BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

MINUTES

September 1, 2015

Council Chamber

CONVENE: 9:04 a.m.

PRESENT:
Councilmember Riki Hokama, Chair
Councilmember Mike White, Vice-Chair (out 10:09 a.m.; in 10:23 a.m.)
Councilmember Gladys C. Baisa, Member (out 11:25 a.m.)
Councilmember Robert Carroll, Member
Councilmember Elle Cochran, Member
Councilmember Don Couch, Member
Councilmember Stacy Crivello, Member
Councilmember Don S. Guzman, Member
Councilmember Michael P. Victorino, Member (out 11:26 a.m.)

STAFF:
Jordan Molina, Legislative Analyst
Clarita Balala, Substitute Committee Secretary

Ella Alcon, Council Aide, Molokai Council Office (via telephone conference bridge)
Denise Fernandez, Council Aide, Lanai Council Office (via telephone conference bridge)

Kathy Kaohu, Executive Assistant to Councilmember Don S. Guzman

ADMIN.:
Sananda Baz, Budget Director, Office of the Mayor
Butch K. Buenconsejo, Director, Department of Parks and Recreation
Michele McLean, Deputy Director, Department of Planning
Jeffrey Dack, Planner, Current Planning Division, Department of Planning
David Goode, Director, Department of Public Works
Mark R. Walker, Deputy Director, Department of Finance
Scott Teruya, Administrator, Real Property Tax Division, Department of Finance
Marcy Martin, Senior Real Property Technical Officer, Real Property Tax Division, Department of Finance
Jeffrey Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

Seated in the gallery:
John Rapacz, Planning Program Administrator, Department of Planning

OTHERS:
Tom Croly (BF-40 & BF-42)
Others (1)

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

CHAIR HOKAMA: . . .*(gavel)*. . . We shall bring the Council's Committee on Budget and Finance to order. This morning we have our Vice-Chairman, Mr. White.

VICE-CHAIR WHITE: Good morning.

CHAIR HOKAMA: Good morning. Committee Members, Mr. Carroll.

COUNCILMEMBER CARROLL: Good morning, Chair.

CHAIR HOKAMA: Good morning, sir. Ms. Baisa.

COUNCILMEMBER BAISA: Good morning, Chair.

CHAIR HOKAMA: Ms. Cochran.

COUNCILMEMBER COCHRAN: Aloha. Good morning, Chair.

CHAIR HOKAMA: Mr. Couch.

COUNCILMEMBER COUCH: Good morning, Chair.

CHAIR HOKAMA: Ms. Crivello.

COUNCILMEMBER CRIVELLO: Good morning, Chair.

CHAIR HOKAMA: Mr. Guzman.

COUNCILMEMBER GUZMAN: Good morning, Chair.

CHAIR HOKAMA: And Mr. Victorino.

COUNCILMEMBER VICTORINO: Aloha and good morning, Chair.

CHAIR HOKAMA: All Members present. This morning, Members, because of yesterday's unexpected fire incident, we will not be broadcasting this meeting, okay. But we shall run the meeting as always with testimony from all District Offices and we shall continue with the agenda. So we do what we need to which is, let's even get myself, get our noise-making devices on silent or off mode, please. At this time I'll ask Ms. Balala, is there any written request to have testimony presented to…for today's meeting?

MS. BALALA: There is one testifier, Mr. Chair.

CHAIR HOKAMA: Okay. Thank you. We'll ask Mr. Croly to come forward and Mr. Croly is a veteran testifier. Knows…anyone who really wishes to speak, make yourself known.

We shall provide you three minutes per agendized item, and I see Mr. Croly has requested to speak on two items this morning. So, Mr. Croly, why don't you share your comments with us?

. . .BEGIN PUBLIC TESTIMONY. . .

MR. CROLY: Thank you, Chair. Tom Croly, speaking on my own behalf today. First on BF-40, Penalties for Violations of Home Exemption Requirements. The Homeowner exemption and the corresponding tax rate offered to most Maui homeowners is a very valuable real property tax benefit, more valuable than any offered anywhere in the nation, quite frankly. Nowhere that I'm aware of offers such generous tax relief. This can reduce a homeowner's tax obligation from 60 to 90 percent. The program costs the County of Maui about $60 million a year. Think about what you could do with $60 million if you had it in the budget. As a result of this huge reduction in tax obligation, this program became…becomes ripe for potential abuse by property owners, and as a result should be judiciously administrated to ensure the County receives all of the tax rightfully due it. Having a penalty or the ability to back tax for willful abuse of this tax subsidy would seem appropriate since there are no real penalties in place if someone claims homeowner who doesn't deserve it. If they get caught, what happens? They go back to the tax that they would've paid otherwise. And I can think of some real examples where this happens. In fact, I saw it just on my street today. A house went up for sale, and that prompted me to go look at the tax record for that house, and I saw it was claiming a Homeowner. And I knew that this house had been in rental for a long period of time. So I looked up the owner and the owner owned a $3 million house in Makena. So they had moved from this house to a bigger house, but never said, oh, I wanna take away my homeowner exemption. So they continued to gain the Homeowner exemption on the one house that, you know, they no longer lived in, and then took it on another house. And clearly, you know, I don't know if that was by mistake because they needed to…they should've taken the action to remove it, or whether it was conscious. But the bottom line was, the benefit's so great that unless we give people some type of penalty if they don't, you know, self-declare, it could be problem. Property owners must make application to get this tax treatment. But there's no proactive program in place for them to have to continue to qualify. I think it might be wise to have something in place where at least every five years they would have to go back and re-up, whether it'd be a letter that we send to them that says, okay, are you still living in this house? If you're not, then please let us know under penalty of whatever the penalty you decide might be. Removal of an inappropriate homeowner exemption brings up the issue of what tax classification is appropriate, and perhaps what the appropriate penalty would be for someone who has willfully lied and claimed Homeowner. And I don't know how you would do it, but I think that something like assigning them to a punitive category like Hotel might be appropriate. Now again, there's…you're gonna have to figure out a legal way to do that. But coming up with a way that if we show that they willfully lied using the taxation as a penalty method, as opposed to simply a fine, I think would work well. Rolling into BF-42 now, the issue of bed and breakfast and short-term rental tax classifications. And in the case of someone perhaps who is doing bed and breakfast or short-term rental without a permit, perhaps there should be a similar tax, punitive tax category that they could be assigned into because they didn't get a permit. This might be an incentive for someone who might want to make this use to say, gee, I wanna get a permit because that will keep me in a better tax category than if they catch me where I don't have a permit. As to the appropriateness of the Commercial Residential tax classification for B&Bs and short-term rentals, there are some specific reasons for why the property classification of B&Bs and short-term rentals are different. Bed and breakfast operators are by definition, and have to prove as part of the application process, that they are living on the parcel where they are conducting their bed and breakfast activities. As a result, I would argue that they should be, and that includes me, eligible for the $200,000 exemption. However, our Code specifically says they're not, and it specifically assigns them to this category called Commercialized Residential which as those who know…who were here when we formed that category know, it is a blend of both the Commercial component and the Homeowner component of these folks. It's not appropriate to put people who don't live in their homes into the same category as Commercialized Residential, that is someone who has a Short-Term Rental Permit or a Conditional Permit and doesn't reside in the home. They belong in the Commercial category as this Council decided last year. I'd like to bring to the Council's attention one issue with the Commercialized Residential name of that category. Unfortunately, the name of that category has triggered a problem for folks who try to refinance their homes. When a homeowner tries to refinance his home, the underwriters look closely at everything surrounding that, including the real property tax record. And when they come across this thing that says Commercialized Residential, they picture in their minds that this person is living in a place where there's a storefront downstairs and maybe they live upstairs. But, of course, we know that's not the case in a bed and breakfast. You're living in a single-family residential home. But when they see this Commercial thing, all of a sudden they don't qualify for refinancing or financing of their home at…in a residential loan package. So they get bumped up to a commercial loan package which costs them a lot more in financing fees. I'd like to make a recommendation to this Committee that we change the name of Commercialized Residential to something as benign as Residential Two --

MR. MOLINA: Three minutes.

MR. CROLY: --as opposed to calling it Commercialized Residential, that Commercial word triggers that question. Something like Residential Two I don't think would trigger that same concern by a loan underwriter and perhaps these folks could refinance with less problems. Thank you.

CHAIR HOKAMA: Thank you, Mr. Croly, for your comments this morning. Members, any questions for the gentleman on either BF-40 or 42 on testimony presented? Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair, and thank you, Mr. Croly, for being here and your testimony. You talked about…you mentioned that as a B&B, you thought that because somebody lived…had to live on the property that they should get the $200,000 exemption?

MR. CROLY: Uh-huh.

COUNCILMEMBER COUCH: Does that include the Homeowner's rate, or you're talking still the --

MR. CROLY: Right, right.

COUNCILMEMBER COUCH: --Residential?

MR. CROLY: The exemption and the rate are by Code, two different things, okay. Now the way that it's administrated right now, everyone who gets the exemption also gets the rate. But if you read the Code closely, there's two different criteria for qualifying for the rate and qualifying for the exemption. Qualifying for the exemption says you live on your home which, of course, the B&B guys do. Now let me be clear. We have made clear in Code that they don't qualify because we've added that to the Code. But I don't think that that's fair. I think they should…because they live on their home, they should get the exemption. Now as to the rate, the Commercialized Residential category as we described is a blend rate of Homeowner and Commercial, and I think that that's appropriate. But giving them back their exemption, I would fight for that.

COUNCILMEMBER COUCH: Well, and Mr. Chair, if I may, I can understand your, you know, saying, okay, well, we would get the exemption. But, as you said, the Commercialized Residential is a combination of Homeowner's and Residential or Commercial, whatever. I would be more amenable to say, okay, you can get your exemption, your $200,000 exemption, but you probably have to go to a Residential rate as opposed to a Homeowner's rate.

MR. CROLY: And the Residential rate is in between the Commercial rate and the Homeowner rate, and I personally wouldn't object to that. That's a reasonable compromise as well.

COUNCILMEMBER COUCH: Okay. Thank you, Chair.

CHAIR HOKAMA: Thank you, Mr. Couch. Members, any other questions for Mr. Croly on testimony presented? Mr. Croly, we thank you for your --

MR. CROLY: Thank you, Chair.

CHAIR HOKAMA: --testimony this morning. We'll ask Lanai and Ms. Fernandez, is anyone wishing to provide testimony for today's agenda?

MS. FERNANDEZ: There is no one waiting to testify at the Lanai Office.

CHAIR HOKAMA: Thank you. We'll go to Molokai and ask Ms. Alcon if there is anyone wishing to testify.

MS. ALCON: There's no one here on Molokai waiting to testify.

CHAIR HOKAMA: Thank you, ladies. Anyone else in this Chamber would like to give testimony? Seeing none, Members, with no objections we shall close testimony for today's meeting.

COUNCILMEMBERS: No objections.

CHAIR HOKAMA: Thank you. So ordered. Testimony is closed.

. . .END OF PUBLIC TESTIMONY. . .

ITEM 32: ACCEPTANCE OF $468,000 CONTRIBUTION FROM MAUI TIMESHARE VENTURE, LLC TO CONSTRUCT THREE TENNIS COURTS IN WEST MAUI (CC 15-76)

CHAIR HOKAMA: We shall now move on to our first item. Thank you, Jordan. May I direct you to BF-32. We have this under the heading of Acceptance of $468,000 Contribution from Maui Timeshare Venture, LLC to Construct Three Tennis Courts in West Maui. And this morning we have our Parks Director, Mr. Kaala Buenconsejo, to give us some comment on this item, as well as Mr. Baz from the Budget Office.

MR. BAZ: Good morning.

CHAIR HOKAMA: Good morning.

MR. BUENCONSEJO: Good morning, Chair.

CHAIR HOKAMA: Gentlemen.

MR. BUENCONSEJO: Thank you, Chair, Councilmembers. As requested in last Budget Council hearing, Council requested a transmittal for the total construction cost for the previous tennis court construction over at the Lahaina Civic Center. So that should've been transmitted up there, and I'm assuming that Council got the breakdown of the cost for the construction of those four new tennis courts that were provided with the cost of 2.6 million that the County had paid for directly. Those costs breakdown which was a concern just to get a dollar for dollar sense of what's being sent through us through the proposed funding, as you can see there, there was a lot more detailed work than what the timeshare association is giving back to us from what was proposed in the original. So just to give a little history on what the real cost went to out of that 2.6 million, 1.6 of that was for drainage, retaining walls, a lot of infrastructure costs with the redoing, or reconstruction of four brand new courts in Lahaina Civic Center. So 1.6 of that went to there, another 165,000 went to the parking lot. The tennis courts itself, the four courts that were built brand new, is somewhat and comparable to what is being donated to us. That true cost was roughly about $659,000. So you can kinda see the monies and where all the funding went for the new tennis court build out over in Lahaina. Thank you, Chair.

CHAIR HOKAMA: Thank you, Director. Mr. Baz, do you have any comments you would like to share at this time?

MR. BAZ: No, thank you, Mr. Chair.

