with up a proposed draft vehicle to move any Committee recommendations or you feel to revise BF-70 and use that as the vehicle to potentially move recommendations to Council for consideration?

CHAIR PONTANILLA: Okay. Any more questions for Mr. White at this time? No more, okay. The other handout that was given to us this morning was a map.

COUNCILMEMBER WHITE: Yeah, Chairman, I chose this map because as you can see when you highlight one road it highlights all the others, and this...I use this map because it reflects the significant subdividing of a fairly large agricultural parcel which is in Olowalu. And again, I...before I say anything more, I need to focus on the fact that in all these comparisons we're not, we're not picking on any particular homeowners because they're simply taking, taking advantage of a system that is available to them. They're not...no one...none of these people are breaking the law, none of these people are doing anything wrong. It's just that they're doing what the system allows them to do. So what I, I chose to do in this case was to show the market value, the ag assessed value, and the taxes paid for parcels that are, are clearly headed for development. And I did this because I felt it was important for us to, to put in context what some people are

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paying as they, as they go through the process. And as we said earlier, one of the reasons that we were told that the agricultural use valuation method is a weak tool for, for protecting open space and protecting agriculture is that, is that alone there are no teeth. So the process that we went through of deciding on dedications and deciding on rollbacks and penalties was focused on putting some teeth to the process. So I felt it was important to point out that here we have 422 acres valued at 35.7 million with an ag tax value of 27,500, and the combination of these parcels...and these are not all the parcels that are owned by the folks that own Olowalu. But they're paying a total of \$2,400 a year. To put that in perspective, one of our staff members here owns, well his family owns a two acre parcel in Makawao and I believe they have a couple of houses on it, and their land tax for two acres is \$2,878. So they're paying almost \$500 more than the owners of 422 acres that is moving along the process. The dedication program that we have established as a recommendation takes into consideration the...providing some flexibility to people as they go through the process. And yet it also allows us to say, if that's where you're going and you're not willing to dedicate your properties for more than five years, then you take that five year dedication, you're gonna be paying on half the value. If you...if your timeframe tells you that you want to do a 10 year dedication then we're gonna give you something closer to 20, you know, you're gonna pay on 20 percent, you're gonna get an 80 percent discount off of market value and pay on the 20 percent. So those numbers are reflected in the, in the third page of this handout. So it reflects for a five year dedication varying levels of discount and the varying levels of percent of market value that you would be paying on, and then it shows the taxable value, as example, 50...at 50 percent you would be paying on a value of 17,858,000 and your tax bill for that five year dedication would be 103,000. That's a, that's a very small percentage of your overall value but it's, it's something that I feel is appropriate for us to look at because if you're gonna stay in ag, if you're gonna dedicate for 20 years you're gonna pay, you know, on half of your value or half of your agriculture assessed value. But if you're not gonna stay in ag, why should we give you a significant discount? So this, this allows people a framework within which to, you know, plan future uses of their property. And it allows them to pay significantly less tax than if they were being taxed at market. And it...this is again our recommendation, we feel that it has a reasonably good balance to it, but all these numbers are, are up for grabs, and so with that I'm happy to help clarify it.

CHAIR PONTANILLA: Thank you. Member Couch?

COUNCILMEMBER COUCH: Thank you, and thank you, Mr. White, for bringing this to our attention. You know when you talk about five year dedication and ten year dedication or what's there now, when somebody dedicates to an ag use, there has to be a use, right?

COUNCILMEMBER WHITE: Correct.

COUNCILMEMBER COUCH: I...you know every time I drive by those fields, I don't see any kind of ag use there. So how are they getting ag valuations? Even currently? I mean there's not...I, I haven't seen a cow there in...you know, unless they're grazing goats on those 422 acres. What...I don't know how that works?

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COUNCILMEMBER WHITE: I've seen, I've seen cows there but I don't --

COUNCILMEMBER COUCH: You have.

COUNCILMEMBER WHITE: --I'm not...I can't visualize whether there's a fence line along all of their acreage or not. So you bring up a good point, and as we go through this process, there will have to be some sort of an agricultural use --

COUNCILMEMBER COUCH: Okay, so...

COUNCILMEMBER WHITE: --taking place. And it, it...and if you look at these...this number of parcels they can, they can dedicate. If they wanna, you know, if they wanna put a couple under a 20 year dedication they can but there has to be a use.

COUNCILMEMBER COUCH: Right.

COUNCILMEMBER WHITE: If they want to put some of them under a ten year, some under a five year, they can do that but there has to be a, there has to be an agricultural use.

