M I N U T E S

of the

PUBLIC HEARING HELD ON

APRIL 27, 2016

THE COUNCIL OF THE COUNTY OF MAUI, STATE OF HAWAII, CONVENED A PUBLIC HEARING ON WEDNESDAY, APRIL 27, 2016 AT 6:00 P.M., IN THE COUNCIL CHAMBER, KALANA O MAUI BUILDING, WAILUKU, HAWAII, WITH CHAIR MICHAEL B. WHITE PRESIDING, FOR THE PURPOSE OF RECEIVING TESTIMONY ON THE PROPOSED REAL PROPERTY TAX RATES FOR THE COUNTY OF MAUI FOR THE FISCAL YEAR JULY 1, 2016 TO JUNE 30, 2017.

CHAIR WHITE: This Maui County Council public hearing on Real Property Taxes shall come to order.

Mr. Clerk, please call the roll.

ROLL CALL

PRESENT: COUNCILMEMBERS ROBERT CARROLL, DONALD G. COUCH JR., S. STACY CRIVELLO, VICE-CHAIR DONALD S. GUZMAN, AND CHAIR MICHAEL B. WHITE.

EXCUSED: COUNCILMEMBERS GLADYS C. BAISA, ELEANORA COCHRAN, G. RIKI HOKAMA, AND MICHAEL P. VICTORINO.

There were approximately 15 members of the public in attendance.

DEPUTY COUNTY CLERK JOSIAH K. NISHITA: Mr. Chair, we have five Members present and four Members excused. A quorum is present to conduct the business of the Council.

CHAIR WHITE: Okay, thank you very much, Mr. Clerk. And, before we proceed, if I could please ask all of you to put your phones on silent, would appreciate that.

And Mr. Clerk, let's proceed with public testimony. Has this hearing been property noticed.

NOTICE OF PUBLIC HEARING

DEPUTY COUNTY CLERK: Yes, Mr. Chair, the Notice of Public Hearing on the Real Property Tax Rates for the County of Maui for Fiscal Year July 1, 2016 to June 30, 2017 was published in the April 15, 2016 and April 20, 2016 editions of the Maui News.

CHAIR WHITE: Thank you very much, Mr. Clerk.

Let's proceed with public testimony.

DEPUTY COUNTY CLERK: In accordance with Section 3.48.565 of the Maui County Code, the public is invited to provide testimony before the Council regarding the Real Property Tax Rates for the County of Maui for the Fiscal Year July 1, 2016 to June 30, 2017.

We have established limited interactive communication that enables individuals from Hana, Lanai, and Molokai to provide testimony from our District Offices. Individuals who wish to offer testimony from Hana, Lanai, and Molokai should now sign up with District Office staff.

Individuals who wish to offer testimony in the chamber, please sign up at the desk located in the eighth floor lobby, just outside the chamber door. When testifying, please state your name and the name of any organization you represent.

Hana Office, please identify yourself and introduce your first testifier.

MS. DAWN LONO: Good evening, Chair. This is Dawn Lono at the Hana Office and our first testifier is Paul Orsulak.

TESTIMONY

MR. PAUL ORSULAK:

Okay, first of all, I would like to thank the Council for the opportunity to be here and testify on behalf of the, the real property tax proposals. My wife and myself own a property in Hana, it is an agricultural property and we have a pending STRH permit on that.

I would like to ask the Council to consider carefully the, the rate of commercial . . . the commercialization rate is going to be applied to that property first of all because it's agricultural. Secondly because as an STRH holder, should we get the permit, we've already paid significant additional costs which are really to us equivalent to taxes in the permit cost themselves, the price of the cost of the permit, the cost of the renewal fees, and the additional costs associated with making sure we can do that.

Additionally for us, we have an approved farm plan which we have executed on and in fact have expanded beyond the plan that was approved for our permit. And that has also increased our costs, but it has also returned additional funds to the Hana businesses. So, the, from our position, our perspective, the increase to the proposed rate, the commercialization rate is an onerous addition to the expenses associated with our property.

Additionally my wife and I have also just become this past January, Hana and Hawaii residents. We have sold our real property in Minneapolis, Minnesota. We do have a small condominium in Denver where our grandchildren reside. But we are now fulltime residents here and our STRH really is only part-time. We intend over this year, the next year, next, to use it as an STRH only when we are not here, which we estimate to be about four months a year. So to tax it fulltime around, around the entire calendar for a relatively minimal or limited use of the property for this purpose, we think is not, is going to be very difficult for us to, to manage.

Additionally I would like, the question is I understand that there are now limited, defined opportunities for people to use their homes for homebased businesses. I don't know what the details of that are but are those businesses going to be taxed at an increased, those properties going to be taxed at an increased rate just as we are since we're using our, our property for less than 40 percent income purposes. We believe we'd fall under that and should be able to maintain all the exemptions that we have and the same tax rate, reduced tax rate that they enjoy unless theirs is going up to.

CHAIR WHITE: Thank you very much for your testimony, Mr. Orsulak. Members, do you have questions for the testifier. Seeing none, thank you very much for sharing your thoughts this evening.

MR. ORSULAK: Thank you for the opportunity.

CHAIR WHITE: Mr. Clerk.

DEPUTY COUNTY CLERK: Lanai Office, please identify yourself and introduce your first testifier.

Molokai Office, please identify yourself and introduce your first testifier.

MS. ELLA ALCON: Good evening. This is Ella Alcon on Molokai and there is no one here waiting to testify.

DEPUTY COUNTY CLERK: Thank you.

Mr. Chair, we have nine individuals who have signed up to testify in the Council chamber. The first person to testify in the chamber is Roger Thorson. He will be followed by Lila Danielle.

CHAIR WHITE: Good evening.

MR. ROGER THORSON:

Good evening. My name is Roger Thorson. I've lived and worked in Paia for 30 year, 30 years in Paia. I would like to offer testimony relating to the proposed property tax increase on B&B's. It's my understanding the property tax rates on all categories would remain more or less the same as last year except for B&B's, which would receive a whopping 40 percent increase.

My situation is that I'm a homeowner with three generations of family living in my home. But we have a 450 square foot one bedroom ohana. We were among the very first to receive a B&B license. We have over 300 favorable ratings on various sites and in all of our years of operation only one negative, which was related to the renters booking agent.

I spent some time today at the real property tax office. If I did not operate a B&B my tax would be $5,362 less last year. With the proposed increase of 40 percent, it would go up by an additional $5,232. This is for a one bedroom B&B. This increase is unsustainable for us. We pay GE tax, TA tax, income tax, property tax, gardeners, window washers, cleaners, sheets, towels, supplies. And then there's the vacancy factor. If we're squeezed out of business, none of these entities will be better off.

With only 150 licensed B&B's and many more unlicensed and untaxed, I cannot imagine a 40 percent tax increase will be much of an incentive to become licensed and play by the rules. I urge you not to raise this tax or I'll be forced to throw in the sponge.

CHAIR WHITE: Thank you, Mr. Thorson. Members, questions for the testifier? Seeing none, thank you for sharing your thoughts this evening.

MR. THORSON: Thanks.

CHAIR WHITE: Mr. Clerk.

DEPUTY COUNTY CLERK: The next person to testify is Lila Danielle. She will be followed by further testimony from our Hana District Office.