CHAIR HOKAMA: Thank you. Mr. White, any questions for our resource people?

VICE-CHAIR WHITE: No, I appreciate their explanation. Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. Guzman, our Parks Chair, any questions?

COUNCILMEMBER GUZMAN: No, not at this time. Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. Victorino?

COUNCILMEMBER VICTORINO: None at this time.

CHAIR HOKAMA: Mr. Carroll, any questions? Ms. Baisa?

COUNCILMEMBER BAISA: No, thank you very much. I'm satisfied.

CHAIR HOKAMA: Okay. Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. No questions, but looking at the breakdown and things are costly is all I can say. So I have no questions. Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. Couch? Ms. Crivello?

COUNCILMEMBER CRIVELLO: No questions, thank you.

CHAIR HOKAMA: Okay, one thing I would say in reviewing this sizeable file on this item, gentlemen, one of the things I would say can assist Council in the future is maybe having the Planning Commission be a little bit more clear on what their intention is, because I don't know if their intention was for the County to pay $2.6 million for four tennis courts. And I know you don't deal with the Commission exactly, your two Departments, but to me part of the problem is clarity of understanding what the hell the Commission was trying to do. So when Planning Department comes, they'll be able to answer that for us. Any other questions, Members? We have Planning Department also if we have questions for them. We'll ask our Deputy Director, Ms. McLean, if she would come forward and maybe give us some insight on what the Commission was thinking regarding this contribution, if you're able to share what you thought they were trying to get accomplished, Director.

MS. McLEAN: Thank you, Chair, and good morning, Chair and Committee Members. I'm actually gonna pass this over to Jeffrey Dack who's one of our Senior Planners who was also the Staff Planner when this project went through the Planning Commission.

CHAIR HOKAMA: Okay, thank you. Mr. Dack?

MR. DACK: Yes, good morning, Councilmembers. This is your third meeting on this subject. I've explained at the two prior meetings that the Planning Commission considered this addition of this condition requiring the developer to compensate the County for the…or, excuse me, to provide funding which would in some way compensate for the elimination of tennis courts at the Hyatt. That was done at…as a motion on the floor and as a result of testimony by the West Maui Tennis Club who had…which had representatives attending the Planning Commission meetings and a number of other meetings, I understand, at that time concerned about the elimination of tennis courts in West Maui. And this was made as actually as a…came up as an offer from the developer to provide some kind of compensation for the removal of those tennis courts, and the Commission accepted it. There wasn't a huge amount of thought that went into it. There was not any call for any kind of staff analysis. As I said, this was an idea that was brought up in response to testimony, the developer in their good intentions trying to be responsive and mitigating concerns that had been expressed in testimony. So that…that's the history of how this came about.

CHAIR HOKAMA: Thank you for that…those comments, Mr. Dack. The Chair appreciates your insight in recalling how it occurred. Members, questions for the Planning Department regarding this item? Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair, and thank you, Mr. Dack, for being here and jogging your memory from the past here. The…so elimination of…pretty much they were private courts to begin with, is that not true, at the Hyatt?

MR. DACK: There are still…if I could look and answer you precisely, but the best of my memory without looking in the book that I have, is that there were five or six courts at that time. They eliminated three. I think there are two or three still remaining. But they wanted to…but the…again, the West Maui Tennis Association was concerned about the elimination of any courts in West Maui and wanted to try to have that number of courts retained. And so again, the developer made this offer to contribute funds to mitigate for those…elimination of those courts and so…such that the courts could come…could replace them somewhere in West Maui, and it wasn't even indicated who was going to be the party that would provide those courts. It was an open matter. When the developer was concerned how to implement that condition, they actually contacted other parties prior to even the County. But it turns out the County was the only party that seemed to be a reasonable recipient of the funds that would be providing courts, or in a position to do that.

COUNCILMEMBER COCHRAN: Okay, and I guess the intent was the…perhaps maybe overflow because guests from the properties would now be utilizing public type courts. And so to, I guess, address and offset the added usage on our public courts from the private sector, I guess, to pitch in and help create more space for the players. Was that kinda the idea you think?

MR. DACK: Yeah, this…again, this was from testimony from West Maui Tennis Association, but I…what the Councilmember's mentioning seems a rational supposition of where they were coming from. I don't think it was precisely clear. But I also think there's just generally concern that if they're…again, if they're all…even if you had a stock of, so to speak, six tennis courts on the Hyatt, the Hyatt conceivably could make those courts available to the members of the public. And if that were to be the case and then they were taken out of availability, then that would be taking it out of the stock of tennis courts available to the community. So they just wanted to see that number of tennis courts not go down in West Maui.

COUNCILMEMBER COCHRAN: Okay, and so was there ever any…had…was there a deal done with the Marriott next door at all, do you recall? 'Cause they eliminated a lot of courts also with their Napili Tower.

MR. DACK: I don't know that. I'm not aware of that.

COUNCILMEMBER COCHRAN: Okay, thank you. Chair, thank you.

CHAIR HOKAMA: Okay thank you. Other questions, Members? Mr. Ueoka, it is my understanding, even the Mayor cannot make a financial commitment on behalf of the County without Council approval. So how does a commission get to make a condition, and in a sense, committed to over $2 million of County money for get this thing complied with?

MR. UEOKA: Chair, thank you. You are correct, you can't make a financial commitment. However, this condition wasn't a financial commitment placed on the County. It was essentially the Planning Commission told the developer as a SMA condition that since they're removing tennis courts, they need to supply funds to another entity for…to go towards tennis courts in West Maui. So it wasn't actually a financial commitment being made on behalf of the…or…yeah, I guess by the County. Thank you, Chair.

CHAIR HOKAMA: Okay. Well, that's the problem when you don't do financial analysis before you make decisions because now we're on the hook. Well, we spent the damn money already so…

COUNCILMEMBER GUZMAN: Chair?

CHAIR HOKAMA: Mr. Guzman?

COUNCILMEMBER GUZMAN: Thank you. I'm just looking at Condition 67 where it just says that the applicant shall retain 3 tennis courts on Parcel 5 and contribute the value of 3 eliminated courts to be donated for the construction elsewhere in West Maui. So where does it say that it has to be given, or at least contributed to another entity? And how did they come up with 468,000 when the total value of 3 tennis courts is 2.4 million according to the construction estimates? So my reading of this is that they should be contributing 2.4 million because it's the value of the eliminated courts, or unless the older courts were assessed at that value prior to the condition being set forth in the document. So clearly there should've been an economic analysis, but value to value, what are we talking about here? Do they owe us 2.4 or 364,000?

CHAIR HOKAMA: Well, for me, yeah, Mr. Guzman, you know, all I know is this is not acceptable how we performed. We gotta do it better. We have to do this better. So how do we make it better in the process?

COUNCILMEMBER GUZMAN: Yeah, I agree with that.

CHAIR HOKAMA: And maybe we gotta look at revising the Code or having the commissions change their review on process of how they set these conditions that will have financial impact. Again, this on-the-cuff, flying bullet solutions doesn't always work.

COUNCILMEMBER GUZMAN: I just wanted to know how they came up with that number if the condition itself says the *value*, contribute the *value* of three eliminated courts. So where did they come up with the 364,000, I believe? What, is that right?

UNIDENTIFIED SPEAKER: Four hundred sixty-four.

COUNCILMEMBER GUZMAN: Oh yeah, four hundred and…yeah, 468.

CHAIR HOKAMA: Four sixty-eight I believe is a number that, in discussions with the Department, they arrived at this number. Director Buenconsejo?

MR. BUENCONSEJO: Chair, thank you, Chair. Councilmember Guzman, so that was kind of negotiated between the developer, the Parks Department, and came up with a number of what I guess in a sense what the cost would be, not to necessarily reconstruct the…a whole tennis court like how you have this 2.6. So the 2.6 isn't the true cost of the tennis court itself. That did a lot of drainage, retaining walls so if you kind of look at the breakdown. The actual cost for the tennis court based on land that was ready to be developed for a tennis court per se, is about $600,000 for 4 courts, 659 to be exact for 4 courts. So we're kind of in that line with that 468 or with what it would be to just kind of resurface, redo some of the court surfacing and the acrylic. But what we have here in the 2.6 that was built out in the Lahaina Civic was the total construction of actual raw land and constructing it into tennis courts. So again it's a little bit different. I wouldn't say it's 2.6 million for those 3 courts that the Hyatt kinda gave up.

COUNCILMEMBER GUZMAN: Chair?

CHAIR HOKAMA: Mr. Guzman?

COUNCILMEMBER GUZMAN: Was that conducted by an appraisal to get that number of 600,000 that you just mentioned? Because I know when we sell, like say, medical clinics and things like that, we have…there is always an appraisal for any type of building, land. You can find a person or an entity that does those type of appraisals. So my question to you is, was those previous courts ever appraised for their value?

CHAIR HOKAMA: Director?

MR. BUENCONSEJO: Chair, I can follow up on that. Again, it was a couple of years back, but I can follow up as far as where that number came from. I know there was a back and forth from what the original number was given to the Department, and the Department back and said, okay, we want X amount of dollars. And this is the negotiated price, the 468. As far as where they came up with a true appraisal value, I would have to get back to you on that one.

COUNCILMEMBER GUZMAN: Okay, thank you. Chair, can we get a follow-up on that?

CHAIR HOKAMA: Yeah, we'll send a letter.

COUNCILMEMBER GUZMAN: Thank you.

CHAIR HOKAMA: From the Committee Staff. Okay, further questions, Members? Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair. So, Mr. Buenconsejo, you're saying that it was 600-some thousand for 4 courts. So at 468 we're actually getting a deal because we're getting more than what 3 courts were…what it cost to do the 3 courts.

UNIDENTIFIED SPEAKER: It was appraised at . . .*(inaudible)*. . .

COUNCILMEMBER COUCH: No, it's the actual cost, right here. The actual cost of the courts are right here so…

MR. BUENCONSEJO: Chair?

CHAIR HOKAMA: Mr. Director?

MR. BUENCONSEJO: Yeah, so I mean we're saying basically the 468, again not being legally appraised but it's a fair value based on just the construction of the tennis courts to be built out at the Lahaina Civic with the 4 courts, that we're kind of in that ballpark. It's not the 2.6 compared to the 468. The 2.6 involved a lot of other moving of material and build outs of drainage and everything else. So, but court for court, we're right in that ballpark of what's being contributed to what we spent out for the build out.

COUNCILMEMBER COUCH: Okay, thank you, Chair.

COUNCILMEMBER VICTORINO: Chair?

CHAIR HOKAMA: Okay, thank you. Mr. Victorino…or Mr. White first, then Mr. Victorino.

VICE-CHAIR WHITE: Thank you, Chair. You know, I think we need to remind ourselves that this was not something that the County requested of the developer. This is something the developer offered. So to get our panties in knots over $2.6 million versus 468, I think is misguided because, you know, this is something that the developer decided to do in response to testimony, not in response to any request from the County. And quite honestly, you know, if we're gonna choose to build tennis courts in a place where the groundwork is gonna add another $2 million to the project, that's our choice. That's what we should be questioning, not the amount that was gifted to us by a developer to provide more tennis courts when tennis is not a growing sport in my recollection. So I, you know, I think we're getting kinda wound up over stuff that we shouldn't be wound up over. I think we should be thankful that somebody reached into their pockets and gave the County a significant amount of money towards the cost of four courts. If we chose…or three courts…if we chose to put them in a flat area, it probably could've been done for the money that they gave us. So that's all I have to say. Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. Victorino?

COUNCILMEMBER VICTORINO: Thank you and thank you, Mr. White, you took the words right out of my mouth. So just doing some quick math, if you did 3 courts based on the 659,000, it would've come out 494,250. So then the public knows that we really didn't get a super deal, but we didn't pay much more. And that was my last question for you is, was there anything ever mandated in these agreements, not offered by the developer, but mandated by the County or some kind of ordinance or agreement, prior agreement, that whenever they took these tennis courts out, we'd have to…we'd ask for replacements? Was that ever, as far as you know…and if not, Mr. Chair, then I want a letter with your…with the other questions to be sent out, because I'd be interested to know that. I know for a long time most of the West Side used private courts because they were all available. But I don't recall, because I remember when the Marriott brought theirs out, I used to work at Kaanapali Alii and that was one of the concerns. And there was nothing in the original lease, SMA or agreements that made them replace those tennis courts. So I'd like to find that out as far as not only the Hyatt, but any of the other properties out there, so we can make sure that in the future, you know, we have some…something to stand on if we do. And if we don't, we hope for the offers like this. But anyhow, Mr. Buenconsejo, do you know of anything at this point right off the top of your head?

CHAIR HOKAMA: Mr. Director?

MR. BUENCONSEJO: Chair, from my understanding there was no agreement that we had to rebuild those courts. I think part of it was just the community outcry for more courts, and then the…not the shutdown, but the Mo`olele where Moku`ula is.

COUNCILMEMBER VICTORINO: Right.