COUNCILMEMBER COUCH: And, and, Mr. Chair, that's, that's I think the whole crux of this situation, is this is a perfect example of sure we'd love to allow and we encourage dedication to ag use, but you gotta use it as ag not just let it sit there and grow weeds. I mean if you're gonna have cows on it that's fine but do cattle ranching, but one or two cows, unless I'm missing something 'cause I've been...I go by there all the time and I don't see any cows.

CHAIR PONTANILLA: Nope, all I see...

COUNCILMEMBER COUCH: I'm sure Member Cochran can say the same thing.

CHAIR PONTANILLA: All I see is weeds. Member Cochran?

COUNCILMEMBER COCHRAN: Yeah, thank you. No, I have not seen any cows. I do know...so it, it just crosses my mind that if there's a, you know, a percentage of the land or what have you. So I'm wondering because they are restoring...they have a Olowalu Cultural Preserve, you know, up mauka here and they're restoring loi and what have you. So whether that's taken into consideration to consider the entire area in ag for that designation, you know, so again, I'm not sure if that's the reasoning. But I think there should be...I think the definition of ag was you have to produce so many dollar amounts off an acre per se or something, we were discussing the other day.

UNIDENTIFIED SPEAKER: For under two acres.

COUNCILMEMBER WHITE: For under two acres though.

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COUNCILMEMBER COCHRAN: Oh, okay.

COUNCILMEMBER WHITE: Yeah.

COUNCILMEMBER COCHRAN: So I mean that's where I'm, you know, I'm just looking at people who can afford to hire a farmer and say hey we're farming. You know and officially people can come see oh yeah I see you got something going but yet it's just there to get the discount. And they can afford to pay whoever a minimum wage job to do this for them, just as a maid, just as a landscaper, so I, I see loopholes.

CHAIR PONTANILLA: Thank you. Mr. Hokama?

VICE-CHAIR HOKAMA: Chairman, I believe, you know, Chairman White of our group and, and the other Members were sensitive to the comments that Ms. Cochran just shared, and that is why one of the components of our report is the recommendations for consideration on the tools and resources the division, we should consider providing the division to ensure the integrity and fairness of what we trying to move forward to. You know, some of tools that they share with us with the pictometry, you know, the need for mandatory inspections to either get the benefit or maintain the benefit I think are the...part of the recommendations that make sense in the total report as we move forward, and that is why one of the key components for me and top priority is the requirement of dedication. I think once we get that squared away, other pieces will more fall into place and I think the Members will be able to see a sequential plan of why we gonna take baby steps, get this dedication squared away, see what falls out through the system, and then move forward with the additional corrective measures whereby we mitigate the negative impact on our, on our residential base that do true agriculture. And I think if we approach it in that manner, Chairman, a lot of the things that we are recommending through our report under the leadership of Mr. White will make sense. And again look at the time we had to work with, Chair, one month, okay.

CHAIR PONTANILLA: Yeah.

VICE-CHAIR HOKAMA: To try and provide Budget and Finance some solid recommendations for the upcoming budget session that will move the County forward instead of running the throttle and staying in neutral and just gunning the engines, you know, we moving forward. I appreciate Mr. Savage and the, the Department's assistance because they're very critical and they going have to do the work for us anyway. And so, you know, I just wanted to, to speak up, Chairman, 'cause I mean Mr. White does a great job, but I want you to know that the group reached a consensus. We had four strong individuals with four minds --

COUNCIL MEMBERS: ...*(Laughing)*...

VICE-CHAIR HOKAMA: --very strong minds, and we had four different mentalities. But I think we came together as a group because we agreed on the goal that we have to make these improvements and make these inequities get...disappear to provide the true benefit, and not

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forget who is paying for the benefit, the greater majority of the property taxpayers. And I share that so the concerns we bringing up, the examples Mr. White is showing is part how we arrived at our conclusions, Chairman, and I would hope that the rest of you would reach the same conclusion as our group. Thank you.

CHAIR PONTANILLA: Thank you. Mr. White, followed by Mr. Couch.