MS. LILA DANIELLE:

Good evening. My name is Lila Danielle. I represent Sojourn Maui Bed & Breakfast. Ladies and gentlemen of the City Council, thank you for the opportunity to speak with you. I'm here this evening to express both my concern and dismay at the prospect of paying a 40 percent increase in property taxes per Budget Chair Riki Hokama's recommendation to the Council.

For the past two and a half years, my husband and I have invested thousands of dollars into renovating and transforming our home into a space that provides beautiful accommodations to people visiting Maui. We could have chosen, as many homeowners do here on this island and around the world, to rent our rooms out to various online agencies that charge us a fee, but to whom we have no allegiance or commitment to. We could have easily and happily accepted cash only payments for our services and pay little or no taxes on the income we earned. We did not do this.

What we did was spend thousands of hours and several more thousands of dollars to become a legal and licensed Bed & Breakfast in Maui County. We hired a consultant to make sure we completed all the necessary paperwork properly. We made all the improvements on our property as recommended from the County's inspector so that our home was compliant with County requirements and safe for our guests.

And, in the near future, we will be paying the County several more thousands of dollars to increase our water meter size so that our guests in our third bedroom can have a bathroom. We have just opened our doors to guests April 1. We have had only two reservations this past month, and we have just one other booking so far for the rest of the year. My phone is not ringing off the hook. My inbox is not besieged by inquiries. My marketing budget to increase our visibility has already been spent in home renovations, permitting, inspection and consulting fees, and property taxes.

And now, with this current proposal Councilmembers have been presented with, permitted Bed & Breakfast owners are faced with the possibility of having to pay a much higher tax rate when we already pay more than a standard homeowner. Why in the world would you raise taxes on the homeowners who have licensed Bed & Breakfasts, who have done the right thing. There is no decency in this, your potential actions to increase our tax rate are not pono. We are an obvious and easy target and we are not the ones to be penalized. You want to support people doing the right thing, who are enhancing Maui's accommodation options, so please support us, not overtax us. Thank you.

CHAIR WHITE: Thank you, Ms. Danielle. Members, any, any questions for the testifier? Seeing none, thank you very much for coming this evening.

Mr. Clerk.

DEPUTY COUNTY CLERK: Hana Office, please introduce your next testifier.

MS. LONO: The next testifier is Robin Rayner, testifying on the Real Property Tax.

MS. ROBIN RAYNER:

Good evening and thank you for allowing me to testify. My name is Robin Rayner, I'm the owner of Kaleo Farms here in Hana and I also own a vacation rental.

And I'm here to testify in opposition to your real property tax increase for your commercial residential category which just seems to be increasing by nearly 40 percent while everybody else seems to be going down.

We created our vacation rental, a property that we had, a house we had on our property and, the space we have on our property and it's, it's been, it's completely legal. We've been licensed and we've done everything above board as the previous testifier just mentioned.

We had, let's see, in one year, you have switched us from homeowner rates of 2.75 to this commercial residential rate of 4.35. You've taken away our homeowner exemptions. You've increased our property value over the past four years by 31 percent, which I frankly don't see happening in Hana based on retail sales of homes here. And now you want to increase our rate again by another 38 percent. And I just wonder, you know, what's motivating you here, why do you want to somehow, I feel rather like I'm a victim here, I'm being punished for trying to run a business.

My farm is a successful farm, we grow heart of palm, we have cacao, we have a number of things. All of our vacation renters love to take tours of our gardens and our farm, which we enjoy doing so we're promoting farming in Maui, which I think is something that the, that the County would like to see happening.

We already pay with our vacation rental, we pay TAT and a GAT, which amounts to 13.4 percent. So again, on top of that you want to increase our taxes and that's taxes on not just the tiny portion of our property that is vacation rental, but it's on our entire property, our farm, our home, everything gets increased by that, gets into that category, and gets increased by that percentage. And I really think that's simply not very fair and not very pono. Not, not thoughtful and considerate for people who are trying to make a living particularly out here in Hana.

So I appreciate the opportunity to speak with you and I hope you see some rationale and sense in what you're doing and try to sort out this, this decision, or consideration to increase this particular category of taxes as opposed to every other category. Thank you very much.

CHAIR WHITE: Thank you, Ms. Rayner. Members, questions for the testifier? Seeing none, thank you very much for your thoughts this evening.

Mr. Clerk.

DEPUTY COUNTY CLERK: The next person to testify is Doug Levin. Mr. Levin will be followed by testimony from our Lanai District Office.

MR. DOUG LEVIN:

Good evening. Forgive me, I'm very tired, it was a very long day so I'm going to do the best I can here. I actually provided a handout, it's got a picture of a house on one side, that's actually our guest house and some numbers on the back.

Part of the reason I'm here today is--

COUNCILMEMBER COUCH: Excuse me, Mr. Chair. Could we get him to identify himself please. Thank you.

MR. LEVIN: Oh, I'm sorry. My name is Douglas Levin. I think I forgot to put on the thing that the guest house we represent is the Wailuku Guest House, is actually about two blocks away the County Building here, over by Iao School.

On this you're going to see two sides, one with the picture and one with some numbers. The numbers that you see, because I often see, the impression I get from the Council sometimes is that you think we are doing very well financially and I wanted to provide you with some real numbers so you could get a sense that this is not true.

We run a six-bedroom, which is the largest allowable Bed & Breakfast and we have a pretty nice occupancy rate, about 84 percent generally. So we would generally be considered one of the more successful B&B's. What you're seeing here for 2013 and 2014 is the actual profit and loss for our B&B which I'm sharing with you today, okay.

At the top line you might think we make a lot of money in 2013 the gross was 142,000 and in 2014 with lots of work that year we were able to get up to 185. But if you look on the bottom line in pink, you will see that we were able to put $30,000 in the bottom line the first year and 40,000 or so the second year. These are not that profitable and they're a lot of work.

The other thing I wanted to point out to you on the other side of this document is that we are a six-bedroom B&B. If you look on the bottom, I have divided our annual income by six to give you an idea of what a one-bedroom Bed &Breakfast would be doing. Now I'm not a one-bedroom Bed & Breakfast, but if you had a one-bedroom Bed & Breakfast, they might actually make about an extra six grand a year after all of their expenses.

If you then turn over to the side with the picture. You will see I, that's about $16.00 a day in profit. But then if you compare that to the amount of tax that you want, the, currently you are taxing us an additional 3.76 to 4.92 a day on about $16.00 of profit. And under the proposal you want to tax us from $6.00 to $8.00 a day in the overall thing.

Generally speaking, there's a lot of belief that this is a romantic profitable business, but it's really not. It's a lot of laundry, 12 - 14 loads a day; bed making; vacuuming; and toilet cleaning. And you guys are really taxing us a lot. Thanks very much.

CHAIR WHITE: Thank you, Mr. Levin. Members, questions for the testifier?

I'll just make mention that I know very well the hotel business is not necessarily a profitable business.

MR. LEVIN: No, it's a challenging one.

CHAIR WHITE: Very challenging.

Mr. Clerk.

DEPUTY COUNTY CLERK: Lanai District Office, please introduce your first testifier.

MS. DENISE FERNANDEZ: Good evening, Chair. This is Denise Fernandez on Lanai and I have one testifier Onaona Maly.