MR. BUENCONSEJO: Those courts as well, you know, were being refurbished in a sense because of the possible closure when Moku`ula comes into Front. But to answer your question, there was no true wording that we had to rebuild those courts. And the community was the one that kinda came together, as well as you guys know with the basketball court, they wouldn't even let us use the other court to put another basketball down there so it was more of a community push than a requirement.

COUNCILMEMBER VICTORINO: Thank you for that clarification. But I would still like to see if there's anything that exists out there.

CHAIR HOKAMA: We'll forward a communication requesting information, Mr. Victorino.

COUNCILMEMBER VICTORINO: Thank you, thank you, Chair.

CHAIR HOKAMA: Okay, anyone else has questions for either Planning, Parks, or Budget Office? Make yourself known now. If not, I am tired of Item 32. And, you know, I take Mr. White and Mr. Victorino's comments to heart. As you guys know, everyone goes through the same scrutiny with me. Nobody gets a free ride. But I am open to a motion to move to Council the consideration of the revised resolution that we have posted which is Authorizing Acceptance of a Contribution from Maui Timeshare Venture, LLC, to the Department of Parks and Recreation, Pursuant to Section 13-8, Revised Charter of the County of Maui (1983), as Amended, and Chapter 3.56, Maui County Code.

VICE-CHAIR WHITE: So moved.

COUNCILMEMBER COCHRAN: Chair, I second the motion.

CHAIR HOKAMA: Okay, we have a motion made by Mr. White, seconded by Ms. Cochran. Is there any further discussion on the motion before you, Members?

COUNCILMEMBER VICTORINO: Mr. Chair?

CHAIR HOKAMA: Yes, Mr. Victorino?

COUNCILMEMBER VICTORINO: Not so much a discussion, but I would like to say that I would like to thank both the community and the developer for bringing the issue forward and for the developer's response in putting this donation forward. I think we gotta recognize that. I think Mr. White had a most appropriate statement which I will not repeat, but I believe that, you know, we gotta recognize when people come forward and are willing to contribute something that's needed based on the community requests. So I'm very thankful for that and I wanna thank the developer and the community for working together. Thank you, Chair.

CHAIR HOKAMA: Okay, thank you. Mr. White?

VICE-CHAIR WHITE: Just one final comment. I think this shows that when the cameras are off, we can be a little more colorful.

COUNCILMEMBER VICTORINO: I think so.

CHAIR HOKAMA: Then we'll keep it off all of the time.

COUNCILMEMBER VICTORINO: But it's still recorded.

CHAIR HOKAMA: Anyone else would like to make a comment? Ms. Baisa?

COUNCILMEMBER BAISA: Thank you very much, Chair. I just want to say that I'm glad that we've reached this point. I think this Committee has done its due diligence. I wanna thank all the people that have had to do all this research for us. It can't have been easy to round up all these documents and costs and whatever. But I think that, you know, as we sit here today we have a much better understanding of what we have before us. And I just wanna thank you, Chair, and everyone who was involved in bringing us to this point. Thank you.

CHAIR HOKAMA: Thank you for your comments. Anyone else, Members? Having none, all in favor of the motion, please say, "aye."

COUNCILMEMBERS: Aye.

CHAIR HOKAMA: Opposed, say "no." Motion passes with nine "ayes."

VOTE:	**AYES:**	**Chair Hokama, Vice-Chair White, and Councilmembers Baisa, Carroll, Cochran, Couch, Crivello, Guzman, and Victorino.**
	NOES:	**None.**
	ABSTAIN:	**None.**
	ABSENT:	**None.**
	EXC.:	**None.**

MOTION CARRIED.

ACTION: ADOPTION of revised resolution and FILING of communication.

CHAIR HOKAMA: Directors, thank you very much for your presence. We appreciate it.

ITEM 39: REPORTING OF UNPERMITTED BUILDING IMPROVEMENTS (MISC)

CHAIR HOKAMA: Okay, Members, may I direct you now to Item 39, Reporting of Unpermitted Building Improvements, which is...okay, so we have a Communication dated May 28, 2015, from the County Clerk, referring the matter of unpermitted building improvements to the Committee. And this morning we shall have comments from the Department of Finance, and I see we also have Public Works, Planning. Okay, so we have Mr. Goode currently up front with Mr. Teruya. Mr. Goode is the Public Works Director. We have Mr. Teruya, Real Property Tax Division head. For the Department of Finance we also have Mr. Walker in the back and available. We also have Mr. Baz, Director of Budget present, and we have our Deputy Planning Director also available if need be. And I see Ms. Martin from Real Property Tax also available. So, gentlemen, who wants to give the opening comment? Mr. Goode?

MR. GOODE: Thank you, Chair. Good morning, Members, David Goode here, Director of Department of Public Works. You know, I'm only going off the background that I saw in the referral. This particular item when it came up during the Budget deliberations, I may not have been present for, but I think I understand the issue. And if I understand it correctly, the issue is that Real Property Tax when they send their assessors out onto various properties, they note what structures they see on a property. They don't note generally whether or not those structures have building permits. And as the Council probably knows from discussions we've had and when we did the Building Code amendments a few years ago, there's a lot of exemptions under our existing Code and now under State law for various structures that don't need permits, especially in the Ag District. Under the new Ag...I can't remember...we call it Act 203, or 204, something like that. There's a lot of structures in the Ag District that are exempt from the Building Code so they may not need permits. There's also a lot of structures that are smaller like sheds on Urban properties and Ag properties that because of their size being so small, are simply exempt. And finally we have any structure built before, I think in 1953 is when we had our first Building Code, somewhere around 1953, anything built before that is grandfathered and exempt. So my point is that there are a lot of structures out there that are simply exempt, period. And Mr. Teruya can tell you more about from their side of it, when they go out and look at a property, they're looking to tax what's there and not necessarily to see if it's been permitted or not. I do know that when we permit structures, we send copies of that information to Real Property Tax so they can at least see what was permitted, and then to see whether or not it was in fact build or slightly changed 'cause they'll measure the dimensions of a building. And then finally I'd like to add that we do spend a lot of time dealing with unpermitted structures already. So the public will call us that they think something's been constructed illegally. We'll go out and do an RFS, and we'll go out and investigate. Generally, if we do see an unpermitted structure, we also pull in the Planning Department at that point 'cause it's more than likely a zoning violation as well. We also receive a lot of inquiries from realtors. So when properties are going up for sale or about to close, certainly in the last few years the parties are very keen on cleaning up any permit issues. And so we are finding that we're cleaning up a lot of properties through that process as well. I don't know the exact amount of time but it's probably at least 25 percent of our staff time overall is dealt…is dealing with RFS' of all types, and questions on whether or not there's permits on particular structures is the vast majority of that 25 percent. So my take on this is that the existing system is okay. There might be instances, a handful, or perhaps Scott folks come across a building that's like 3,000, 4,000 square feet, single-family structure, and there's no…it's like, oh, we didn't get notice of a Building Permit. It looks new. How did that get here? You know, that might be a big red flag. You know, seeing a shed next to a banana patch that's, you know, 80 square feet is probably exempt already. So again my feeling is that the existing system works fine as it is, with maybe a couple outlier examples that we could tighten up. So, Chair, that concludes my thoughts on the matter.

CHAIR HOKAMA: Okay, thank you. Mr. Teruya, any opening comments you wanna give --

MR. TERUYA: Thank you, Chair --

CHAIR HOKAMA: --from your perspective?

MR. TERUYA: --Members. For Real Property Tax, in anticipation of the expansion position of the Compliance Officers that we received, we had contracted a vendor to use our existing obliques and imagery with Pictometry against the building footprints of our existing data in our camera database. I think the initial report was about 22,000 structures that may be a little bit off. And this ranges from significant to insignificant, meaning like a shed. So rather than codify a requirement for us to notify DSA, we would probably prefer to maybe provide them the list that we have of significant structures that we will go…possibly go out and look at, and we'll probably prioritize that list. So I mean if we could just simply work…I've already talked to Mr. Raatz and Dave about this so if we could just pass down that list as we get it, that would probably be the simplest way for us to do that information than to create 22,000 RFS' to them, you know. That'd be kinda laborious. So, you know, it's up to the Chair.

CHAIR HOKAMA: Twenty-two thousand, is that consistent, you know, year after year? Or this is one high point in…some concern for us?

MR. TERUYA: Chairman, I don't think we've ever done a check versus existing, using oblique's, versus our database. So I would say the numbers will definitely go down as we see 'em. Like I said, I think there is a high number of insignificant structures that will be picked up which will be like sheds. I mean there's a lot of sheds out there. So if it's not on our records and it's not showing up, it's showing up on the oblique's, those could be a high number of hits for just sheds. How much it would add to the assessment base, maybe very little. But what we're probably gonna do is probably look at the significant mismatches and try to work from there, and that's what the newly created Compliance Section will be tasked with doing.

CHAIR HOKAMA: Out of the 22,000, you said a big number is insignificant, if I heard correctly. So what is your good estimate on what is significant structures we're looking at of the 22?

MR. TERUYA: I don't think we've actually looked at the list, and I don't think Marcy at this point can identify how many significant structures, but when we say significant, it would be like omitted structures, houses that were not on our base. So that would be the significant list, is probably omitted properties. And, you know, I think four or five years ago I had mentioned to you folks using Pictometry's imagery in the initial get-go we picked up that house with a back tax of about $112,000 for that back tax. So that would be obviously significant. So, but that would be the high end. But the significant mismatches for us will be omitted structures.

CHAIR HOKAMA: So let's take that example of that house you said didn't get permitted. Can they still come in and ask…convince you to give 'em one homeowner's exemption on a structure that legally doesn't exist?

MR. TERUYA: Well, for us we haven't really gone down the path of whether things were legal or not. We're assuming that most building structures are homes, are permitted. In this case that we missed, this was on State Conservation, and therefore maybe bypassing the current system of the County. So that's one of the loopholes for, on State Conservation land.

CHAIR HOKAMA: I find it hard since the Land Board normally puts that they must…the tenant or lessee must comply with all State, Federal and County laws, or they should be terminated, their lease. Right, Mr. Goode?

MR. GOODE: Yeah, yeah, thanks, Mr. Chair. Yeah, on that point our law, our ordinance says that building permits for Conservation are not required. So while the Land Board might say comply, we give them an exemption. So that's actually an item in IEM, right, regarding building permits in Conservation and DHHL. So it's something that Chair's looking at.

CHAIR HOKAMA: Well, we're gonna wait for Ms. Cochran and her Committee to give us some recommendations on those items. Mr. White, questions for what was currently just been presented? We'll also have comments from Planning and whoever else we may need from our resource people.

VICE-CHAIR WHITE: No, Chair, I think, you know, the issue that's in Ms. Cochran's Committee is one that will help this situation in a couple of areas. But I also would tend to agree that we don't wanna formalize or codify a requirement to communicate because I think it's better if we let the Administration decide where to draw the line on whether they send the information to DSA for a review, and limiting it to significant square footage I think is good. But I'm okay letting the Tax Department decide what significant is, as long as it's a big number.

CHAIR HOKAMA: Well, I'm not really happy with that either, so I'm gonna send a letter stating that they respond in writing what is the current policy, and what should the policy be, and whether they need Council action to the Code or other parts of the legislation that we need to consider to make it more effective. And I want that money.

VICE-CHAIR WHITE: Oh, I certainly agree with making sure that when they find the…they find new structures that we go after them.

CHAIR HOKAMA: 'Cause, you know, I'm old school. I have no tolerance for those that don't follow the process. So I don't have a problem with very high, punitive draconian penalties. Mr. Couch?

COUNCILMEMBER COUCH: Yeah, unfortunately, we're only limited to a thousand dollars a day. The question I have is, and maybe this is why it's in Ms. Cochran's Committee, so if that's the case then we can just defer it to that, but why do we not require building permits in Conservation? Is it just a policy that Council made whenever way back when or?

CHAIR HOKAMA: Mr. Goode?

MR. GOODE: Yeah, Mr. Chair, Mr. Couch, yeah, that's…it's been in our Building Codes for a long time including our most recent one we did a couple of years ago. So we have about 28, I think it is, exemptions of types of structures that don't require building permits. And one of those exemptions states if it's in the Conservation District.

COUNCILMEMBER COUCH: Okay, thank you, Chair.

MR. GOODE: I think we're one of two counties that do that, the other two don't.

CHAIR HOKAMA: Yeah, and that is why I'm gonna move forward and have us concentrate on reviewing zoning and taxation because for me it's out of sync. It's not a working relationship of how we should be tied from land use and taxation. We've bastardized this system so much it's pathetic, in my opinion. It doesn't make sense. And when we get to Item 42, you're gonna hear my thoughts on that one. Mr. Victorino, questions for any other department you might wanna hear of? Planning, you wanna hear Planning's comments? Ms. McLean, you have anything you wanna share regarding this item? We're happy to hear Planning's point of view or thoughts, give you an opportunity.

MS. McLEAN: Thank you, Chair. I'll just say we're in agreement with the Public Works Director and the Real Property Tax Administrator, and we are happy to work with both Departments in seeing that when there's issues do arise, whether they be significant or insignificant, that we follow up appropriately to see if there are any zoning or SMA violations related to that.