COUNCILMEMBER WHITE: To Ms. Cochran's comments about the cultural preserve, that number is not or that parcel is not included in this list, and, and I feel that if you're going to be doing cultural preservation, then that's certainly something that we don't wanna tax. And as you, as you look down the list on the third page of the handout you'll see at the bottom Conservation easement and I put zero zero, because I think if we're really gonna be focused on preservation and conservation of open space, cultural assets, et cetera, et cetera, we shouldn't be taxing them at all. And they're...but again through this process we didn't have enough time to really get our arms around what happens with Conservation easements, what happens with Conservation lands, and so there's, there's a lot more to be discussed and maybe we can touch on some of these things as the dedication bill goes through the process. But I think it's important for us to focus on, again, the, the concept is that the public benefits by preserving open space and preserving ag, and we need to take a hard look at, at getting those folks who are not intent on preserving ag or open space to pay their fair share. And as Mr. Hokama mentioned, as we go through this process there's gonna be a falling out of a certain number of those lands that will become taxed at market value. And I would like to think that this...the focus of this effort can be aimed at taking some of those revenues and further aiding the lands in Conservation, and further aiding, example, take Haleakala Ranch, if they're willing to put wide open lands as we go up Haleakala Highway that all us of know that, you know, we all enjoy, and the visitors enjoy, that's an asset for Maui that we wanna protect. I don't feel we should be taxing those lands at all if they're willing to conserve them. In fact I think we should take some of this money and help them conserve by helping them with whatever the land management practices are. But that's where I think, you know, we couldn't get our arms around that kind of concept during, during the TIG, but it's something that I think we need to keep in mind.

CHAIR PONTANILLA: No, I, I agree with you, Mr. White, because some of the lands on the backside of that Haleakala had been volunteered by some ranchers to be --

COUNCILMEMBER WHITE: Right.

CHAIR PONTANILLA: --put into Conservation land.

COUNCILMEMBER WHITE: Well one of the, one of the points was that Haleakala...not Haleakala, Ulupalakua Ranch has I believe somewhere in the neighborhood of 18,000 acres. Well they've placed 12,000 acres into a Conservation easement, and they've, you know, they've carved out the geothermal, the places where they're looking at putting the windmills. But to make that kind of a commitment in my mind needs to have some reaction from this body to say this is what we're gonna do, if you willing to put 12,000 acres into Conservation then we're going to reduce

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the tax rate on Conservation lands, we're gonna switch it on our books from Ag to Conservation. I, I don't know exactly how that works, but I think it's a direction that we need to go in. And another thing to follow up on Mr. Hokama's comment about having four strong minded individuals in the TIG, you all know we don't all agree a lot of times. But through this process and the fact that we were getting really quick response from the Property Tax Department and all the support that we got from the Administration and Corp., you know, both Finance and Corp. Counsel, we were able to clarify issues as we were going through. And I think one of the things I think we can be the proudest of is that we never had to take a vote on anything. It never got down to where we had...we even felt there was one person dissenting, so what is in the report represents a consensus on which we took...we had to take no votes. And I think that's a, you know, that's a lot...has a lot to do with the, the level of support that we got from the Administration and the level of ease and, and ease of discussion, not just amongst the Members but with members that we brought in from the, the broader community. So anyway, I'll leave it at that. Thank you, Chair.

CHAIR PONTANILLA: ...(*Chuckling*)... Thank you. Before I call on Mr. Couch, I'd like to recognize the presence of Member Carroll. Good morning. Mr. Couch, followed by Member Hokama.

COUNCILMEMBER COUCH: Thank you, and I wanna go back to something Mr. Hokama said and it's kind of a side note, but I would like to just make a comment to the, to the division. When you...when we kinda provide you with inspectors, if we're gonna be doing that with these mandatory inspections, can we make sure that they have some experience in ag? Because there's...it's a famous or least I've heard a lot about an inspection going on, on a well-known, long-established ranch that the ag inspector said you're not doing ag because you only have fences on three side of your big ranch area and the owner says well of course not because the last side is a gulch and the cows aren't gonna go down the gulch.

UNIDENTIFIED SPEAKER: ...(*Laughing*)...

COUNCILMEMBER COUCH: ...(*Chuckles*)... So no need put the fence up and it was five miles worth of fence that they had to put up according to the inspector that went out there to inspect their land. And this is a long, long, old ranching family that, that this happened to and they're still sticking me in the side about that saying why is the County doing that. So can we make sure we have experienced ag inspectors? That...I just wanted to put that out there since you mentioned ag inspectors.

COUNCIL MEMBERS: ...(*Laughter*)...

CHAIR PONTANILLA: Thank you, and I think all of our inspectors need to be aware of and, and use common sense.

COUNCILMEMBER COUCH: Yes, please.

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COUNCIL MEMBERS: ...*(Laughter)*...

CHAIR PONTANILLA: Yeah, use common sense. Member Hokama, followed by Member Cochran and then Mr. White.

VICE-CHAIR HOKAMA: Quick comment on Mr. Couch's sharing. The Committee came up, had the same concerns, Chairman. You know, we don't want a chef being one agricultural inspector to say --

COUNCIL MEMBERS: ...*(Laughter)*...