MS. ONAONA MALY:

Aloha, Honorable Members of the Maui County Council. My name is Onaona Maly, and I'm a Lanai resident with genealogical ties to early families of Lanai. In 2013, we purchased a home on Lanai that included a small guest cottage which previous, the previous owners had been doing short term rental business, without permits.

As Maui County was working on its regulations to govern Bed & Breakfast properties, our County Council representative suggested that we should engage in the process of permitting our cottage as a licensed B&B. After a year of work, our little cottage became the first permitted Bed & Breakfast on Lanai. We are required to carry commercialized homeowner's/hurricane insurance, which also includes a million dollar liability insurance policy naming Maui County as an additional insured, and pay TAT and GE taxes regularly.

We are not a Four Seasons or a major landowner. This proposed tax increase will be a burden for us and many families on Lanai and in the County. If the tax rates increase as proposed, it will have a significant impact on many, and lead people to continuing business under the table as it has always been. Since the 1950's, Lanai has been a B&B community, though none of us knew what it, what it was, with family, friends, hunters, and other guests staying on the island for short periods of time.

I urge you please to deny this rate increase. Mahalo.

CHAIR WHITE: Thank you, Ms. Maly. Members, any questions for the testifier? Seeing none, thank you very much for sharing your thoughts this evening.

MS. MALY: Okay, mahalo.

CHAIR WHITE: Mr. Clerk.

DEPUTY COUNTY CLERK: The next person to testify is Sharyn Stone. Ms. Stone will be followed by Kutira Decosterd.

MRS. SHARYN STONE:

Good evening, Maui County Council.

CHAIR WHITE: Good evening.

MRS. STONE: And aloha to our Budget Committee Members. My name is Sharyn Stone, and I and my husband operate Huelo Point Lookout, a licensed Bed & Breakfast. We finally obtained our permit in 2011. My original application was filed in 2001, I think you can do the math. Let's just say it was not an easy process, and it's not an easy business to be in.

I've always paid my GE and TA taxes but by becoming legal, we were forced to give up our $200,000 homeowners exemption. And I'd like to point out that the permitted Maui B&B owners, only 118 of them are the only homeowners who have been forced to do this. Not only did we give up our homeowners exemption, we were put in a class called commercialized residential so our newly high property taxes then, doubled.

Lucky indeed is the child minding center, the auto repair guy, and the jewelry maker in my neighborhood. Are these home businesses just as commercially residential as I am. You bet. Do they pay those taxes? Nope. Do they have to have liability insurance in which the County is named an additional insured thus increasing overhead even further? Nope.

But now it's being suggested that our taxes be increased again, by almost 40 percent. Does that strike you as being fair? Oh, and by the way we're not allowed to sell our businesses or transfer them in any way. What kind of business is that? What exactly are the benefits of being legal? Is there any incentive at all for illegal B&B's to become legal? Not a whole lot.

I'm up for renewal again next year and frankly, I'm beginning to wonder, is it worth it. Maui needs small, sustainable, low impact, mom and pop businesses like ours where the trickledown effect benefits the whole community. We all saw what happened in Paia, Haiku, Makawao, and Hana when the B&B's were all closed down in 2008.

We contribute good things to our community. Sure, we have a permitting process that is less than ideal, but at least we have a process which is more than can be said

for Honolulu. I ask you, Members of the Budget Committee, to make it worthwhile for B&B owners to invest their time, effort, and money into becoming legal so everyone benefits. Increasing our taxes by 40 percent, singling out 118 people yet again would not be working towards this end. Please value us. Thank you so much for your consideration.

CHAIR WHITE: Thank you very much, Mrs. Stone. Members, any questions for the testifier? Seeing none, thank you for your thoughts this evening.

MRS. STONE: Thank you.

CHAIR WHITE: Mr. Clerk.

DEPUTY COUNTY CLERK: The next person to testify is Kutira Decosterd. She will be followed by Kathy McLean.

MS. KUTIRA DECOSTERD:

Good evening.

CHAIR WHITE: Good evening.

MS. DECOSTERD: Councilmembers and Board of Budgeting. So much has been said already, I could ditto everything. But I wanted to give you another look. I'm here since over 30 years. I bought my land in 1988.

COUNCILMEMBER COUCH: Mr. Chair.

MS. DECOSTERD: And I have created a sustainable, ecological, beautiful--

CHAIR WHITE: Could you, I'm sorry, could you just state your name please.

MS. DECOSTERD: Oh, I'm sorry. My name is Kutira Decosterd and I'm the owner of the Maui Eco Retreat and I have bought my land in 1988, just a piece of jungle. I have put my heart and soul in it to create a place which represents the aina and sustainability.

I'm at that point where more and more people really want to come as even the big conservation Congress outing in September with possibly keynote speaker Obama, millions of people will know about that, which happens in Honolulu, sustainability is on.

We, our little B&B owners, we part of that sustainable grid. We bring people in who work for us who come from our community. I have somebody who helps me with the guest services, and yes what the gentleman was saying before it's hard work. People arrive on a Saturday or a Sunday, I don't even know when I had a weekend. I'm always ready to serve and to teach people what it means to live with the land, to enjoy the beauty of the aina. And to give them our best.

I'm was one of the very first one who got a permit. I worked hard like everybody else to be permitted. And I'm one of the very first one who is going to be up to renewal by next year. Well, now I really have to question, shall I renew, because if you are going to raise taxes, it's really hard. It is not that profitable as you think. There is so much work involved.

And yes, how many loads do we wash and figuring out how we can reuse the ecological, the print that we are using, the energy resources. Yes, I am totally off the grid. I have nothing by the County. Not the water, not the electricity and I have to also make sure the people can drive in my road because I'm responsible for the road too.

And yet, you know what is the biggest payoff? When people leave and say this was the best holiday in Hawaii. We really got to experience how Hawaii must have been in the past. And I ask you to support us, the B&B that we can continue and give people an ecological sustainable aloha as we all working towards. Thank you.

CHAIR WHITE: Thank you very much, Ms. Decosterd. Members, questions for the testifier? Seeing none, thank you very much for your thoughts.

Mr. Clerk.

DEPUTY COUNTY CLERK: The next person to testify is Kathy McLean. She will be followed by Matt McLean.

MS. KATHY MCLEAN:

Good evening, Council.

CHAIR WHITE: Good evening.

MS. MCLEAN: There's not really much more that I can say. Owning a B&B, we, I own, Matt and I own Maui Magic in Kihei. And--

COUNCILMEMBER COUCH: Name please.

MS. MCLEAN: It's just a labor of love.

CHAIR WHITE: If you could just state your name for the record.

MS. MCLEAN: Kathy McLean.

CHAIR WHITE: Thank you.

MS. MCLEAN: And it's a labor of love, it's not about getting rich quick or, it's being able to live where we love and serve people that we love. And if you increase our taxes, then I know, you know it's not really obtainable. So what everybody else said in the past, I agree. That's it. Thank you.

CHAIR WHITE: Thank you very much, Ms. McLean.

Mr. Clerk.

DEPUTY COUNTY CLERK: The next person to testify is Matt McLean.

MR. MATT MCLEAN: I'll pass.

DEPUTY COUNTY CLERK: The next person to testify is Denise McKinnon. She will be followed by Thomas Croly.