CHAIR HOKAMA: Okay, would Public Works and Planning agree that maybe how we've approached it budgetarily is we gave enforcement compliance positions to RPT. Is this something that within your own parameters of your Department's jurisdiction, you need additional enforcement compliance considerations also?

MS. McLEAN: It's hard to say without…I mean when Scott said there are 22,000, if we're looking at 22,000, I would say absolutely. But if most of those are insignificant, or things like sheds that are exempt from building permitting requirements, then I'd be reluctant to say that we need more help without really knowing the volume that we're talking about.

CHAIR HOKAMA: Have you folks been working with Mr. Verkerke? Since yesterday I believe one of our committees talked about the MAPPS program and whatnot, we're investing in new technology with the system being built. So have you folks put in maybe certain requests for how the system can be adjusted or tweaked to take care of some of your departmental needs in this type of areas?

MS. McLEAN: We've had actually a team of staff participating in that process from the beginning involved with interviewing other municipalities that use systems like that, as well as on the bid review teams. We've done training on process mapping so that when the system is in place, we're ready to integrate our processes into it. We helped formulate the RFP. So Planning has been very much involved, and I can say that I know Public Works has been too on shaping that system. I think we're probably two of the bigger users of that system. And so, yeah, we've been…much to the demands on our staff time, we've been very much involved with it. Thank you for asking.

CHAIR HOKAMA: Oh, and we appreciate your response, Director, 'cause it helps us make better decisions knowing you folks are participating with GIS and that MAPPS initiative from Mr. Verkerke. I mean we are going to be spending $9-plus million as I understand it from yesterday's numbers. Mr. Goode, any things regarding compliance or enforcement? 'Cause I can tell you the public out there is very on to what we're trying to do which is enforcing. I tell you that there is great support for us to move enforcement to the next level. Mr. Goode?

MR. GOODE: Yeah, we're excited to work with RPT on this. Actually I'm learning most about it today than I knew prior, and I know they're just getting started on it. So look forward to working with them. But same with Michele folks, if we had 22,000 requests tomorrow, you're not gonna get to it. If we add a hundred more a year on significant ones, and still quite a bit, so we'd…we're curious how's it's gonna work and how we can work together, and what resources we can share with Scott folks so that in some cases maybe they don't have to come ask.

CHAIR HOKAMA: Yeah, so one real…you mentioned anything before 1953 has been grandfathered, and that makes them all historic buildings. So it's just kinda interesting that we gotta protect buildings that has basically…may not even be close to meeting the current Code requirements of electrical wiring, plumbing everything else, maybe even some of the structural requirements that mechanical engineers would deal with. So is there things you could suggest on how we might wanna improve the system so we can make sure that, you know, we help people comply if it's a compliance issue, or really get those guys that trying to cheat the system?

MR. GOODE: Generally, the older homes are…well, because they're exempt from, or grandfathered, you know, when they come in for alterations or required permit, we have them upgrade the areas that they're touching in their permits. And generally those structures are, you know, in our older areas. We know where they are. They're not really the issue. The issue is primarily, you know, the hidden structures that, you know, they can find out in Pictometry that we generally can't see from the roadways. And there's a lot of…there's definitely a lot of illegal structures out there that I know we have…'cause the RFS' that we see and the compliance letters that a lot of times I sign when someone does complete the process, we're handling them as they come in. And in some cases people have to remove them because they can't get a permit for them.

CHAIR HOKAMA: Right.

MR. GOODE: You know, it's the fifth structure on a property where it only allows three. You know, that's the only…that's our only remedy. So there's compliance out there, but it is based on…it's complaint driven. So if we have an internal process now through the Compliance Officers of Real Property Tax, we'll definitely see more requests coming our way. So we wanna work closely with them moving forward as they start their program.

CHAIR HOKAMA: So, Mr. Goode, if let's say, you know, Mr. White, Ms. Crivello has an old building, 1950, they're coming in for a big renovation, not replacement, renovation. They have to now meet the new Code requirements as of today?

MR. GOODE: Yeah, for the areas that they modify.

CHAIR HOKAMA: Just the areas they modify.

MR. GOODE: Right. So if they came in just to add a small bedroom, we don't make them redo the whole house. But that new bedroom would be Code compliant to the current Codes.

CHAIR HOKAMA: So the bedroom may not catch fire from bad wiring, but the old part of the house can catch fire for old wiring. Mr. Victorino, I just was curious. From an insurance perspective, how do you folks look at unpermitted housing structures? Is it insurable? Because…I guess so, right, if they're willing to pay the premium?

COUNCILMEMBER VICTORINO: Exactly that. That's the answer. You know, there are what they call surplus markets out there, will take just about anything, in any district, or any…like for example, on the Big Island you have lava zones where high potential of lava flows and that has expanded through the years. And if you remember after Hurricane Iniki, the Hawaii Property Insurance Group got together and the State put money in there which was raided, which so I understand has been put back. And that still an available market for those real high risk. And again, the risk that we're referring to in this area, if a violation is caught at the time of a loss, the loss can be modified, can be denied, can be…a number of areas could be changed if you read the provisions which 99.9 percent of the people never read their policies. We got more exclusions in there than you have mosquitoes out there. Let me be honest. You guys laughing, but read your policy. There are a lot of exclusions in there, and one of them is misreporting, underestimating, improper changes, extensions that were built that were not permitted. There are, there are wording in there and you've got enough attorneys that work in these companies that I can tell you for even an agent nowadays we can't…we don't even have an understanding. All I tell my clients is strictly this, do what is right, and you won't have a problem. If you don't, I will guarantee you'll have a problem, and you going be standing by yourself because nobody wants to help you at that point in time. And if we can pull in…and the final thing I'll say is you can prove intent. In other words, you intentionally did that. More so, the company, the agencies, they'll just walk away from you and say you're on your own. So, you know, there are…there's a lot to be said about these permitting and after the fact and, you know, I'm all for the fact that you folks now are trying to get together and really working to get…and I think, remember it was said and I forget what we were working on, but oh, short-term rentals, Paia. Does that bring a memory back to everybody, the Paia Inn? And I think all you need is one or two major fines or one or two major catches that make people understand you cannot do this, and you're gonna have…there's repercussions when you get caught. You'll find the vast majority come running in to get it all corrected. I truly believe a lot of it is just no consequences so people don't pay attention. They don't care. But I'll bet you a nickel on a quarter…against a quarter, once you do this and you get two or three big fines and you publicize 'em, they're gonna come running in. Right, Mr. Teruya? They're gonna come running in to get it done. But so long as we allow non-enforcement, or we just allow this to continue on the primrose past we've had…path I should say, that we have allowed, people are not gonna come in. They're not gonna tell us what's going on. Do you blame 'em? It's like speeding. I see a lot of people speeding. Moment a policeman's out there with that radar gun, boy, it's like Christmas, the red lights, toot, toot, toot. That's exactly what it is right here. Unless you catch 'em, unless you show them you're gonna be able to catch 'em, they're gonna try to get away with it as much as possible. Thank you, Mr. Chair.

CHAIR HOKAMA: Thank you. Mr. Carroll, any questions or comments? Ms. Baisa?

COUNCILMEMBER BAISA: No, I think everything's that's been said is very relevant. Thank you.

CHAIR HOKAMA: Thank you. Ms. Cochran?

COUNCILMEMBER COCHRAN: No, not at this time, Chair.

CHAIR HOKAMA: Thank you. Mr. Couch? Ms. Crivello?

COUNCILMEMBER CRIVELLO: No.

CHAIR HOKAMA: Mr. Guzman?

COUNCILMEMBER GUZMAN: No.

CHAIR HOKAMA: Okay, I'm gonna recommend couple things. One, I'm gonna send a letter to Mr. Teruya requesting that within 45 days to respond back to the Committee in writing on how you folks wanna move forward with this item and any recommendations, suggestions that you folks would like Council to consider to assist you folks in this area, we'd be happy to review that. And so is there anything in the request you folks want specifically, Members, besides how they're gonna try and make those adjustments and whatever recommendations they'll be forwarding to us?

COUNCILMEMBER VICTORINO: I wait for their recommendations and then...

CHAIR HOKAMA: Yeah, I want them --

COUNCILMEMBER VICTORINO: Yeah.

CHAIR HOKAMA: --yeah, give them their time --

COUNCILMEMBER BAISA: Yeah.

CHAIR HOKAMA: --to get together, and you know, get their thoughts together. So, okay, with no objections, we'll defer this and we'll send a letter requesting in 45 days, Mr. Teruya, to respond back to us. Okay, we'll forward that.

COUNCILMEMBERS VOICED NO OBJECTIONS. (Excused: MW)

ACTION: DEFER PENDING FURTHER DISCUSSION.

CHAIR HOKAMA: No objections. Thank you, Members. Why don't we take a short break now and then just dive into the last two items. So why don't we recess 'til 10:15, Members. . . .*(gavel)*. . .

RECESS: 10:10 a.m.

RECONVENE: 10:18 a.m.

CHAIR HOKAMA: . . .*(gavel)*. . . We shall come back to order. We deferred the last item, 39.

ITEM 40: PENALTIES FOR VIOLATIONS OF HOME EXEMPTION REQUIREMENTS (MISC)

CHAIR HOKAMA: We shall move to Item 40, which is Penalties for Violations of Home Exemption Requirements, and again this was a Communication dated May 28, 2015, from the Clerk, referring this matter to this Committee. Part of the discussions that...during the Budget session we had talked about was whether or not there should be a penalty for noncompliance as set forth by Code in Chapter 3.48. So this morning we have again Real Property Tax Administrator, Mr. Teruya. We have our Director from the Department, Mr. Walker, and we have Mr. Baz from Budget. Gentlemen, any opening comments, please?

MR. TERUYA: Okay, thank you, Chairman, Members. In regards to BF-40, talking about the current penalty under the Code which we do apply to all parcels for each year in violation, we are imposing $200 penalty for the violators. So that is the current practice that we do. We do follow the Code, in addition to removing the exemption. So that is our current practice as the Code says which is to impose a $200 fine per year, and that is what we're currently doing, Chairman.

CHAIR HOKAMA: Okay, for those with noncompliance, what was the difference between generally the rate they received and what the rate…or I mean not the rate, the amount versus what they should have paid? It's what, more than $200?

MR. TERUYA: Yeah, significantly. Most home exemptions, if I just do a straight math of what the credit, average credit receives is about $2,000. Is that about right, Marcy? About $2,000. That's just taking the subsidy divided by the number of our home exemptions. That will come out about $2,000. You'll have situations that'll be higher, and you'll have situations be lower, but that is the general credit for an average homeowner. So obviously that's more than the $200, so we're taking whatever is lesser. Maybe four or five years ago, Chairman, I think you had suggested to this…to the Committee for it to be of the greater. I don't think that passed, but that was thrown out there years ago.

CHAIR HOKAMA: Yeah, I remember that, Mr. Teruya. But the…you know, has the…this problem grown over the last five years, Mr. Teruya?

MR. TERUYA: You know, I don't know if it's grown, but the advantage of the…I mean, of the exemption is so great that people are willing to take a chance. We are significantly cutting down the amount of abuse simply by working with the State Department of Taxation, and this Council passed the Code revision to require a State resident return. That has helped significantly.

CHAIR HOKAMA: Okay.

MR. TERUYA: But there are still incidences where people are not required to file the return. And that is the big group that we are still trying to move forward with this compliance position --

CHAIR HOKAMA: Okay.

MR. TERUYA: --in identifying, 'cause what we don't wanna do is simply take that…all the people who's not filing and wipe 'em out because there's a lot of people who truly are not required to file returns that will be impacted by us by simply removing them. So we are trying to identify how we're gonna go about in further interviewing or researching whether or not these people were really not required. But I think somehow the message needs to go out to the people that even if you are not required to file, if it's enough for you to receive the home exemption, you gotta file zero. I don't know how to convey that message over to the public, sir. But I think we're gonna have to start requiring everybody to file even if it's a zero. And that's…that's if you want your exemption, you gotta file zero. But I think people are misled or informed by their accountants that they don't make enough to file, so they simply don't file. But I don't know how to communicate that message, or imply, or take people's exemptions away because they're not filing. But it has been several years that we have made this change, and if this body prefers that we implement it a different way, then we can.

CHAIR HOKAMA: Okay, we thank you for that. So currently the $200 penalty, is that viewed as a…like a civil penalty currently, or do we need to amend the Code? And again for me, the big difference is who gets to keep the money? If it's a civil, then the County gets to keep the money.

COUNCILMEMBER VICTORINO: Chair?

MR. UEOKA: Chair?

CHAIR HOKAMA: Yes, Mr. Victorino?

COUNCILMEMBER VICTORINO: Oh, okay, I'll let…'cause I've always been told these types of fines were civil. But I'll let Corporation Counsel answer. This is not citation driven penalties. But I'll let Corporation Counsel and Mr. Teruya answer. I apologize, Mr. Chair.

CHAIR HOKAMA: No, no problem. Mr. Ueoka?