VICE-CHAIR HOKAMA: --whether or not it's an ag practice or not, okay. ...*(chuckling)*... I mean, you know, you gonna fix your car, you gonna get one mechanic, you're not gonna hire, you know, somebody else. So same thing, the division is aware it, the Committee was aware of it, Chairman. But I think one thing that I would share with the Committee that may impact some of our work, and I'm looking at it in a positive impact, is that right now only the County of Kauai has moved forward with their portion of having their planning department move the IAL, Important Ag Lands component, that the counties have responsibility from the State to do our overlays. I think potentially when we do our component that they might assist us, and also to find out from the State Land Use Commission what they have granted to be placed under IAL in perpetuity and what incentives are they, the State giving those property owners to consider such dedications for perpetuity. And I think if... once we get those studies, overlays done and we can put it on a map, that these are under what State Land Use Commission has already approved is gonna play...it may assist us in finding out how we might wanna readjust certain components of what we recommending through the TIG group, Chairman. But there's, like I said there's fluidity moving, there's still the State requirement that all the counties are going to need to eventually fulfill, and I'm sure Planning is gonna come and ask this Committee for some financial resources to get that requirement done. Although I think the State should be paying for it myself, Chairman.

CHAIR PONTANILLA: ...*(Chuckling)*...

UNIDENTIFIED SPEAKER: ...*(inaudible)*...

VICE-CHAIR HOKAMA: They did, they gave us 35,000 to do a 100 something thousand dollar job, you know. But back to the main point, Chairman. I think those tools will continue to assist us in making this program have stronger integrity, and of the people have the faith that what we are providing and asking for taxation is a fair amount. I think that is part of the goal we wanna reach is that the people who pay the taxes, we say that we made appropriate adjustments and that now they're paying more fairer share of their tax burden than before. And I think if we can get to that kind of mentality, the TIG has done its job, on behalf of the Committee.

CHAIR PONTANILLA: Thank you. Ms. Cochran?

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COUNCILMEMBER COCHRAN: Thank you, Chair. And thank Mr. White for you know really spearheading this movement and, and looking into all this. And, you know, I, I like your comments about encouraging and preserving open space and ag lands, and, you know, last night's deliberations was exactly where I was coming from in regards to that. Looking at this and I'm glad you stuck in Conservation easements, currently are we giving tax credits for those types of propositions? Is that...or developmental rice...rights type of incentives?

CHAIR PONTANILLA: Department? Marcy?

MS. MARTIN: Currently right now, if, you know, a parcel is dedicated to park or open space it has a minimal value. The Ulupalakua Conservation easement, no one has notified our office of that easement or provided us with any documentation yet regarding that easement. So I think the landowner should come to our office and give us the acreage and the parcels and what the restrictions are on that parcel.

COUNCILMEMBER COCHRAN: So, Chair? Follow up. So current that's the only known Conservation easement understanding so far? No one else has done such a thing?

COUNCILMEMBER WHITE: I don't know of any others.

COUNCILMEMBER COCHRAN: No? Okay.

CHAIR PONTANILLA: Okay. Member White?

COUNCILMEMBER COCHRAN: Thank you.

COUNCILMEMBER WHITE: Actually I was just...Mr. Hokama covered it. The we had some lengthy discussions with the Farm Bureau and the Cattlemen's Association about the need for the inspectors or for the folks doing the inspections to have access to people that really knew what, what ag was all about. So Department mentioned that they have the ability to hire people on a consulting basis that could go along with the, the appraisers. So, so thank you, Mr. Couch, for bringing that up. Yeah, I'm not aware of any other Conservation easements having been established, and so...but I hope many more will follow in Ulupalakua's lead.

CHAIR PONTANILLA: Yeah.

COUNCILMEMBER COCHRAN: Actually, sorry, Chair?

CHAIR PONTANILLA: Member Cochran?

COUNCILMEMBER COCHRAN: I believe Maui Coastal Land or Hawaii Land Trust has some up in the Launiupoko area. So, not sure, we had done some GIS boundary sighting up there a few months ago. So...

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CHAIR PONTANILLA: So is that something...

COUNCILMEMBER COCHRAN: Yeah.

CHAIR PONTANILLA: Is that something that can be provided to --

COUNCILMEMBER COCHRAN: Sure.

CHAIR PONTANILLA: --Real Property Tax Division? Yeah, the only Conservation land that I, I know of that was dedicated was by Ulupalakua Ranch couple years ago, yeah.

COUNCILMEMBER COCHRAN: And they're given a tax credit or break on that?