MS. DENISE MCKINNON:

Aloha, Councilmembers. My name is Denise McKinnon for the record and this is my first time ever testifying, so please be gentle with this buzzer thing. So, I am the owner of a permitted Bed & Breakfast. Every morning, I get up at 5:30, serve breakfast to the guest we host. I chat with them, I offer local knowledge and help them plan out their day so they can make the most of their Maui vacation. I try to get to know them and I try to make sure that they understand the importance of respecting our island.

And in most cases they really do, they, they get the idea. And, and hopefully, with a little bit of guidance we're able to keep them out of mischief or any trouble that could impact the, the island in a negative manner.

As everyone has said, running a B&B is hard work. It, it's not easy, we're not, it's not a get rich quick scheme. We put a lot of effort into it. My husband and I have always tried to operate by the rules, particularly me. He makes fun of me for doing that, but that's my nature. So we've always paid our GET, our TAT. We got our permit with the County because we wanted to do the right thing. Our livelihood depends on our B&B operation. We make certain that each of our guests understands the rules and conditions that go along with our permit to keep them from impacting our neighbors.

We got our permit and lost our homeowners exemption even though we still live in our home. Financially we weren't happy with that, but you know what, that was the rules, we accepted it.

As one of my German guests once said to me, rules are wonderful, they make things so easy. I'm not so sure that rules however, always seem to be fair in, or, or to be easy in the case of, or in regards to the B&B industry. What I've always believed to be grossly unfair is that our property taxes doubled from 2,000 to more than $4,000 just because we have this permit, and just because we use a small portion of our house to host guests. But, you know, again, those were the rules, we accepted it.

I'm here today because the increase in property tax rates proposed by Budget Chair Hokama is just plain wrong. I'm angry, and I just can't take it anymore. Someone needs to stand up to such unfair and openly biased treatment of people like me who are trying to following the rules. Chair Hokama is proposing a property tax increase of 40 percent only for permitted B&B owners. For all other property tax classifications he is suggesting a decrease in tax rates.

We are clearly being singled out and the message I hear is we don't like you. We understand that you have a legal right to operate a B&B but we are going to make it increasingly difficult for you and that's what he is doing with this proposal. Like I said, I follow the rules. I'm an honest hardworking resident and I strive to treat people fairly, just like my dad taught me. Picking on me because I host visitors in my home is just wrong. As I look at the Councilmembers sitting here today, I can only hope that the trust that I put in your hands when I voted for each of you was not done so in vein--

CHAIR WHITE: You'll, you'll have to, you'll have to provide a concluding remark.

MS. MCKINNON: I know, I'm going to cover that.

CHAIR WHITE: We've given you a little, a little slack.

MS. MCKINNON: So, I hope, I hope that you will see how insulting, not to mention how usually burdensome this tax proposal is, and I hope that you will stop this bullying of our industry and that you will instead give us the same decrease that all the other residents are going to get. We are residents and we deserve to be treated fairly.

CHAIR WHITE: Thank you, Ms. McKinnon.

MS. MCKINNON: Questions.

CHAIR WHITE: Okay, Members, any questions for the testifier?

Mr. Guzman.

VICE-CHAIR GUZMAN: Thank you, Chair.

Thank you for coming this, this evening. How many years have you been operating?

MS. MCKINNON: Oh, gosh. What was it. The first year that that having, being able to get a permit was available, we were one of the first people to get our permit. So I don't know when that was, exactly, sorry.

VICE-CHAIR GUZMAN: Okay, thank you, Chair.

CHAIR WHITE: I'm sure there's somebody testifying after you that has that information. I'm sure there's someone after you that has that information.

Thank you, Ms. McKinnon.

Mr. Clerk.

DEPUTY COUNTY CLERK: The next person to testify is Thomas Croly. He will be followed by Catherine Clark.

MR. THOMAS CROLY:

Aloha, Chair. Aloha, Councilmembers. I'm Thomas Croly and tonight I'm testifying on behalf of the Maui Vacation Rental Association. I'm saddened to have to be here again today to address the issue of fair tax treatment for the 114 owner/operator Maui Island Bed & Breakfast permit holders.

We have had this discussion three times before and it's unfortunate that we have to keep coming back and doing it, but we, we need to stand up and protect ourselves. As you already heard, we lose our homeowner exemption, nobody is happy about that. We face already a 60 percent increase in our property taxes at the current commercialized residential rate. Nobody wants to pay higher taxes, but the folks here who have permits have accepted that the doubling of their property taxes is the price they pay for having a, having a permit.

But the $6.00 rate that was proposed in, in Chair Hokama's budget proposal would have the net effect of tripling the property tax bill that each of us gets compared to the bill that we would get if we didn't have a permit. These 114 homeowners collectively pay an additional $383,000 a year in property taxes as a result of their permit. That's over and above the taxes they would pay if they didn't have a permit.

The additional tax is roughly equal to that of the tax paid by the similar hotel rooms when the total tax is divided by the total number of rooms. And Chair, I'd like to make an example of your hotel, if you would indulge me. The Kaanapali Beach Hotel pays approximately $463,000 in taxes and I know the people of, of Maui do appreciate that. That's on, $463,000 on 430 guestrooms, assorted restaurants, commercial spaces and common areas. Works out to about $1,076 per guestroom.

The 118 properties that are classified in this classification represent 351 permitted rooms for rent. The total tax paid at the Mayor's proposed rate which was last year's rate comes out to $700,970. That is roughly $2,025 per room that gets rented out. Roughly double what, what the hotel, Kaanapali Beach Hotel pays. But if we just look at the difference, it works out to that $383,000 which is a $1,091 more per permitted room.

But at the proposal that was, that was proposed by the Chair, it would go up to $1,859 per room and that just isn't fair. So, the, what we, what we fought for and what we were given in the commercialized residential rate, while everyone's not happy about it, we can accept it. But pushing it beyond, you can see really takes people beyond their, their breaking point. Thank you for your time.

CHAIR WHITE: Thank you, Mr. Croly. Members, any questions for the testifier?

Mr. Guzman, this gentleman may have the information as to--

COUNCILMEMBER COUCH: I'll ask, I'll ask.

CHAIR WHITE: We were going to ask you how long you've been in business.

MR. CROLY: Fourteen years.

CHAIR WHITE: Thank you.

Mr. Clerk.

DEPUTY COUNTY CLERK: The next person to testify is Catherine Clark. Ms. Clark is the last individual who has signed up to testify in the Council chamber.

MS. CATHERINE CLARK:

Aloha, Chair White and Councilmembers. My name is Catherine Clark, I'm a Board Member of the Maui Vacation Rental Association, but I do not have a vacation rental. We were bewildered on Monday to see the suggested property tax rate for commercialized residential. Why? Since this is the only category that was increased it was almost as though this group had done something wrong and you were trying to penalize them.

Please remember, these are the good guys. The group that came forward and completed the process to be permitted and legal. Operators without a permit, homeowner rate, homeowner exemption. Operators with a permit $6.00 per thousand. This just can't even be considered fair.

But my thoughts on the matter led me to the topic of affordable housing. That discussion usually focuses on how to bring down construction costs or how to force a developer to build affordable housing and even then is it really affordable.

But everyone frequently forgets about the other side of that equation. If the cost to build is "x" and we can't figure out how to reduce it below "x", then the other question is, how do we ensure that the local resident can actually afford "x".