MR. UEOKA: Thank you, Chair. Mr. Victorino, you are correct, 3.48.425 discusses civil penalties. Thank you, Chair.

CHAIR HOKAMA: Okay, so we could actually go up to a thousand per day maximum by Code…I mean by Charter?

MR. UEOKA: Yes, Chair, that is my understanding. The Charter cap is $1,000 per day. Thank you.

CHAIR HOKAMA: Okay, so, Mr. Teruya, is there a need for us to look at higher penalty amounts? Especially if you're spending more than $200 to process to get the $200.

MR. TERUYA: I would…in deference, I would probably follow whatever the Committee, this body, chooses the penalty to be. So I'll punt.

CHAIR HOKAMA: What about annual…like how we do Circuit Breaker. You must apply for it annually to receive it. So what is the impact to your operations if we required annual --

MR. TERUYA: That would be a lot of paperwork.

CHAIR HOKAMA: --home exemption requirements?

MR. TERUYA: Chairman, you know, I think, you know, I'm not against having people recertify. It is the…the hardest part of the Division is you got 22,000 applications possibly, that's how much we have. So to receive 22,000 pieces of mail, it's quite a lot of work for the staff. I'm not saying that we shouldn't do it. I…maybe feel like if we had a little leeway in getting maybe forms, or the home exemption form online and if that could be something that would be much…wouldn't be so burdensome from the Division. Maybe then that would be something that could be done. We are currently requesting, for…it's about two years now, requesting that the vendor provide us with several online forms. And that is one of the priorities is the home exemption form, the claim for exemptions, the address reporting, change of address. Those are some of the big forms that we wanted to do online. So maybe…I hate to say in the near future, it's as fast as the vendor can do it. We've already requested that they do it. It's just a matter of time. So if that could do it, then, you know, I'm all for it, Chairman. But I think we gotta realize that the information from the State with the reporting address and filing of resident return is really, really tremendously helped.

CHAIR HOKAMA: Okay, thank you for that.

COUNCILMEMBER VICTORINO: Chair?

CHAIR HOKAMA: Mr. Victorino?

COUNCILMEMBER VICTORINO: Thank you, Chair. And now, Mr. Teruya, you mentioned 22,000 and I can see that large number being really difficult to achieve each and every year. So, Chair, you know, one of the things maybe biennial, you know, every other year, split 'em up in half. I don't know, something of that nature. Again, having it online would be a big help. But we have to have some mechanism for which…unless…and people unless they know you're watching, they're not going to comply. And I've come to understand that. It's not because people wanna cheat. It's just that…hey, come on, Jeffrey. We played soccer long enough. If the referee's not looking, things happen. You know, the old adage, when the cat's away, the mice will play. And I believe this to be true in almost every…and this would be one of the prime areas, Mr. Chair. So one of my suggestions is if we can't do 22,000 every year, maybe doing every other year. And that way at least then the individuals know it's coming. Do it by alphabetical, do it by region, I don't know. You know, I just throwing ideas. Secondly, again, Mr. Teruya, if you did…if you had to do something like this and you, you know, would…again, we've given you more staff for collections and all that. Would another staff or two members…staffers be necessitated if we were to do something of this nature? Because again, the ability to enforce is only as good as the people there. I mean the reporting system has to have somebody looking it over. So my question to you is, Mr. Teruya, is more people power, and I don't use the word man anymore 'cause the women are a part of our system, is more people power needed along with automation, and like you say, pushing the vendor to get this done and more expediently?

MR. TERUYA: Chairman?

CHAIR HOKAMA: Mr. Teruya?

MR. TERUYA: Just for an accurate number I have here for the FY '16 certification, 26,289 homeowners. And, you know, kinda speaking aloud is if they've already filed a State return, are we concerned about them? That would be question number one. Because, you know, if they did file their return, for a large part most of them would be compliant, I would think. I'm not saying that guarantee, but I can see if they're short list, if anybody who did not file, we simply make them recertify. That would be an option. Or if we really wanna catch everybody, we can catch everybody. So I'm just throwing it out there that there are multiple angles of looking at this. It really depends on what you guys feel comfortable with. If you wanna do 26,000 every year and we start doing this recertification online...so, you know, it's really what this body wants us to do. Do I want more people? No, I probably rather not have more staff members, but if it's necessary to make sure and safeguard the exemption program, then maybe. Remember, every single one we take away we get about $2,000. That's...a clerical or even a mid-journeyman, 25, 35, 40 thousand, so if you catch 20 people, you get your money back. You can catch 20 in a day maybe going online. You can go on foot and maybe find five, five a day. I don't...you know, I don't know. With the internet nowadays and people's posting certain things of what they're doing and how they're renting things, you might be able to catch a lot of people. But is that what we want? I don't know. Is that where our Compliance Section goes? Maybe. Obviously, we're gonna look for the highest bang, and highest return for our dollar so we are going after...home exemptions is a huge money maker for us. Agriculture recertifications and verifications, they're another huge one for us. Condominium use cheaters who don't attest the correct one is another big one for us. I mean if you go from Apartment to Hotel/Resort, that's a huge difference in tax return. And that is complaint driven right now, and there's still a lot. So, you know, this new section that we created with two people, I mean, they're already behind. You know what I mean? I mean so, you know, they got a lot of work to do. But, you know, do I want more bodies initially? I prefer not having more people to work under me. But, you know, if that's where this body wants to go, you know, we'll try and get the numbers back to you. Well, we did this sketch check and found out 22,000 whatever...I don't know how many significant or not. I mean we're trying to...we haven't even finished the PDs for these positions to hit the ground running. We want to show you the return on investment...that...what we're investing in. We've never been in the business of compliance, so this is a new area for us to go into because we're just trying to keep afloat just doing the things that we're mandated by...you know, for certification. Now to do compliance, that's a whole new game, but there's a lot of money out there. And we...you know, every year we showed you how much more we've got, and from the State tax return, that was huge. Ag was like three quarter million. I think home exemption was over...close to a million dollars. I mean so...that money is like...that's low-hanging fruit. And that's easy money to go get, the cheaters. And I don't think anybody feels bad when you slap them the $200 penalty because they're really the ones who're taking away from us.

COUNCILMEMBER VICTORINO: Thank you, Mr. Teruya, for your candid response. And, you know, Mr. Chair, I wholeheartedly agree that there's no one quick fix, but the more opportunities and the more abilities we give you, Mr. Teruya, and you said a lot of different aspects, and let me tell you, social media is one of the big ones. People put everything they do on social media. I mean there's a…there's the low-hanging fruit that really…but do you wanna go there? I agree with you. But whatever we can do, I think for me, and I won't speak for the rest of the Members, for me whatever we can do to make your job easier and to make more people compliant, and again, as the word gets out there and starts spreading, people will get quicker like you did with the farm, right, when we started to do the ag? Once people started to hear about it, people came in and sent their letters and saying we're no longer doing ag. Right, Mr. Teruya? And so I think that's what I'm looking for. Whatever ability we can give them, Mr. Chair, to make their job easier and to get what is deserving to the County so that we don't have raise rates someplace else. We don't have to…have other areas such as our businesses and others, who have to pay an enormous extra probably because we don't make enough, you know. Even the resorts, maybe even helping them because they play a big part. So I will do whatever is possible…I mean whatever is necessary to make this possible. And if that means including more bodies, more money, Mr. Chair, I think it's well worth…it's all well worth the money spent. Thank you, Chair.

CHAIR HOKAMA: Okay. Mr. Carroll, any questions, sir? Ms. Baisa?

COUNCILMEMBER BAISA: Thank you very much, Chair. Not so many questions as some comments. You know, I think that this is someplace where we should definitely go after whatever we can get. You know, real property tax revenue, of course, is the bread and butter of County government. And I want that money. I don't think it's fair that people take advantage of this wonderful law that somebody had a great idea to institute a home exemption to try and help our homeowners. And I don't like people taking advantage of it. It's not fair. And I want to go after that money. I'm wondering, you know, and I understand what Scott is saying about the 22 or 26, and we've heard a couple of numbers thrown out here, amounts of paper that would have to be, you know, moved around in order for us to get an annual certification. But, you know, we do send out a notice every year of taxes that are due. Could we make that like a double card where you, say, you keep one and you send one back that says, okay, I'm still entitled to this homeowner exemption? Remember we did that with some other thing a few years ago. I think it had something to do with whether or not you were living in your condo or not living in your condo.

CHAIR HOKAMA: Yeah, we did do that.

COUNCILMEMBER BAISA: And a lot of people didn't return it and we got rid of a lot of people off the list just by doing that. So I think it is worth doing. It's not fair that, you know, many people are honest and they pay their taxes and they pay on the right. And then you've got the people that are abusing it, and I don't like it. I think we should go after it. So that…I'm willing to spend whatever it takes, and if it takes staff, so be it. You know, we create some jobs and we create a lot of money for the County. That's our bread and butter. Thank you.

CHAIR HOKAMA: Thank you. Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. Not so much questions, but I concur with the statements thus far. And however we can get the people that, you know, owe us, then by all means, you know, we're here to assist. And hopefully as we discussed in…with Jacob Verkerke, you know, if there's a way to work with, we also heard from Ms. McLean, you know, Planning and Public Works to just…to get all the information integrated together and have those alerts or triggers or what have you to be, you know, assisting each department appropriately whether it's for the taxation purposes, zoning, compliance, whatever. So I'm looking forward to this new implementation of our software and programs that we're implementing, and I think can address a lot of these issues we feel are falling through the cracks, I guess so to speak. So looking forward to the collaboration of all departments and ourselves, of course. So thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair. Mr. Teruya, you talked about this $200 penalty. This was for if they inappropriately took the homeowner's exemption. What portion of the Code is that?

MR. TERUYA: I believe it's 3.48.215. Oh, 425?

UNIDENTIFIED SPEAKER: Yeah.

MR. TERUYA: Four twenty-five.

COUNCILMEMBER COUCH: Four twenty-five, okay. And you said something about it was the lesser of $200, or what?

MR. TERUYA: It's the lesser of either $200 or what the difference in penalty is. Or whatever the difference in taxes…

COUNCILMEMBER COUCH: The back tax?

MR. TERUYA: Yeah, yeah. And like I said, on the average it's about $2,000, so the lesser is $200. So that is the fine.

COUNCILMEMBER COUCH: So that's one big thing we can change is the lesser to more, right? The Code does say…

MR. TERUYA: I would say the greater or --

COUNCILMEMBER COUCH: Greater, yeah.

MR. TERUYA: --or something else, yeah.

COUNCILMEMBER COUCH: Yeah. And then change the amount to the max is 1,000 bucks. Now is that a 1,000 bucks a…no, we can't do it. Can we do 1,000 bucks a day on that?

CHAIR HOKAMA: That's the maximum the Charter allows.

COUNCILMEMBER COUCH: No, no 1,000 bucks. But can we say 1,000 bucks a day if they…you know, we caught 'em 300 days into the year?

COUNCILMEMBER BAISA: Yes.

COUNCILMEMBER COUCH: Or something along those lines. Thousand dollars a month or…I guess that would be something the A, that we would have to discuss, or could we even do it, Mr. Ueoka. Well, I know we do for notices of violation, we do $1,000 a day. So I don't see a reason why we can't after we give 'em notice. I don't know. That's just a thought.

CHAIR HOKAMA: We shall take your suggestions…no, I'm serious, Mr. Couch.

COUNCILMEMBER COUCH: Yeah.

CHAIR HOKAMA: I'm gonna consider that in the recommendation.

COUNCILMEMBER COUCH: Because I agree with Ms. Baisa and Ms. Cochran. You know, it's just not…you know, we should make these folks pay that are doing this. You know, and $200, especially if it's less, the lesser of, the $200 of the back taxes.

CHAIR HOKAMA: Well, that is within the Council's purview.

COUNCILMEMBER COUCH: Exactly.

CHAIR HOKAMA: And we can make the adjustments, Mr. Couch.

COUNCILMEMBER COUCH: I think you'll have support for that from all the Members.

CHAIR HOKAMA: Well, I…you know, right now the key is to get the discussion and understand the current status of the situation. And that's why we have people like Mr. Teruya giving us information. You have additional thoughts, Mr. Teruya?

MR. TERUYA: Yes, just quick. I just wanna be clear to the Members that they're paying $200 on top of what they're supposed to pay. So we're recalculating it. I just want you to…don't want you to think, well, they're only paying 200. But they are actually paying what they're supposed to pay, and the penalty is the $200. Just wanna be clear.

CHAIR HOKAMA: Yeah, and for me that's still not enough. Yeah, if you're gonna punish, punish. Don't go through the act of punishing when it's not. I mean it's like security. Either give us real security but not the illusion of security, okay, with Homeland requirements. Ms. Crivello?

COUNCILMEMBER CRIVELLO: And, Mr. Teruya, what is your average percentage of collection with these violations? Or do we have --

MR. TERUYA: You know…

COUNCILMEMBER CRIVELLO: --a large amount of violators? And if so, what's your percentage of collection?