CHAIR PONTANILLA: According to Marcy their office hasn't been notified by --

COUNCILMEMBER COCHRAN: But...right.

CHAIR PONTANILLA: --the ranch itself, yeah.

COUNCILMEMBER COCHRAN: But I mean is there a dollar...will they be given --

CHAIR PONTANILLA: Marcy? Or Scott?

COUNCILMEMBER COCHRAN: --once they file? I just...

VICE-CHAIR HOKAMA: Chairman? Did Kapalua Land ever dedicate that portion by Honolua Bay? For the...that I know the Committee was working hard.

COUNCILMEMBER COCHRAN: No.

VICE-CHAIR HOKAMA: That was not --

COUNCILMEMBER COCHRAN: No, that never --

VICE-CHAIR HOKAMA: --part of a Conservation --

COUNCILMEMBER COCHRAN: --no, that never happened.

VICE-CHAIR HOKAMA: --agreement? I thought we gave even money?

COUNCILMEMBER COCHRAN: It's sitting in our budget, it never got expended.

COUNCILMEMBER WHITE: I think Kapalua did a Conservation --

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COUNCILMEMBER COCHRAN: Trail?

COUNCILMEMBER WHITE: --a thing for nature conservancy for Puu Kukui ...*(inaudible)*...

CHAIR PONTANILLA: Okay.

COUNCILMEMBER COCHRAN: Anyways.

VICE-CHAIR HOKAMA: Thank you, Chairman.

CHAIR PONTANILLA: Okay. Mr. Teruya? Comment?

MR. TERUYA: Chair just a quick comment. I'm here bite biting my tongue about --

CHAIR PONTANILLA: ...*(Chuckles)*...

MR. TERUYA: --Member Cochran and Member Couch's concern for areas that they feel are not in agriculture use and is the primary reason why we've been trying to pull this thing forward. Is because remember the County took over taxation in 1981 from the State and is the main reason why we wanted this movement, and the reason why we sending out these letters is because there is nothing on file. And that is...when we go out these places, you talk about ag, I don't even know if it's ag or not because we don't even have anything in the Department that says what they're doing on these properties. So to go do a violation off of this, I don't even know what they initially got the, the use for. So these are State records that came over to the County and, and are incomplete, and is reason the main reason why I'm glad that this TIG committee actually took this up because it's gonna help clarify what, what we're doing. The other part is, I know Kauai County had established a position for agriculture, so they have a position description. The biggest problem or challenge for them is trying to find somebody that is qualified or will apply. In the Big Island they had written their position description for this position, written such that somebody comes from USDA, and the reason being is because if...when somebody's qualified to do it and you're gonna pay them \$30,000 they're probably not gonna apply for the County of Maui. So it, it is a balance between what you're gonna get and how much you're gonna pay. They receive somebody from USDA and then actually lost them because there was a better opportunity for more pay. So that's the challenge that we're gonna be faced with at that time is if you decide to have somebody that is knowledgeable in ag, you gotta see...first you got a position...create the position with Personnel, then what is that pay range? And then that's, that's gonna determine whether or not you really can get somebody expert in agriculture for what you're...the County is willing to pay. So that's the difficulty that we're gonna cross at some point.

CHAIR PONTANILLA: Thank you. Member Hokama?

VICE-CHAIR HOKAMA: You know I'm following up on your, your, your good comments Mr. Teruya. I don't have a problem if you can make it work, where I could be supportive of

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providing some financial resources to consider short-term contract hire of USDA personnel to assist us in getting the initial mandatory pre-qualified inspections done. Because that might be a way make it happen and not have it on our permanent payroll until such time we, we can find substantial...additional justification for those additional permanent positions, Chairman. But, you know, I think the TIG agreed, for this to work the pre-inspection to determine qualified...qualifications is essential to make this component work. And to put back that integrity we so desperately would like to increase, Chairman. Thank you.

CHAIR PONTANILLA: Thank you, and I agree with you. Members, any...

COUNCILMEMBER COCHRAN: Chair?

CHAIR PONTANILLA: Member Cochran?

COUNCILMEMBER COCHRAN: Along those lines for that hire of this particular person. Do they need to be a neutral party? Or just an expert in knowing ag when they see it? So somebody like Kenneth Yamamura he could jump in there and do that. I mean don't we have people in house that are sort of in charge of ag and Maui County Farm Bureau people and what have you, already? That could maybe...

CHAIR PONTANILLA: Well that's something that I think that the Department need to determine.

COUNCILMEMBER COCHRAN: Right.

CHAIR PONTANILLA: Along with Civil...probably Civil Service in, in creating a job position based on the requirements that we need. You know --

COUNCILMEMBER COCHRAN: Yeah, I'm supportive.