For the B&B's that are permitted, and in the future, potentially up to 400 local Maui residents, the answer to that question is I'll operate a B&B. Increasing the property tax on the entire property, that's the rental portion, the homeowner portion, and for the ag properties, their farming portion to $6.00 per thousand is very unfair for this small group of homeowners. Every time another fee or increase in tax is levied against the group, it just makes it that much less affordable.

Yes, there are some lovely properties with B&B permits and perhaps they could survive the increase. But not every property is like that. As you heard today there is

small little one bedroom properties and yet they would need to pay the tax on their entire property.

They reside, these folks reside in their homes on a fulltime basis. This is the home that they raise their family in. Personally I always thought the commercialized residential rate was already too high. And that when you compare it to home business operations that bring a steady stream of clients to the neighborhood, but pay no increase in tax, retain their homeowners rate and have no permit process. It's, it's really difficult to look at this and say that this is a level playing field.

Please understand I'm not saying that the small business operators shouldn't have those tax benefits. But what I am saying is that the B&B owners should be treated the same. I believe we should encourage and support the entrepreneurial spirit. For every local resident that creates their own job, be it a B&B or another small business, find a way to support that. They are providing the income to support themselves, but they need you to help them out. Thank you.

CHAIR WHITE: Thank you very much, Ms. Clark. Members, questions for Mrs. Clark? Seeing none, thank you for being here this evening.

Mr. Clerk.

DEPUTY COUNTY CLERK: Mr. Chair, there are no further individuals signed up to testify in the Council chamber. If there are any additional individuals in the Council chamber or at the District Offices who would like to offer testimony, please identify yourself to the appropriate staff and proceed to the testimony lectern or District Office conference call at this time.

Hana Office, are there any additional testifiers.

MS. LONO: The Hana Office has no one waiting to testify.

DEPUTY COUNTY CLERK: Thank you.

Lanai Office, are there any additional testifiers.

MS. FERNANDEZ: There is no one waiting to testify on Lanai.

DEPUTY COUNTY CLERK: Thank you.

Molokai Office, are there any additional testifiers.

MS. ELLA ALCON: There is no one here on Molokai waiting to testify.

DEPUTY COUNTY CLERK: Mr. Chair, we have one individual who has approached the testimony lectern. Please identify yourself to the Council and proceed to offer testimony and submit a testimony form following the conclusion of your testimony.

MR. KEVIN LEDESMA:

Okay, thank you very much. My name is Kevin Ledesma, and I'm co-owner with my wife Claudia of Hale Mauka Makai in Haiku. We've been granted our permit since 2009--

COUNCILMEMBER COUCH: Could you please use the mic.

CHAIR WHITE: The mic thrown up a little bit.

MR. LEDESMA: We've been granted our permit since 2009, in fact we were granted the first permit during this process and we're grateful for that. My wife submitted via email a brief letter and I, and I hope you all have a chance to, to look at that.

But briefly I want to talk about some of the things she said and some of the things that I'm mindful of this year, especially this year being an election year. We obtained our license as I said, our permit in 2009 and we pay over $20,000 a year in combined GE and TAT taxes as well as the increased property taxes. We do our parts as do many of the people in this industry. Especially those that are permitted.

We run a commercial nursery on the property and again it generates income from which we pay GE taxes as well. Let me get to my notes here. Sorry about that. The fact that we have lost our homeowner's exemption, exemption still does not make sense to us as we live on the property, we use it as a, designate it as an agricultural property and rent our house. Just because we rent it to somebody that's from out of state, or that is not staying in our house for more than six months, it seems illogical that we are penalized and have to go through these steps to, to comply with the, the things that the County puts before us.

Another thing I wanted to mention is we are all mindful that this is an election year, we see it on television every day. And, we vote by the actions of the people that we are here, that, that are elected to take care of us. And if we feel like they're not doing the job in supporting us as an industry and individuals, I think we'll all vote accordingly. And this group of people has shown an ability to get together and organize and vote accordingly.

And I highly suggest, and I really, really hope that you support our industry and not penalize our industry. And I mean support by giving us back the two percent tax, and supporting us by advertising and other things. Don't take it the other way, don't penalize us. Support us through the tourism industry, through whatever, because we are really, really good for the neighborhoods. We provide jobs, the money stays here on island, it does not go off to an offshore corporation. Those people that we provide work for spend it in the local grocery stores, local restaurants, and our visitors do the same thing. Thank you very much.

CHAIR WHITE: Thank you. And I don't have a copy of your wife's testimony.

MR. LEDESMA: It was emailed.

CHAIR WHITE: It was, okay. I just don't have it with this group.

Okay. Members, any questions for the testifier. Seeing none, thank you for being here this evening.

MR. LEDESMA: Thank you, I appreciate your time. Thank you.

CHAIR WHITE: Mr. Clerk.

DEPUTY COUNTY CLERK: Mr. Chair, there are no other individuals in the District Offices nor the chamber who wish to offer testimony.

CHAIR WHITE: Thank you, Mr. Clerk.

Members, we have received written testimony. Without objections we'll have it entered into the record.

MEMBERS VOICED NO OBJECTION.

THERE BEING NO OBJECTION, WRITTEN TESTIMONY RECEIVED FROM THE FOLLOWING INDIVIDUALS WERE MADE A PART OF THE RECORD OF THIS PUBLIC HEARING:

1. Doug Levin;
2. Onaona Maly; and
3. Marilyn Hillman.

CHAIR WHITE: Thank you.

And, with, with no further testimony to receive, this public hearing on the Real Property Tax Rates for Fiscal Year, I'm sorry, July 1, 2016 to June 30, 2017 will be recessed to Friday, May 13, at 11:00 a.m. in the Council chamber. This public hearing is now in recess.

THE COUNCIL PUBLIC HEARING OF *APRIL 27, 2016* WAS RECESSED BY THE CHAIR AT 6:45 P.M., AND WAS RECONVENED BY THE CHAIR ON *MAY 13, 2016* AT 11:01 A.M.

CHAIR WHITE: The Council of the County of Maui public hearing on Real Property Taxes will please reconvene.

Mr. Clerk.

COUNTY CLERK DENNIS A. MATEO: Mr. Chair, pursuant to Subsection 3.48.565(B) of the Maui County Code, the Council of the County of Maui held its first public hearing on Wednesday, April 27, 2016, on the proposed Real Property Tax Rates for the County of Maui, effective July 1, 2016 through June 30, 2017. And the purpose of this reconvened public hearing is to consider the proposed resolution entitled "ADOPTING THE REAL PROPERTY TAX RATES FOR THE COUNTY OF MAUI, EFFECTIVE JULY 1, 2016".

CHAIR WHITE: Thank you, Mr. Clerk. Will you please call the roll.

ROLL CALL

PRESENT: COUNCILMEMBERS GLADYS C. BAISA, DONALD G. COUCH JR., G. RIKI HOKAMA, VICE-CHAIR DONALD S. GUZMAN, AND CHAIR MICHAEL B. WHITE.

EXCUSED: COUNCILMEMBERS ROBERT CARROLL, ELEANORA COCHRAN, S. STACY CRIVELLO, AND MICHAEL P. VICTORINO.

There were 6 members of the public in attendance.

COUNTY CLERK: Mr. Chair, five Members present, four excused. A quorum is present to conduct the business of the Council.

CHAIR WHITE: Thank you, Mr. Clerk.