MR. TERUYA: Now that you guys give collections to Treasury, I don't really keep stats. But honestly on the violation letters, I would say very, very high. It would have to be in the over 90, 95 percent. It has to be, because if not, it'll show up as a lien. And once you do a lien, then we'll…I mean once you're delinquent, we'll file a lien, and if you're three years delinquent, then we're gonna foreclose. So it's gonna be high within the first three years, and I can be certain of that.

COUNCILMEMBER CRIVELLO: But that would…that information would come from Treasury?

MR. TERUYA: Yeah, but we can also create it. It's just that I'm not so big on it now since it's moved over, so I don't keep direct contact with our collection effort.

COUNCILMEMBER CRIVELLO: Maybe…maybe, Chair, can we have that kind of information from Treasury?

CHAIR HOKAMA: Yeah, we'll send a letter and make sure that Treasury responds in a very timely manner.

COUNCILMEMBER CRIVELLO: Okay, thank you.

CHAIR HOKAMA: Yeah, sure. Mr. White?

VICE-CHAIR WHITE: Thank you, Chair. I like Ms. Baisa's idea of doing a check off, but I also feel that the Department is doing an appropriate job of going after homeowners by comparing addresses and tax…we've got, you know, they've got the tax records and so forth. I don't think we need to have them look at everybody, but the check off might remind a few people that we're again asking. And I would also support a heftier fine, possibly even doing a percentage fine because the daily, if it's a $1,000 a day, to me if you've signed up for a homeowner's exemption erroneously, and it's been two years, that's a lot of days. So I think we, you know, I think we've got coverage from that aspect to possibly do a percentage of taxes owed or a heftier fine. So I think it's appropriate. Like Mr. Victorino says, if you're not gonna get kicked in the okole real hard, you know, you may just take the chance. So I…no, no that's…those are my words, not Mr. Victorino's. Yeah, the concept is in agreement with Mr. Victorino. Sorry, if I…I don't mean to put words in your mouth. But…anyway, that's my manao. Thank you.

CHAIR HOKAMA: Thank you. Mr. Guzman?

COUNCILMEMBER GUZMAN: Just as long as Mr. Victorino's wearing panties when . . .*(inaudible)*. . .

COUNCILMEMBER VICTORINO: Excuse me.

COUNCILMEMBER GUZMAN: But anyway, anyway no, I have a question, Chair. And I've had this issue for quite some time. How do you guys catch those bank-owned houses that basically, you know, they're…there's no one living in the house anymore, but it's gone through a repossession-type bankruptcy proceedings, and the bank is now in possession. But yet, the property's still getting homeowner's exemption. How do you catch those? Like, how do you…is there a method that you have set in place to…'cause I know of when speaking with some of my colleagues in the bar, they're very happy to have that little loophole. Yeah, yeah, yeah. So I just…and I had no response to that.

MR. TERUYA: Okay.

COUNCILMEMBER GUZMAN: And they were bragging about it.

MR. TERUYA: Anytime there's a change in ownership, there's a deed recorded. I mean if the mortgage company is the person, then they'll have a…is that right, the deed? The deed recorded?

COUNCILMEMBER GUZMAN: Yeah, but do you guys like track that . . .*(inaudible)*. . .

MR. TERUYA: So once we get that transferred, then we would remove the exemption for the following year.

COUNCILMEMBER GUZMAN: Yeah, so for one whole year, they're like…

MR. TERUYA: Remember now, exemptions are the start of January 1 and it's good for the assessment year. So in midyear should they not qualify, I think that's a very good question for us is if they…question number one is have they met the terms of the entire year, right? Because home exemption you should be living there 200-something days of the year, file a return, et cetera. But normally practice what we'll do is remove it for the following year. So bank-owned property, it transfers back to the bank during midyear and then come December, January 1 we'll remove the exemption.

COUNCILMEMBER GUZMAN: And that's what was brought to my attention was that gap --

MR. TERUYA: Yeah, as long as we understand there's a cycle…

COUNCILMEMBER GUZMAN: --where they're not…

MR. TERUYA: Yeah.

COUNCILMEMBER GUZMAN: And I wonder how much money we could actually collect for that gap period where they're waiting for the next year.

MR. TERUYA: But what I caution is if we do it one way, are we gonna do it the other way for the people who occupy it during the year? And that you're gonna run into problems because now we deal with certification and certifying your revenue. So as much as you wanna take it away, do you give it, you know, do you always take only one side? I mean I don't know. But when you do it that, I'm sure you're gonna get questions, then give it to me when I do occupy. And that gives you uncertainty *. . .(inaudible). . .*

COUNCILMEMBER GUZMAN: I'm wondering if there could be a calculation to see how much money is actually…I guess could be generated if we switched and tried to enforce that gap period.

MR. TERUYA: I can say the only…if you take it away…you wanna *. . .(inaudible). . .* I mean it's a double-edged sword. That's all I'm gonna say. It's gonna be a wash and it's gonna be more work. That's probably what's gonna end up being. And I believe that there is integrity in certification, and that's what I don't think you would want to have is midyear all of a sudden, you know, we start losing exemptions and losing revenues. I don't think that's the purpose of what we wanna do for certification, especially for rate purposes.

CHAIR HOKAMA: Ms. Martin?

MS. MARTIN: One of the challenges you have with ownership changes in a foreclosure is that by the time that we find it and would implement the increase, it's likely the new owner would end up with the increase because the old owner has walked from all of their obligations. So once title has changed, there's no way for us to go after --

COUNCILMEMBER GUZMAN: The old owner.

MS. MARTIN: --the old owner.

COUNCILMEMBER GUZMAN: Right, so then…

MS. MARTIN: And there's no way to go after the bank either because they're gonna pass it all to the new owner, and it's already hard enough for the new owner buying into a property if you think about…if it's a first-time buyer maybe buying a foreclosure because it's less expensive. Already we've taken off the exemption so when…a lot of times when they come in, there's no exemption so their taxes are higher, whereas if they had bought from an existing owner that had the home exemption. So I think it would just create kind of a double penalty to --

COUNCILMEMBER GUZMAN: The new owner.

MS. MARTIN: --new owner, on possibly our lower-priced homes.

COUNCILMEMBER GUZMAN: But so essentially the old owner and the bank gets to walk.

MS. MARTIN: Yes.

COUNCILMEMBER GUZMAN: Gosh. It kills me. Okay, thanks, Chair.

CHAIR HOKAMA: Sorry, there's no silver bullet for this one. Mr. Couch?

COUNCILMEMBER COUCH: Thank you. There's one other scenario that happens, too, is that the old owner walks, the bank keeps it for a couple years in the old owner's name. And so there's a situation there where…'cause we've tried to go after 'em for, you know, property…the fire hazard kind of stuff, overgrowth, and whatnot and it's, well, this owner's been gone for two years and the bank still hasn't put it in their own name. So we have that issue. One thing we haven't talked about here, and I don't know if this is part of the list, we're talking about homeowner's exemption, but I guess this is violations is…we have to talk about that in a different meeting. But we still need to talk about, you know, a tiered level of…if this house was worth $10 million, the first 2 million, you get the homeowner's exemption and the Homeowner's rate, then after that it goes to a different rate.

CHAIR HOKAMA: Do what Oahu did, City and County did?

COUNCILMEMBER COUCH: Yeah, yeah. I don't know if we can talk about that in here.

CHAIR HOKAMA: I would say you can talk about it. I would allow it in a very general discussion.

COUNCILMEMBER COUCH: Yeah, I would imagine, Mr. Chair, that we can…if it isn't an item, that I'd like to bring it up as an item either through this meeting or…'cause that's something that I think we can also generate a lot more income I think. I think we talked about it and we got a number some time that it was pretty halfway decent rate or return.

CHAIR HOKAMA: Well, you know, we're definitely gonna talk about it --

COUNCILMEMBER COUCH: Okay.

CHAIR HOKAMA: --Mr. Couch, because like for the next item --

COUNCILMEMBER COUCH: Okay.

CHAIR HOKAMA: --I'll be making some recommendations on some adjustments, so it's part of my, again, my pursuit to tie back land use and taxation where it makes sense 'cause I really think we screwed up with bastardizing a lot of stuff.

COUNCILMEMBER COUCH: Okay, thank you.

CHAIR HOKAMA: Yeah. Ms. Baisa?

COUNCILMEMBER BAISA: Thank you very much, Chair. And I just want to say that Mr. Couch is ahead of me. I was reluctant to bring it up because I thought, you know, maybe it wasn't appropriate today. But I really think that's something we need to take a look at. You know, this idea of a home exemption, and you know much more about the history of it than I do, it was intended to help our homeowners, our little people so that they could afford a home. And I think that we really need to look at the…who gets it and why we do it, and why we're willing to give this break to people. And so I'm glad you're going to follow up. Thank you.

CHAIR HOKAMA: Thank you. Any other questions, Members? Any suggestions? The Chair is gonna recommend that we defer this item. I will be working with Mr. Teruya in coming up with a draft proposal for the Committee to consider that would also include higher penalties, frequency of recertifying or qualifying for the exemption, and we'll take it into account your comments that you shared this morning as well as the various comments from Mr. Teruya. And we'll seek the Departments' input also, Planning, Public Works. But, yeah, we're gonna move forward because I'm with all of you. It's not fair for those that comply to carry them on the backs of those who committing, for me, fraud. They're outright cheating the rest of the people of this County, and that I don't tolerate. So like I said, they can go seek God for forgiveness, but not from the Budget Chair. So saying that, with no objections, we're gonna defer this item.

COUNCILMEMBERS: No objections.

COUNCILMEMBERS VOICED NO OBJECTIONS.

ACTION: DEFER PENDING FURTHER DISCUSSION.

CHAIR HOKAMA: May I take you to the next one?

ITEM 42: TAX CLASSIFICATIONS FOR TRANSIENT ACCOMMODATIONS (MISC)

CHAIR HOKAMA: And the last one for today is our BF-42, Members. Again, it's a Communication from the Clerk, dated May 28, and with this, you know, I've asked Real Property, and then we have Mr. Baz also to assist us, whether or not

Hotel/Resort should remain the same. And, you know, we had comments through testimony and whatnot. Part of this transient accommodations thing, I am also looking at possibly recommending abolishment of Commercial Residential. I cannot see us creating 1 specific for 40 little parcels. We don't personalize taxation. I mean for…we gotta think bigger and I would say more macro and look at a system that is fair for all categories. So you obviously know I don't support Commercial Residential. I think that was a mistake on the County's part big time. What I wanted to bring up today regarding the Hotel and Resort and ask Real Property to bring up is how…there are differences to your Chair, especially in valuations and adjustments whereby at times, trying to be fair, we come up with a blended rate. But within the blended rate, not all components are treated the same. Somebody loses out in the blended rate. It's either gonna be the Hotel component or the Resort component. And so I'm gonna ask Mr. Teruya if he can give us some comment regarding the current status and the comparative class values that are within this category, please.

MR. TERUYA: Okay, thank you, Chair. Just from observation of the data over the past 10, 15 years, we've always kept statistics based on the real hotels which are the 44 parcels or so forth, and the other remaining properties in this classification which are basically uses of less than six months. In times we've seen the secondary market, which is the short-term rentals, maybe decreased 20 percent over a course of a year. But the Hotel components with true hotels have maybe have only gone down maybe 5 or 6 percent. The hotel, the true hotels, the component whether they increase or decrease is a very small movement from year to year. The remaining parcels, which is the majority of the category which are the short-term rentals, can rise and fall much faster or quicker than the hotels from year to year. And by providing only one tax rate for those two different markets, somebody's paying more even though the valuations have maybe gone down very slightly. I hope you can understand what I mean by that. Because you guys look at it as a category as a whole, from year to year let's say the valuations stayed the same as a total, but in actuality maybe the hotels went down 2 percent, and maybe the condos went up. But the overall, you're seeing an overall, so by a blended rate even though somebody went down, somebody maybe went down further. So you know what I mean. It's…let's say the hotels went down 5 percent, the short-term rentals went down 10 percent. So what you did was you increased or decreased the rate some number in between. Somebody is gonna lose out and they're very…and the only reason why I bring that out, it's just my observation, that they move at different rates. And I can provide you the historical…the components as a group. And that is just my recommendation because I think the Chair is aware that the true hotels are a very big employer for your residents. Like in Kauai County, when the hurricane hit, the hotels went from a large portion down to nothing. So what happens? They're gonna…if you reduce the rate to help the hotels, then all the short-term rentals pay less as well. So I think it's just…it's a preventive measure for you folks to identify…and you can keep the rates the same. You have no problem with that. I'm not saying that…encouraging you to create a new class. But I think for this purposes, it's a very big contributor to your overall valuation and your revenue pie. So I think it's for you to consider, Chairman. I just wanted to point that out. I don't have any say as to whether or not I prefer it or not, but it's just…it's a caution to the Members should you need that trump card when you need it.

CHAIR HOKAMA: No, and we thank you for your updated comments regarding how Real Property looks at the true hotel versus other resort type of properties. Mr. Carroll, any questions for Real Property in this area? Ms. Baisa?