CHAIR PONTANILLA: --I don't wanna see either, you know, we just hire people just for hiring sake.

COUNCILMEMBER COCHRAN: Uh-huh.

CHAIR PONTANILLA: Yeah, we need the expertise. Okay, Members, any more questions for the Department?

COUNCILMEMBER MATEO: Chairman?

CHAIR PONTANILLA: ...(chuckling)... Chairman Mateo? Maybe you?

COUNCIL MEMBERS: ...(Laughter)...

CHAIR PONTANILLA: Chairman Mateo?

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COUNCILMEMBER MATEO: Well, you know, Mr. Chairman, the discussion not only today but prior, you know, regarding the work of the TIG has really been, you know, for myself rather exciting. For years we've been looking at various tax classifications or categories and we've always said we're gonna get to it, we're gonna get to it, year after year, well that year has arrived, yeah? And this is the start, and, you know, no change is easy, no change, you know, will be readily accepted by any, any group. But for us I think this was such a needed exercise to go through. I really thank Mr. White and the TIG for putting a whole lot of documents available and making it easier for us to understand the process that we now need to, to address. So the next component for me is, is the segment that'll involve public testimony, public comment, and just like the Department said, they've been receiving phone calls and visits and the like. I think now the next step for us is to address those concerns so we can actually look at the bill and move the bill forward, because I think the time has come. And fair is fair, and I believe everybody is working towards that, that best interest, so I'm rather excited of this, this movement. Thank you, Mr. Chair.

CHAIR PONTANILLA: Thank you. And, and the Chair will give that opportunity for the public to comment at our next meeting that is scheduled for next week Tuesday. So, you know, I just wanna make this announcement, you know, for all those that are probably involved in this matter here, you know, your opportunity to provide more public testimony will be at next week Tuesday at 9 o'clock in these Chambers. And if we can get it in the paper also, you know, try to reach as many people as we can. So, and, and to answer Mr. Hokama's question regarding, you know, about this BF-70 we gonna leave it open to allow the public and Members of the Committee to continue to have access to the TIG report. You know this will also allow for any legislation directly related to BF-70 to be transmitted to this Committee. So we'll just leave it open, there's more concerns, like you mentioned. That opportunity will be given a lot of consideration. Members, any more questions for the TIG members that are here? As well as the Department? If not, you know, I for...

COUNCILMEMBER COUCH: One, one...I'm sorry one quick. When you're...

CHAIR PONTANILLA: Go ahead.

COUNCILMEMBER COUCH: Thank you, Mr. Chair. And I...just for the TIG members and possibly the Department, I still have the issue of, you know, people...farmers who on their farm doing their farming and have their homesite there. A lot of times these guys have second jobs, so, you know, in order to supplement their farming. So the whole, you know, doing the homeowners...changing the homesite into a homeowners thing is still a little bit...I mean and I'm getting email all over the place about this as well. Is, is still might be something that we'd like to try and get the legitimate farmers some sort of break. And now somebody says well do Circuit Breaker, well but they're doing their second job so that's...in order to help them do their farming. So there, there's...they're the gray area guys that I still wanna see if there's...if you guys talked about that a lot, if not, if we can consider something that we can do. And I don't know if the Department can come up with a suggestion or the Committee or, or what. But there's that gray area that I still wanna try and protect, if at all possible.

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CHAIR PONTANILLA: Thank you, Mr. Couch. Member White?

COUNCILMEMBER WHITE: Thank you. That's something we, we discussed a lot because all of us want to protect the real farmers. The, the challenge is that if we're going to focus on taxing the homesite, the real focus is that if you have a quarter acre homesite on an agricultural parcel and your farming that parcel, currently you're getting a significant tax break because the ag, the ag assessed value applies to the homesite. But our, our deliberations really came around to the question of what's fair? And if somebody is living on a quarter of an acre homesite in Makawao versus a quarter of acre homesite on a farm lot, what's...what we felt was fair was that the two pay the same for the homesite, and then we continue the significant discount on the agricultural parcel or the agricultural portion. And the reason for that is that the, the person who's occupying a quarter of an acre homesite surrounded by other homesites in Makawao or a homesite in Kahului, Wailuku, or Lahaina, or Kihei doesn't have the option of making use of 2 acres or 3 acres or 5 or 10 or 20 acres around them for an additional income, for additional sustenance for their families. So we felt that the whole focus of our effort had to be aimed at providing fairness where there isn't currently any fair...a level of fairness that I think is appropriate. So I understand Mr. Couch's concern, and I...and we've, we've all been through that same thought process. We share the same concerns. In our initial discussions we had said...or there was a very strong feeling that if you have...if you're living on ag lands you shouldn't get both the ag assessed value and the homeowners exemption. But we got through that because there are farmers that live separately from the lands that they farm, they get both, they get the ag assessed value on their ag land and they get a homeowners exemption on their home. And yet they're paying...they don't get the ag assessment on their homesite even though they're a farmer. So what's fair? Then we're treating farmers...two different farmers separately. So I believe that what the recommendation has come down to is what is ultimately the most fair and equitable process that we can, we can put forth. It also is in, you know, our, our main focus with this initiation of the TIG, was to correct the inequities between especially the large landowners, the folks that have the fancy houses and the much larger house lots. If we do, it's...we found it very difficult to segregate house lots, you can't treat one house lot different than the other. So if we were to say okay well we're, we're just gonna focus on the ag like we have been, then somebody's doing ag who has a, you know, five acre homesite on a much larger lot, then they're gonna have to be treated the same way.