Was this hearing properly noticed?

COUNTY CLERK: Mr. Chair, notice of this reconvened public hearing on the proposed Real Property Tax Rates for the County of Maui effective July 1, 2016 was published in the May 5 and May 8, 2016 issues of the Maui News.

CHAIR WHITE: Thank you, Mr. Clerk.

Will you all please turn your cellphones to silent mode. And with that we'll proceed.

Mr. Clerk.

COUNTY CLERK: Mr. Chair, proceeding with presentation of testimony on the agenda item. We've established limited telephone interactive communication that enables individuals from Hana, Lanai, and Molokai to provide testimony from our District Offices. Individuals there who wish to offer testimony should now sign up with the District Office staff.

Individuals who wish to offer testimony in the chamber, please sign up at the desk located on the eighth floor lobby, just outside the chamber door.

Testimony on all locations is limited to the item listed on today's agenda. And, pursuant to the Rules of the Council, each testifier is allowed to testify for up to three minutes, with one minute to conclude, if requested. When testifying, please state your name and the name of any organization that you represent.

COUNTY CLERK: Hana Office, please identify yourself and introduce your first testifier.

MS. DAWN LONO: Good morning. This is Dawn Lono at the Hana Office, and there is no one waiting to testify.

COUNTY CLERK: Thank you.

Lanai Office, please introduce yourself and introduce your first testifier.

MS. DENISE FERNANDEZ: Good morning. This is Denise Fernandez on Lanai and there is no one waiting to testify.

COUNTY CLERK: Thank you.

Mr. Chair, the Molokai District Office, is closed today.

And Mr. Chair, we have one individual who have signed up to provide testify in the chamber. The individual is Mr. Thomas Croly.

TESTIMONY

MR. THOMAS CROLY:

Aloha, Chair. Aloha, Council. You must be doing something right that I'm the only one that, that is concerned about this. I want to thank you sincerely for your hard work reviewing the budget. I've been with you every, every year for the last ten and I, I feel, I feel a sense of, of relief knowing that you know where the money is being spent in this County. While we might not all agree on, on what's best, you come up with the decision and, and I think that is good.

And I testify today in support of the proposed real property tax rates and I thank you for restoring the $4.35 rate for the Bed & Breakfast homeowners. None of us wants to pay higher taxes but that $4.35 rate that applies to Bed & Breakfast homeowners is a fair blend of the Homeowner and Commercial components for these properties.

It was indeed most disappointing that the State again hijacked 102 million of the $125 million that our visitor's pay in TAT, returning only $23 million as the Chair's proposed budget foretold. It's not pono that these occupancy taxes are not more fairly distributed between the State and the Counties. By my evaluation of what is pono, Maui County should have received at least $56 million or 44.8 percent of the TAT that we generate.

But we got what we got and we live to fight another day. I am concerned however about the rhetoric that was used in the fight with the State over the distribution of these funds. It mostly revolved around the idea that the visitors are not paying their fair share of the County's cost to provide services. I don't think that there is one iota of truth to say that Maui's visitors do not pay their fair share.

In fact, I submit that Maui's visitors are paying four to ten times the amount paid by Maui's residents. I gave you a spreadsheet and hopefully I'll give a little explanation to it here. It shows the amount of tax paid by each of these various categories per

unit. And, I'm going to summarize here cause I'm running out of time quickly, but it shows that the permitted short term rental homes, the 161 people who have come forward and got permits for their short term rental homes are paying the highest amount of tax per unit than anyone else, $11,400 a year in tax. And when you go to the bottom of that spreadsheet, you'll see that Homeowners are paying on average $1,000 in property tax per year. And that's an average, that's not a median. Half of the Homeowners are paying less than $700 in property tax.

We also have visitors who come to Maui and they stay in their own properties. Okay, they, they have a second home here and they stay in those second homes. And I've, I've put them in, I don't know how many of those there are, but we do have to recognize they are paying a large portion of our tax base and their homes are left empty.

Are visitors paying their fair share? Besides these real property taxes---

CHAIR WHITE: Can you provide a closing comment.

MR. CROLY: --yes, can I, can I just finish this last paragraph here.

The GET and TAT that they pay, the tax that they pay on rental cars, on the gasoline tax that we just, that we just passed. And consider the fact that on any given day the census is one visitor to five residents. I don't think there's any doubt that the visitors are paying their fair share. And I do think that we as a County should say thank you to them. Thank you, Chair.

CHAIR WHITE: Thank you, Mr. Croly. Members, any questions for the testifier.

I've got, I've got one. You're using units when you're calculating the average paid by the permitted STRH's instead of guestrooms.

MR. CROLY: Yes. Yeah, because an STRH has to be rented as a unit, so a four-bedroom house has to be rented as one unit, one four-bedroom.

CHAIR WHITE: Okay, but, your, your numbers are usually very crisp and clean. So it's, it's rare that I can find them a little bit of a challenge with, with your numbers, but, but I would suggest that if we divided that by the number of rooms as you've used at the hotel level, that the number would probably be reduced to about somewhere in the neighborhood of 3,000.

MR. CROLY: Again, yes if you, if you broke, broke it down into rooms. But, but again my point was they can't rent it as the three-bedroom house to three different people. They can only rent the three-bedroom house to one party.

CHAIR WHITE: Right. Yeah, that's a fair point but its, but it still is, should be divided by rooms not the other way around. And I don't believe that there was any rhetoric in this Chamber that the visitors aren't paying their fair share because I think everybody in this room knows that the visitors are paying more than their fair share.

The challenge is that the State doesn't see their way clear to providing us the resources to cover because the visitors are paying the TAT.

MR. CROLY: Give it back.

CHAIR WHITE: They're just not giving it back so that we can use that to cover the visitor's share of expenses. So I don't think anyone in this room really has a, has it in their minds that the visitors aren't paying their fair share. So I hope that clears it up.

MR. CROLY: Chair, I, I wasn't really referring to the folks in this room. But, but what was in the press a lot and that seems to be what the public will grasp onto. And I've heard many members of the public that I hope see this say hey, yes the visitors need to pay more. And we really need to, to show that they are, they are already paying enough.

CHAIR WHITE: No, and I think I've mentioned it a number of times that the, Maui County visitors are generating significantly more money than the, than is being generated on the other Counties.

So, Members, any other questions for Mr. Croly. Seeing none, thank you very much.

Mr. Clerk.

COUNTY CLERK: Mr. Chair, there are no further individuals who have signed up to testify in the Council chamber. If there is any additional individuals in the Council chamber or the District Offices who would like to offer testimony, please identify yourself to the appropriate staff and proceed to the testimony lectern or District Office phone at this time.

Hana Office, do you have any testifiers?

MS. LONO: The Hana Office has no one waiting to testify.

COUNTY CLERK: Thank you.

Lanai Office are there any additional testifiers?

MS. FERNANDEZ: There is no one waiting to testify on Lanai.

COUNTY CLERK: Thank you.

Mr. Chair, there are no further individuals in the District Offices nor the chamber who wish to offer testimony.

CHAIR WHITE: Thank you, Mr. Clerk.

Members, without objection we'll receive written testimony into the record.

MEMBERS VOICED NO OBJECTION.