COUNCILMEMBER BAISA: You know, when all this came up as a result of all the work that we did with vacations…rentals, we were looking for a way to tax them. And of course, we took away their homeowner's exemption from the bed and breakfasts, and so there was some consideration of that. And I think this rate, you know, we needed to do something and so we did something. And I understand what you're saying about maybe we could've spent more time thinking it out a little bit more, and I guess that time is now. I heard what Mr. Teruya had to say, and I do understand, you know, the difference between hotels, resorts, vacation rentals, and all of the above. I don't know what the answer is, I don't know. I do understand that, and I have a little bit of angst about the fact that even if you are running a bed and breakfast, it is your home. You do live in it. I mean you're not cheating. You know, you do live in the home. You have to in order to do that. So are you entitled to any compensation for that, or should we…was it okay for us just to take away the exemption? But then give them a little more advantageous tax rate. So we need to find the balance, and at this moment, I'm sorry, but I don't have a recommendation. I wanna listen. Thank you.

CHAIR HOKAMA: No, and this is part of the many steps we're gonna take, Ms. Baisa. You know, we're gonna have a lot of discussion because we may need to make fundamental taxation structural changes.

COUNCILMEMBER BAISA: Correct.

CHAIR HOKAMA: Including zoning categories. So until we do that though, your Chair has always taken a point that he will protect the integrity of the zoning categories as is current in the Code.

COUNCILMEMBER BAISA: Thank you, Chair.

CHAIR HOKAMA: Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. And I'm kinda in the same predicament as Ms. Baisa. And, but I understand, you know, this has always been a difficult topic for me, too, as you're stating in zoning. I mean Residential is meant to be *residential* and now we've transformed it into all these little subclasses of this and that and commercializing this. And, you know, technically…I mean the neighborhood I grew up in it's a residential, but now you have add-ons to add-ons to who knows what, and it's really turned in…morphed into something else. So I…where's the silver bullet and magic wand to make it all right? I…it's not here today. So I think it's…again thank you for bringing it up for, you know, a topic of discussion but it's gonna be a lot more discussions to figure this one out. And so that's kinda what I'm here for, to hear everyone out and I think work it through as best as we can to make it equitable, fair, and appropriate across the board. And it's not gonna be a easy…it's a tall order. So again just thank you for this time, but I don't really have a exact answer at this moment for all this too. So that's where I'm coming from today. Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair. I'm gonna try and take a stab at this. For what used to be called transient vacation rentals, or uses of less than six months, we now have four different categories, if you will. We got the Hotel which is your regular hotel that has a restaurant, you know, Four Seasons or KBH, whatever. That…there's what, 24 or 39 of those, 32 of those on the island? Then we have the condotels which is what we're lumping TVRs into now. And there's about 10,000 of those, 10,000 individual units. But some of those properties still have maybe a restaurant in 'em and still have potentially a couple of retail stores, but not as big as a hotel. But the other difference in there, too, is that they also have sinks and potentially more than one sleeping quarters and a living room kind of thing. Then we have the B&Bs which we all know the owner has to stay in and can rent out the different…each room can be a different party. Then we have the newly formed STRHs which no owner is on site, and it doesn't matter how many rooms are in there, it could only be rented out to one party. So those are three different…or four different animals doing kinda the same thing. So maybe that's the first thing we need to do, is break down exactly what the use is. I mean they're all for sleeping for the most part, and some of 'em are for enjoying in the pool. Most of 'em probably have a pool. But after that they kinda have different qualities to them. So that's the first thing. And the one…three of them have no owners on site, or if you will, one of them, the B&Bs do have an owner on site. We require them. So that's the one that…and I liked the thought of saying, okay, get rid of Commercial Residential. I agree if that's only for 40 or 50 properties right now so that's kinda crazy. So get rid of that, say there…we need to have some sort of classification for, if he wants to break out a real hotel here, then you got the condotels, and then maybe other short-term type rentals, and have different rates if necessary. But for the B&Bs I think because we're requiring them to live on site, then maybe they do get the exemption for maybe the portion that they live in. I don't know how that works with your software. But they don't get the rate. They get the rate of whatever we call this other short-term rental type rate, or whatever rate. I think that might be a way to go if we're going to break up the different types of uses. You know, then we still always have the argument, well, what's a residential use? A residential use is a place to sleep. It's just whether you're there forever, or for…year round or six months. But that's another whole argument. But I'm okay with breaking those types of uses out and then figuring out where we wanna fit those into the tax structure. Not just Hotel/Resort, but maybe Hotel…either condotel, or call it Resort and then call it something else, Residential 2 or whatever you wanna call the other category. I know it's breaking…but we're getting rid of one category. I totally agree with getting rid of Commercial Residential 'cause it just…it doesn't fit. And then…unfortunately, we're making two more so it ends up being a net gain of one more category. I don't know how that works with the software, with, you know, the operations, but I think that's something that the real meat of the matter is that, is those four different types of uses.

CHAIR HOKAMA: I would say at this time, Mr. Couch, don't worry about software impositions.

COUNCILMEMBER COUCH: Okay.

CHAIR HOKAMA: I think the most important thing we need to look at is the improvement and the integrity that we're gonna have of the revised system and the fairness of the taxation that we set up.

COUNCILMEMBER COUCH: Right.

CHAIR HOKAMA: That is, to me, more important.

COUNCILMEMBER COUCH: Yeah, and I agree.

CHAIR HOKAMA: We can deal with the other logistic things later on.

COUNCILMEMBER COUCH: Yeah, okay.

CHAIR HOKAMA: So if you have…

COUNCILMEMBER COUCH: And I do agree that they need to…they certainly don't get homeowners…shouldn't get homeowners rates if they're doing…even…you know, this falls over into the, potentially, the home occupation as well or home-based business. That's another --

CHAIR HOKAMA: Well, part of it is gonna be --

COUNCILMEMBER COUCH: --rollover.

CHAIR HOKAMA: --the key is how we define key terms.

COUNCILMEMBER COUCH: Yep, exactly. And I think that's where we have to first start is where are we gonna define 'em.

CHAIR HOKAMA: One of the items may be in your Committee. The ability to accurately define so it's not interpreted by various observers what is a dwelling unit, or a domicile.

COUNCILMEMBER COUCH: Oh gosh.

CHAIR HOKAMA: Okay. For us I believe the Code says your domicile must be your primary residence to get the exemption. So what is domicile? Is it the whole structure? And if you don't use the whole structure, then you can't…you don't qualify for the exemption?

COUNCILMEMBER COUCH: Yeah, we gotta go into…we gotta watch out for that too because you also have the ohana units that right now we're giving homeowners…

CHAIR HOKAMA: So everything is…

COUNCILMEMBER COUCH: Right.

CHAIR HOKAMA: Maybe it's time for us to really make all the lines go straight.

COUNCILMEMBER COUCH: Yep, agreed.

CHAIR HOKAMA: Ms. Crivello?

COUNCILMEMBER CRIVELLO: Thank you for bringing this up because I am very confused with all this classifications. So that being said, I appreciate if we continue this discussion for clarity because you have Hotel/Resort, you know, what's the difference with hotel and resort, or is it one of the same, as well as TVRs and then Resort properties. But I think the Commercialized Residential is sort of no make sense because you're either commercialized or you're residence, you know, and what part of your residence is considered commercialized, like the B&B? I think in all fairness, and I'm not that familiar, but if one has B&B but…and we are saying you have to live there, that's their home also. So then how do we revamp it so that we are being fair to the homeowner who happens to have a B&B. And how does that differ from Commercialized Residential? I think the fact that we can revisit all of these so that like you said it is, you know, make sense kind of thing, and I think it's easier for our Taxation Department. So I believe short-term rentals, the TVRs are…it's big time business, and it affects us overall. So I think we…fairness, we…they should be taxed appropriately. And…but we need to relook at the B&Bs and as well as the Commercialized Residential classification in that. So I appreciate that we'll be able to continue this discussion and then I look for my colleague, Mr. White, to see how that Hotel and Resort tax classification differs from the TVRs and Resort properties, and the so-called condo hotels.

CHAIR HOKAMA: Okay, thank you. Mr. White?

VICE-CHAIR WHITE: Thank you, Chair. I would appreciate Mr. Teruya sharing with us the historical data on the assessed values or market values of the hotels versus condos 'cause I know that the…that we've had years when the hotel valuations are impacted significantly. And we've had years when the condo prices are impacted significantly. When there's a downturn in business, we all get whacked pretty much at the same time, then the values probably change more in the condos than they do in the hotels until there's a hotel sale. So it's…for me separating the two might be a good thing, might not be. I don't really know at this point. I understand your desire to have the zoning match, you know, our tax rates and so forth. But maybe you could share with us what your thoughts are with respect to the Residential zones because where we have B&Bs and TVRs and STRHs in residential areas, the zoning is all the same but the use is different. So are you suggesting that all Residential-zoned properties be taxed at the same rate? Or are you looking at having some sort of a separation between a pure Residential use, or a Commercial Residential use, and would that include the home businesses as well as ohana rentals, as well as STRHs and TVRs, B&Bs and so on?

CHAIR HOKAMA: Great question, Mr. White. As a colleague, I can tell you I appreciate that kind of questions from the Committee Members. You know, for me lot of things is just black and white. There's not too much gray in how I look at things, Members. So saying that, I want to again try and put back into our zoning through taxation some confidence and integrity, particularly with how we structure revenue streams and whatnot, Mr. White. I believe that Residential should be viewed as strictly Residential, and I'm willing to give that specific category that just does Residential, permitted within Residential, a very fair taxation rate because they're using it for what it was truly intended and created for in that whatever time it was created. I still have one philosophical issue with businesses in Residential 'cause I see it everywhere in the County. And I don't care what people say, they impact the roads. They don't always park on the business lot. We all know it. We just can go by just driving around the various neighborhoods of this County, even on Lanai. So saying that, I am willing to look at some of the things that City and County of Honolulu has did within the residential components. So for those that do resort or transient situations, you know, even when we first brought up the TVR bill, their proposal to us was we agree to be at the Hotel taxation rate. And I took them for their word. Okay, and then we set up something and then they said, no, that's not a good rate, it's punitive or whatever. Well, I don't like to deal with forked tongues either. So my thing is after this review, we are gonna set forth rates that make sense for us as well as implement Council's policy about growth 'cause this is one way to implement policy, is taxation and land use. And that is why for us, we've always fought the State and the Federal government regarding their overreach on land use policy that is the County's jurisdiction. So for me, Members, this is the first meeting of many. We're not gonna rush this. We're gonna take our time and look at taxation. We're going look at the zoning 'cause it's gonna take multiple years, I know that. It took many years to come to where we are today. So, Mr. White, my thing is I'm gonna look at regardless of what category, to put back the integrity of that category on the permitted uses. You know we always heard from Planning, we don't like spot zoning or spot this. But yet, we give conditional special use permits for 25 years, 30 years. Isn't that one de facto spot zoning, even if it's temporary? I thought we're trying to get away from that in our neighborhoods and our various areas and to keep permitted uses where it was planned to be, and not where any individual wants, but where the community wants. So for me, I'm going back to the more, what I would call a macro view, instead of looking at it micro'ly that we've done in the past. And I'm gonna recommend that if it is a land use issue, that we look at the zoning things and deal with it as a land use solution. We shouldn't look at taxation to try solve a land use issue, okay. And for me again, I respect the decision we made, but that was one of my issues with Puamana. To me it was a land use…I mean not taxation. Think about it, what they're asking. Plus, you're bringing it up, right, Mr. Couch, the uses within those planned development project areas? This going be one good discussion 'cause that was the prelude to project districts, planned developments. So there's many things we cannot undo, Members, but I am…I truly believe we can make the improvements whereby we can show that we are collecting the fair share of revenues. And that's why whether those…that, you know, I'm gonna bring back BF-70. I think dedication is critical to moving the agricultural component forward for this County. It is one of the, to me, major components we gotta get done, is dedication. And the longer we take, the longer we're gonna have to keep justifying why we're giving ag $30-plus million subsidy a year. So that's how I'm looking at it, Mr. White. I don't have any silver bullet. I don't…I think there'll be a lot of bullets to deal with this. There won't be just one magic solution. I think there'll be a _______ and cadre of solutions to make the whole system work better. So that's how I'm approaching it, and I'm not gonna overwhelm the Committee by…we're gonna take it from an incremental, step by step to where we wanna get to at the end. But, you know, that's how I see us moving this forward outside of Budget sessions.

VICE-CHAIR WHITE: Well, I look forward to the discussion. Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. Guzman?

COUNCILMEMBER GUZMAN: Thank you, Chair. Yeah, I'm just trying to absorb all the different issues that are before us. It's just…it seems like there's a lot of animals let loose out of the zoo here. But I think number one was that concept of as we go forward in planning and there's a lot of Code-based planning that's coming up now, the most recent one was the park, the tech park, where there was plans of almost like quasi-houses with commercial within it. Form…

UNIDENTIFIED SPEAKER: Form based.