CHAIR PONTANILLA: Yeah.

COUNCILMEMBER WHITE: And we, we would just have to continue what we've done for many years and that's give everybody the same break same access to the subsidy. The TIG members decided that was just not fair and that was just not something that we were willing to continue.

CHAIR PONTANILLA: Thank you. You know every homeowner, property owner have the ability to apply for Circuit Breaker. I look at the people in my area, Kahului, they apply for Circuit Breaker and some of 'em don't know anything about Circuit Breaker, and we try to, we as a County, try to educate the public in regards to the Circuit Breaker, and take advantage of the

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Circuit Breaker. And, and that's something that we need to continue to advocate for. So, Members, if you have any more questions for the members of TIG or the Department the Chair would, you know, address it right now. Any more questions, Members? If not...

VICE-CHAIR HOKAMA: Chair? Chair?

CHAIR PONTANILLA: Member Hokama?

VICE-CHAIR HOKAMA: Not a, not a question. I was just...would ask your consideration if the division or the Deputy Director has any closing comments--because normally they just responding to our question--I would ask for your consideration to allow them to provide whatever closing comments they may want to provide the Committee at this time, Chairman. Thank you.

CHAIR PONTANILLA: Sure. Department, any closing comments?

MR. SAVAGE: Thank you, Chairman. Again I just wanna comment that I really appreciate you guys doing the due diligence and the homework to find out what it takes to be able to figure which direction that you want to go with this. And by you providing the guidance of what we need to do in the Administration really helps out a lot. So I'm really hopeful about this. In regards to the resources that you're willing to provide to us in both technology and staff member...staff members I also appreciate that as well. However, as we take...as Councilmember Hokama said we do wanna take baby steps because I believe that we're very willing for the taxpayers to work very hard with the resources that we have. As long as we have that, that later on request, we can preserve that request later on to ask for more resources, but I do believe that we have the capacity and the willingness to work very hard while we move forward. Thank you.

CHAIR PONTANILLA: Thank you. Mr. Teruya, closing comments?

MR. TERUYA: Thank you, Chair. I would also echo that of the Deputy. It's not so much the bodies initially, the initial review will be challenging, and if you do provide resources for contract service to do that I would more than be willing to go that route, if that's the way this board chooses. The, the technology part is probably the biggest aspect that we could probably use in doing a mass review of this program. I think we all know that we are in a County that includes three islands, and by use of technology like pictometry that is the most recent fly over would probably be the biggest asset to us so to verify a wide open plane that we can see. So I would say the technology would probably be the first step, and maybe after a year of review that we could maybe come back with, with what...if we're deficient at all. Yeah, thank you.

CHAIR PONTANILLA: Thank you. Budget coming up pretty soon. Marcy, you have any closing comments? No?

MS. MARTIN: No.

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CHAIR PONTANILLA: Okay, Mr. White?

COUNCILMEMBER WHITE: Just, just one final thought is whether the Chair would entertain a budget amendment from the Administration to upgrade the, the GIS and pictometry assets. Because that's...as we go through this process I think that's a really critical piece of what they will need to have in order to do the job as cost effectively as we can. Because after spending, after spending as much time as I have looking at the, the bird's eye view and the other assets that we have, you can do a lot from your desk. And as you, you know, as Scott just said, we have three islands, we can't be sending people all over the place, except where...well we should be sending them out in the field after we've given them --

CHAIR PONTANILLA: Uh-huh.

COUNCILMEMBER WHITE: --the ability to look at all kinds of aspects of any property they're going to inspect using computer assets that are available, and we just need to provide the, the resources for which to acquire them.