THERE BEING NO OBJECTION, WRITTEN TESTIMONY RECEIVED FROM THE FOLLOWING INDIVIDUALS WERE MADE A PART OF THE RECORD OF THIS PUBLIC HEARING:

1. Thomas Croly;
2. Janice Montle; and
3. Eugenia Kraft.

CHAIR WHITE: So ordered. And Member without objection, we'll close public testimony.

MEMBERS VOICED NO OBJECTION.

CHAIR WHITE: Thank you.

Mr. Clerk.

RESOLUTION

RESOLUTION
NO. 16-71

ADOPTING THE REAL PROPERTY TAX RATES
FOR THE COUNTY OF MAUI,
EFFECTIVE JULY 1, 2016

CHAIR WHITE: Mr. Hokama.

COUNCILMEMBER HOKAMA:

I MAKE THE MOTION TO APPROVE.

COUNCILMEMBER COUCH:

SECOND.

CHAIR WHITE: We have a motion by Mr. Hokama and a second from Mr. Couch.

Mr. Hokama.

COUNCILMEMBER HOKAMA: Chairman, your Committee in its due diligence of reviewing the Mayor's proposal came up with the rates. Upon hearing from the community that each district priorities of spending, how people made comments about revenues and your Committee has put forth a proposal that with this real property tax rate proposal will be able to pay for the County's requirements as well as its Capital Improvement Programs and operations for the Fiscal Year 2017.

Thank you.

CHAIR WHITE: Thank you, Mr. Hokama.

Members, any further discussion? Seeing none, all those in favor please signify by saying "aye".

AYES: COUNCILMEMBERS BAISA, COUCH, HOKAMA, VICE-CHAIR GUZMAN AND CHAIR WHITE.

CHAIR WHITE: Those opposed say "no".

NOES: NONE.

EXCUSED: COUNCILMEMBERS CARROLL, COCHRAN, CRIVELLO, AND VICTORINO.

CHAIR WHITE: Measure passes, five "ayes", zero "noes", and four "excused"; and the Members excused are Members Carroll, Cochran, Crivello, and Victorino.

Thank you, and Mr. Clerk.

COUNTY CLERK: Mr. Chair, for the record RESOLUTION NO. 16-71.

And there is no further business before the Council.

CHAIR WHITE: Thank you very much, Mr. Clerk.

With that Members, we are adjourned.

ADJOURNMENT

The public hearing of *APRIL 27, 2016,* was adjourned by the Chair on *MAY 13, 2016,* at 11:14 a.m.

DENNIS A. MATEO, COUNTY CLERK
COUNTY OF MAUI, STATE OF HAWAII

160427p/jm:jm

Dale Cunn 270-1090

TAX INCREASE COMPARED TO TYPICAL DAILY PROFIT

Annual Net Income Per Bedroom:		$ 6,000	
Per Day		**$ 16.44**	
Home Value		500,000	750,000
Exemption		200,000	200,000
Taxable Value		300,000	550,000
Normal Tax	2.67	$ 801	$ 1,469
Current Extra Tax	4.35	$ 1,374	$ 1,794
Per Day		$ 3.76	$ 4.92
Proposed Increase	6.00	$ 2,199	$ 3,032
Tax Per Day		**$ 6.02**	**$ 8.31**

A one bedroom B&B might make $16.44, but proposal is for $6.02 to $8.31 of extra tax daily.

[redacted]

Form 1040	Two Year Comparison Report - Schedule C	2013 & 2014

Name [redacted]

Principal business or profession: GUESTHOUSE (HOTEL)

Unit: 1

Income		2013	2014	Differences
1. Gross receipts or sales	1.	142,836	185,986	43,150
2. Returns and allowances	2.			
3. **Cost of goods sold**	3.			
4. **Gross profit**	4.	142,836	185,986	43,150
5. Other income	5.			
6. **Gross income**	6.	142,836	185,986	43,150
Expenses				
7. Advertising	7.	11,582	19,264	7,682
8. Car and truck expenses	8.			
9. Commissions and fees	9.	126	160	34
10. Contract labor	10.			
11. Depletion	11.			
12. Depreciation and section 179 expense deduction	12.	10,047	17,463	7,416
13. Employee benefit programs	13.			
14. Insurance (other than health)	14.	2,269	2,301	32
15. Interest - mortgage (paid to banks, etc.)	15.	27,465	34,389	6,924
16. Interest - other	16.			
17. Legal and professional services	17.	500		-500
18. Office expense	18.	274	195	-79
19. Pension and profit-sharing plans	19.			
20. Rent or lease - vehicles, machinery, and equipment	20.			
21. Rent or lease - other business property	21.			
22. Repairs and maintenance	22.	5,999	7,273	1,274
23. Supplies (not included in cost of goods sold)	23.	2,846	2,466	-380
24. Taxes and licenses	24.	17,609	21,979	4,370
25. Travel	25.			
26. Total meals and entertainment	26.	294	275	-19
26a. Nondeductible meals and entertainment	26a.	147	137	-10
26b. Deductible meals and entertainment	26b.	147	138	-9
27. Utilities	27.	6,659	8,048	1,389
28. Wages (less employment credits)	28.	5,645	13,041	7,396
29. Other expenses	29.	21,281	18,553	-2,728
30. **Total expenses**	30.	112,449	145,270	32,821
Profit/ (loss)				
31. Tentative profit (loss)	31.	30,387	40,716	10,329
32. Expenses for business use of home	32.			
33. **Net profit or (loss)**	33.	30,387	40,716	10,329
Cost of Goods Sold				
34. Inventory - Beginning of year	34.			
35. Purchases	35.			
36. Labor	36.			
37. Materials	37.			
38. Other costs	38.			
39. **Goods available for sale (sum of lines 34-38)**	39.			
40. Inventory - End of year	40.			

DIVIDED BY 6 6 ROOMS

$5,064 $6,786 PER ROOM PER YEAR

April 27, 2016

Subject: Public Hearing on Tax Rates – Opposition to Increasing Commercialized Residential Tax Assessments

Honorable Members of the Maui County Council:

My name is Onaona Maly, and I am a Lānaʻi resident with genealogical ties to early families of Lānaʻi. In 2013, we purchased a home on Lānaʻi that included a small guest cottage which the previous owners had been doing short term rental business (without permits). As Maui County was working on its regulations to govern Bed & Breakfast properties, our County Council representative suggested that we should engage in the process of permitting our cottage as a licensed B&B. After a year of work, our little cottage became the first permitted Bed & Breakfast on Lānaʻi. We are required to carry commercialized homeowner's/hurricane insurance, which also includes a $1-million dollar liability insurance policy naming Maui County as an additional insured, and pay TAT and GE taxes regularly.

We are not a Four Seasons or major land owner. This proposed tax increase will be a burden for us and many families on Lānaʻi and in the county. If the tax rates increase as proposed, it will have a significant impact on many, and lead people to continuing business under the table as it has always been. Since the 1950s, Lānaʻi has been a B&B community (though none of us knew what that was), with family, friends, hunters and other guests staying on island for short periods of time.

I urge you to deny this rate increase motion.

Sincerely,

Onaona Maly

Onaona Maly
452 Ohiʻa Place
P.O. Box 631599
Lānaʻi City, HI 96763

Reply all | Delete Junk |

Testimony/April 27 council meeting

MH Marilyn Hillman <marilyn.hillman@hawaiiantel.net>

Reply all |

To: ☐ County Clerk; Sun 7:00 PM

Honorable Council members,

I have been a voting constituent of Maui county, congressional district 11 since 1970.