COUNCILMEMBER GUZMAN: Yeah, form-based codes. So as we move forward, how do we deal with those types of taxation? And to me in my mind, it's similar to B&Bs because you have a business and you're also living there, either upstairs or downstairs. So how do we…you know, to me they're in the same category, B&Bs and those type of quasi, you know, home-based businesses I suppose that we would call them. So maybe we should categorize them in one category. But there's lot of…so many different strings out there that we need to be able to make into a straight line like you said. But we're in a, you know, I guess it just takes a very diligent committee to start working on it. But as we develop, we're gonna…there's more and more concepts in these type zoning areas. So either we start dealing with the taxation side now, or forever hold our peace. I mean we're just gonna be a zoo with all animals let loose out of their cages. So that's all I have to say. Thanks.

CHAIR HOKAMA: Yeah, thank you, Mr. Guzman. I will say that, again, you know, if we look at it in the big macro like I just mentioned, it may be so overwhelming you don't wanna start because it's like do we ever get to finish this huge issue? Well, I think we can, but we just gotta take it, you know, one piece at a time, and we can get it done if we discipline that we're gonna make the improvements. But one of things I can tell you that I'm dedicated on and I'll tell you folks upfront as the Committee, is that one of the things that I look forward to is working very closely with the departments that are pretty much involved. 'Cause lot of times when I can see Mr. Teruya sitting going like, why wouldn't they ask us on how this would work, or how would this, would it be implemented? They're talking about this policy, but for us to implement, we need A, B, C, D and 1, 2, 3, 4, and I don't have...I got A and B, but I missing C and D and I only got 3 and 4, I don't even have 1 and 2. So how do they want me to perform? And that is why I think lately in many issues that we've had meetings on, we've asked what is Real Property's take on it because we wanna make the better informed decision. And that's why I'm gonna be working with Mr. Teruya and Planning and others to see what is the initial bites we should be looking at to address first in the overall taxation. It might be regarding the Hotel/Resort category first and those zoning categories. I'm not too sure, but I'm dedicated to making improvements. Mr. Couch? Oh, excuse me, it's Mr. Victorino's turn. I'm sorry.

COUNCILMEMBER VICTORINO: He always interferes with me, Mr. Chair. I could've told you that. And, you know, I guess Mr. Couch has something more to add. I wish he would keep it quiet because he's not gonna add anything more. I just wanted to add that.

CHAIR HOKAMA: Your turn, Mr. Victorino.

COUNCILMEMBER VICTORINO: Thank you very much. Really, you really did hit the nail on the head. This is very overwhelming, and let's calls a spade, a spade. And it's gonna take many years and different people with different thoughts and philosophies to make it work. But it's with the guidance of the departments that are gonna be the real light in the tunnel, if you wanna use that term, to guide us through it. There's many solutions, many ideas. We could sit here all day and give you ideas, but I'm not into that modem at this point. I would like you to take the first…you know, in other words, take the first crack at it, sir. But more importantly, this is something that has been long overdue. We've buried it. We've played ostrich in many times when this issue has come up and buried our head in the sand and try to see if it'd go away, and it hasn't. It keeps resurfacing again and again. And you got all the smart people like Mr. Couch who can give you answers and get people like me who just use common sense and that's all God gave me. But I can tell you right now, people out there are looking for solutions that will be fair and equitable. That's the first and foremost, okay. Whether it's Mr. Croly and TVRs, condos, homeowners, it doesn't make a difference. And I think one of the things I'd like to see us is to get to a point where we have less categories, and maybe within that category how each of these fit. I think we have too many categories. That's my honest opinion, 'cause I look at all the other counties, exponentially less categories than we do. I look at many of our NACo sister counties, they don't have all these categories. And some of them have very much like us, agriculture, what do you call…the hospitality industry, some have even heavy industry, and yet they have less tax classifications. But within the classification, you have the breakdown of what each one would fill…what would fill in to that category, yeah. So there's a lot of work to be done, Mr. Chair, and I think this is just one of many steps that we need to take. And, you know, even though I won't be here much longer, I will do what I can to help expedite and try to find the big, the big bullet, or the silver bullet that we can make some of it work, and then work our way down. Let's bite off the big pieces first and see if can get…chew up some of that, and then look for the little stuff that comes along. Or maybe the opposite way, take the little stuff and then work our way to the big ticket item. I don't know. But it's your call, Chair. But I think it's long overdue. Thank you, Chair.

CHAIR HOKAMA: Thank you. Mr. Teruya, this chart, is this something we should distribute? I can distribute? Oh, you get one updated one? Okay, I like this. I'd like to have the Members have copies of this, please. Thank you. What I'm asking Staff to provide you with, Members, is from Real Property Tax, they have a graph to show you the comparison of values between true hotels and others within the category. So that will be provided to you for information. Any other…Mr. Couch, your…any other thoughts, please?

COUNCILMEMBER COUCH: Thank you.

CHAIR HOKAMA: I'm sorry.

COUNCILMEMBER COUCH: Yeah, that's all right. You know, and shockingly enough, I'm agreeing with Mr. Victorino again in that, yeah, we have too many categories potentially. You look at…I believe Honolulu has two, three, one?

MR. TERUYA: No, more, a lot more.

COUNCILMEMBER COUCH: Oh, really?

MR. TERUYA: Yeah.

COUNCILMEMBER COUCH: 'Cause I was just looking at…oh, the rates are the same all the way down, yeah, in the different categories. How does not only other counties, how do your colleagues in different states, different counties in the country…is it all over the map, or is there some sort of standard? I know AWWA has their standards for water stuff. How do your colleagues…

MR. TERUYA: Every municipality is very different. Boston, Mass. has only one rate.

COUNCILMEMBER COUCH: Wow.

MR. TERUYA: So, you know, you can…it varies. I mean if you had one rate like we had when we first started in 1981, we started with one rate for nine categories or whatever categories. But we only had one rate. And then it's like…I mean that's just the way it is. It's special interest groups gonna start one at a time and then we…you just create different ways. The values go up for certain classes, higher than certain ones and you give a discount, then the rate changes again. But, you know, if we had one rate, I mean, maybe we could get rid of some positions maybe. It'd be a easier job. You know, but that's how it starts. And, you know, I think when you have one rate, it's less arguing 'cause everybody's just…I mean everybody gets the same treatment so I can agree with less classifications. I can always give you recommendations and observations based on other municipalities as far as what two groups may be very similar. I should also provide you guys with tax rates going back to 1981 so you could maybe identify how we started and how we moved, even as far back as maybe seven years ago when we had three, four categories all the same rates. What changed over time? Slightly in values, but I mean if that was fair proportionment back then, why does it not apply today? So, you know, I think it's good to look back at history. It's good to look at the other counties, but they are different counties. But look at the City and County of Honolulu, Kauai and Big Island. I mean there's a lot of rates very similar to Hotel and Resort. But why are we different? I don't know. But, you know, it is this body to decide how they wanna proportion the rates, so that's what deliberation's for. I'm looking forward to it. I have my own opinions, but I kinda understand everybody's concerns so I can actually go back to the Chair and provide clarity as he sees fit. So thank you, Chairman.

COUNCILMEMBER COUCH: Yeah, thank you. Thank you, Chair.

CHAIR HOKAMA: Okay. Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. And, Mr. Teruya, just…I heard from one of our representatives that stated that our taxation rates are sort of a hindrance to us not having affordable housing that we all talk about and wanna see more of. So how do you see the way we, you know, our taxation works in that arena where for developers they can get their, you know, biggest return on investment in building more the high-end type housing? And there's people out there with the money that purchase these and get the great homeowner exemption and the reasonable taxation rates so it's very…it's a buyer's paradise here for people with the high, you know, big, big money kind people. And so the developer has more incentive there to build that type of housing versus the more affordable that we all need more of here as just the everyday working class. So I think in the general nationwide people come here with the money because it's a lot, you know, taxation wise it's very affordable and very conducive for them to invest. So how would we adjust that to where it'd be beneficial to all, developer, yes, but especially to our everyday working, you know, people here that wanna afford something?

MR. TERUYA: Chairman? You can stop me if I go off in tangents. But it's just my observation that I think you, first of all you gotta realize Maui County is small. We have very limited supply which creates land values that are very, very high. It's all in relation, I mean I know the assessor in Nebraska and it's only a matter of zeroes for everything to be relative. But, you know, it's…I mean it's scarcity of land. We gotta realize today, and one of the problems, and I don't know if this is off-base, Chairman, but for us to go through subdivisions is one of the biggest hurdles that I'm hearing from developers. It takes so long in Maui County that the norm now is to condominiumize, sell, then subdivide. So I don't know if you realize that that started to be the trend now, is to condominiumize properties, sell them off individually 'cause you have keys, then go back and subdivide and decondominiumize because subdivision process taking so long. So is that process adding more cost to development? I don't know. But it's something to consider that this is what's going on in Maui County, is the subdivision process is too laborious. So that's just my take on it. And like I said affordable housing, if you add more to the development, more cost to the land, and just there's the bottom line. Time takes a lot of money.

COUNCILMEMBER COCHRAN: Well thank you. Thank you for your insight on that, Mr. Teruya. Thank you, Chair.

CHAIR HOKAMA: Thank you. I would agree and, you know, if we wanna talk more, we'd need to post another one because I would agree. Subdivision process is a bear, a bear. So that's…but that's another item for another day, Members. Anything else on this? Mr. Baz, I'm…excuse me, do you have any comments you wanna share as far as from your budget responsibilities?

MR. BAZ: No, Mr. Chair, I appreciate the…your initiative in reviewing this item in our property tax classifications. As it specifically related to the transient accommodations, I think that it would be better to have it…a better definition, clarity as far as what is a hotel and what is not. And if that deems another classification or some move to combine to a different classification, that's, you know, I think we'd be supportive of working with the Committee on how the end outcome will be. And, you know, of course I always look at what the end outcome is, our real property tax revenues so, you know, that's gonna be a factor that we're gonna probably look at as we get closer to…but that would be in rate setting, not necessarily in classification setting. So as far as the classifications, Chair, I just appreciate the Committee looking at this and be happy to work in the future towards this item.

CHAIR HOKAMA: Okay, thank you very much. Anything else you wanna share, Mr. Teruya, with the Committee for today's meeting? Mr. Walker, anything you wanna share? Ms. Martin?

MS. MARTIN: No, thank you, Chair.

CHAIR HOKAMA: Members, anything else you wanna…yes, Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. The handout you gave us?

CHAIR HOKAMA: Okay, thank you for the question. Mr. Teruya, will you give the Committee some comment --

COUNCILMEMBER COCHRAN: You wanna explain the handout?

CHAIR HOKAMA: --regarding the graph you were kind enough to prepare for us?

MR. TERUYA: Any chance of getting my original back?

CHAIR HOKAMA: Excuse me. Yeah, we'll get it back to you. And then we made…we're gonna reborrow it, or send us…shoot us another one so I want the Members to have the colored version so they can really see clearly the differences. Ms. Martin?

MS. MARTIN: The chart is a ten-year history of the Hotel and Resort classification. The 30-some…the value of the 30-some hotels is in the top line. And everything else in the class is in the second line, and that's mostly condominiums that do short-term rentals. And then below that, the percentages are the percentages that those values changed from the prior year. And that's what Scott was talking about if you look at 2010, for example. The hotels went up 8 percent, and the condos, or the remaining inventory only went up in value 1 percent. Another year, 2013, the hotels went down almost 11 percent, but our condos remained relatively stable. And then the next group of data along the chart just illustrates when you look at the whole class, what percentage of value those two categories occupy.

CHAIR HOKAMA: Okay. Ms. Cochran, any questions for clarification you need from the Department?

COUNCILMEMBER COCHRAN: So timeshares are considered hotels here, their valuations?

MS. MARTIN: No, this doesn't include the Timeshare class.

COUNCILMEMBER COCHRAN: Oh, okay.

MS. MARTIN: It's just…

COUNCILMEMBER COCHRAN: This is strictly hotel.

MS. MARTIN: Yes.

CHAIR HOKAMA: Hotel/Resort. Members, other questions for the Department regarding the graph that we presented? Okay, well, if you do, forward it to the Chair and we'll ask the Department to provide some comment. So the Chair's intent, Members, is to defer this item. Again, I'll be working with a proposal for consideration for the Committee prior to the next posting in working with the Department. Any other comments or requests? Having none, any objections to deferral?

COUNCILMEMBERS: No objections.

CHAIR HOKAMA: Thank you. This item is deferred.

COUNCILMEMBERS VOICED NO OBJECTIONS. (Excused: GCB and MPV)

ACTION: DEFER PENDING FURTHER DISCUSSION.

CHAIR HOKAMA: We have completed the business of the Committee. This meeting is adjourned. . . .*(gavel)*. . .

ADJOURN: 11:36 a.m.

APPROVED:

RIKI HOKAMA, Chair
Budget and Finance Committee

bf:min:150901:rk

Transcribed by: Reinette Kutz

CERTIFICATE

I, Reinette Kutz, 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 this 22nd day of September 2015, in Wailuku, Hawaii.

Reinette L. Kutz

Reinette L. Kutz