CHAIR PONTANILLA: Thank you. The, the Chair is open to budget amendments to make work more efficient. I've always been open to that kind request, and if the Department feel at this time that they, they really require those electronic equipment then that can be considered as we go through a budget amendment, so I'm open to that.

COUNCILMEMBER WHITE: Thank you, Chair.

CHAIR PONTANILLA: Member Hokama, followed by Member Cochran.

VICE-CHAIR HOKAMA: Real quickly. And, Chairman, I think part of Tuesday's meeting to have people give us good comment. I think maybe they need to know where some of us are heading, so I have no problem sharing what I would hope that we could get out of this. I'm hoping that the Budget Committee would eventually send to Council three things: requirement of dedication; the setting of the 5, 10, and 20 year dedication periods to get various varying benefits depending upon length of dedication; and three, the homesite taxation as residential that we treat all other classes. That is what I am hoping there are three things we could move forward out of Budget and Finance Committee to Council for final consideration. That may help us get the type of comment that may be helpful in determining a future decision. But I think it's important for let the community know some the things that we feel is important to move forward, and that's the type of comment that we want in return. Is that a good idea? Is that a bad idea? So I just share that, that I'm willing to support three things, required dedication, 5, 10, 20 year dedication periods, and homesite separation from the ag lot.

CHAIR PONTANILLA: Thank you.

VICE-CHAIR HOKAMA: Thank you, Chairman.

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CHAIR PONTANILLA: And, and the Chair have had discussions with Staff as well as the Department one of the issues, the dedication part. That, you know, we still have some issues in regards to the dedication, but we're gonna be moving on the dedication itself. Member Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. I just had a closing comment and I extremely whole heartedly appreciate the TIG, you know, time and especially the Department. So, you know, it's a frustrating thing and I know we're all on the same page in regards to taxing appropriately and fairly throughout, especially, you know, with, with the ag lands, and I guess, you know, so I don't mean to come across as, you know, attacking the messenger, Mr. Teruya or whoever. But I, I get the picture and it's just a little frustrating when I see great ag land being paved over on a daily basis. So I'm glad we're in this process like Mr. Mateo mentioned, so thank you.

CHAIR PONTANILLA: Thank you. Members, if there's no more comments to be made? The Chair's recommendation is to defer this item, BF-70 as well as BF-86 at this time, if there's no objections?

COUNCIL MEMBERS: No objections.

CHAIR PONTANILLA: Thank you very much. And again, Members, we're gonna be meeting on Tuesday, 9 o'clock, same chambers to move forward on the...**A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.48, MAUI COUNTY CODE, RELATING TO THE TAX ASSESSMENT OF HOMESITES ON PARCELS RECEIVING AGRICULTURAL USE ASSESSMENTS.** So, Members, we'll see you on Tuesday, 9 o'clock. The Budget and Finance Committee meeting...before I close the meeting, I just want to say thank you, Mr. White, for chairing this Committee as well as Mr. Hokama for being the Vice-Chair. I know Mr. Hokama brings a lot of knowledge to this Committee. also Member Baisa as well as Member Victorino who are not here, and thank you, Finance, Deputy Director Savage, for the support that your staff have provided the TIG group in regards to what we're hearing, well the second meeting for this particular item. And then also Mr. Scott Kaneshina for being a big support for the group. Scott?

MR. KANESHINA: Thank you, Mr. Chair. Just, just for a point of reference to the public, BF-70 which we're posting for next week, which is this, this TIG, we uploaded the TIG report and the bill relating to homesites up on the website, so that can be accessed in PDF form there, just to let you know.

COUNCIL MEMBERS VOICED NO OBJECTIONS. (excused: GB and MV)

ACTION: DEFER pending further discussion on Items BF-70 and BF-86.

CHAIR PONTANILLA: Okay, thank you. Members, with that the Budget and Finance Committee Meeting for November 17th is now adjourned. . . .(gavel). . .

ADJOURN: 10:38 a.m.

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APPROVED:


JOSEPH PONTANILLA, Chair
Budget and Finance Committee

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Transcribed by: Tehani Villalobos

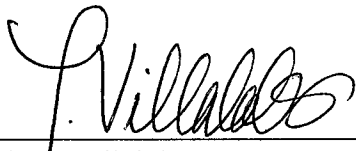
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CERTIFICATE

I, Tehani Villalobos, hereby certify that the foregoing represents to the best of my ability, a true and correct transcript of the proceedings. I further certify that I am not in any way concerned with the cause.

DATED the 9th day of December, 2011, in Lahaina, Hawaii



Tehani Villalobos