I am a rural upcountry homeowner having built my home in 1989 as family homestead to keep in the family and pass on to the generations, not to speculate.

I am now a retired senior living on social security eking by month to month, and still have a mortgage. The cost of living goes up, but there was no cost of living raise for social security the past two years.
I am not alone in this situation, as there are many retired county.clerk struggling to age in place.
I wish to age in place.

This past FY16-17. I was denied the circuit breaker tax credit for the first time because of one other individual with a fractional interest in the real property, whose income was counted, even though I am ordered by the Maui district court in a 1995 Divorce property settlement to pay the real property taxes, and do so. I have ever since through my mortgage company and the escrow account, and continue to do so.

I implore the council to NOT raise the tax rates on Homeowners classification for both land and building. In fact, please consider an option for a lower rate for senior citizens.

Respectfully,
Marilyn Hillman
Waiohuli, Keokea, Maui

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2016 APR 25 AM 7:57
OFFICE OF THE
COUNTY CLERK

Testimony on Real Property tax rates

Submitted by Thomas Croly

Visitor Dwellings	Assessed value in $1000s	Rate/$1000	Total tax	Number of units	Average tax/unit
Permitted STRH	$277,885	$6.60	$1,834,038	161	**$11,392**
Time Shares	$1,896,669	$14.31	$27,141,335	2485	**$10,922**
Vacation rental condos	$7,697,641	$8.71	$67,046,453	10835	**$6,188**
Commercialized Residential	$163,441	$4.35	$710,970	118	**$6,025**
Apartment second homes*	$3,074,957	$6.00	$18,449,742	4484	**$4,115**
Residential second homes*	$3,382,673	$5.30	$17,928,168	5064	**$3,540**
Hotels	$2,067,767	$8.71	$18,010,249	8400	**$2,144**
Visitor totals	***$18,561,033***		***$151,120,954***	***31547***	
			$0		
Resident Dwellings			$0		
Apartment Rentals	$3,074,957	$6.00	$18,449,742	4484	**$4,115**
Residential rentals	$3,382,673	$5.30	$17,928,167	5064	**$3,540**
Homeowner	$10,190,495	$2.70	$27,514,337	26293	**$1,046**
Resident totals	***$16,648,125***		***$63,892,246***	***35841***	

* An assumption was made that 1/2 of residential and apartment classified properties are used as second homes

Thank you for your hard work reviewing the budget
I speak in support of the proposed Real Property taxes proposed for this year's budget and thank you for restoring the rate of $4.35/$1000 for the Bed and Breakfast homeowners. None of us wants to pay higher taxes, but the $4.35 rate that applies to the Bed and Breakfast homeowners is a fair blend of the homeowner and commercial components of the uses of these properties.

It was indeed most disappointing that the State again hijacked $102 million of the $125 million paid by our island visitors in TAT returning only $23 million, as the chairs proposed budget foretold. It is not pono that these occupancy taxes are not more fairly distributed between the State and the Counties. By my evaluation of what is pono, Maui county should have received at least $56 million or 44.8% of the TAT we generate. But we got what we got and we live to fight another day.

I am concerned however about much of the rhetoric that was used in this fight with the State over the distribution of these funds. It mostly revolved around the visitors paying their fair share of the County's costs to provide services for them. I do not think that there is one iota of truth to say that Maui's visitors do not pay their share. In fact I submit that Maui's visitors are paying 4 to 10 times the amounts paid by Maui's residents.

I gave you a spreadsheet. It shows the total amount of tax paid in each classification divided by the number of units in each category based on the real property rates that you will adopt today. I want to focus on only on dwelling units, be they used as island resident dwelling units or visitor dwelling units.

On a per dwelling unit basis, you can see that the greatest amount of tax is paid by the 161 permitted short term rental homes with an average property tax bill of $11,400 per STRH.

The second highest per unit tax is paid by the 2485 time shares where the average time share unit is paying $10,900 of real property tax

The third highest is paid by the 10,835 condominium units that are reported by their owners as used for Short term rental with an average tax of $6,200/ unit

Next comes the 118 permitted Bed and breakfasts in the commercialized residential classification who pay on average $6000/home (now since the average B&B has 3 bedrooms, you could look at this as $2000/ rental unit).

Next is the apartment classification at $4100/unit, but it is important to note that perhaps as many as half the properties in the apartment classification are actually condo units that are reported by their mainland owners to be used as second homes and are not actually resident housing.

After apartment comes residential at $3500/property, which is again a mix of second homes and long term rentals.

The amount of tax paid by the 44 "real hotels", as defined in Scotts RPT presentation and by my best estimate represent 8200 hotel rooms, comes to approximately $2200/room.

Finally, there are the 26,289 island resident Homeowner paying an average tax of $1000/home and as Scott told you in his RPT presentation most pay less than $700/year in real property tax.

So based on this, a visitor staying in a timeshare or a Short term rental home is paying 11 times the real property tax of the average resident homeowner

A visitor staying in an average condo unit is paying approximately 6 times the taxes of the average island resident homeowner.

Then we have visitors who come to Maui and stay in their own condo or home. These folks are paying the same property tax as a person who is renting their condo to a resident, but both are paying approximately 3 to 4 times that paid by Maui island resident homeowners.

Are visitors paying their fair share? Besides these real property taxes, Add in the GET, TAT, the taxes they pay on rental cars, gasoline and tax on all the spending they do on this island and it adds up to where our visitors, who make of 1 in 5 people on the island on any given day, are actually funding more than 60% of the total taxes collected. Yes, our visitors are paying their share. Don't you think we should at least thank them?

What: Maui County Council Meeting
Council Chamber, 8th Floor
Kalana O Maui Building
200 South High Street
Wailuku, Hawai'i

RECEIVED
2016 MAY 12 AM 11: 02
OFFICE OF THE
COUNTY CLERK

When: May 13, 2016, at 11:00 a.m.

Written Testimony Submitted on behalf of Ocean Resort Villas Vacation Owners Association and Ocean Resort Villas North Vacation Owners Association

In November 2004, Maui County Mayor Alan Arakawa and the Maui County Council (the "Council") adopted Bill 76, which was enacted as Ordinance No. 3227. Ordinance No. 3227 amended Maui County Code ("MCC") section 3.48.305 to create a new and separate real property tax classification for timeshares. In early 2005, the Council began discussing the initial real property tax rate on timeshares at its annual Budget and Finance ("B&F") session. The prior fiscal year, timeshares were included in the "Hotel & Resort" real property tax classification, and were taxed at the rate of $8.30 per $1,000 of assessed value.

At a March 2005 B&F Committee meeting, the Director for Maui County's Department of Finance ("Finance Director") presented the administration's proposed tax rates for all real property categories for the 2006 fiscal year. The administration's proposed tax rate for timeshares was $16.00 per $1,000 of the assessed value – nearly *double* what timeshares had been taxed for the 2005 fiscal year, when timeshares were included in the Hotel & Resort classification. The Finance Director explained that the proposed $16.00 per $1,000 tax rate was "philosophical" and not based on any clear cut or focused analysis.

At the same meeting, the Finance Director also presented the results of his informal "study" that suggested a tax rate of $21.25 per $1,000 on timeshares would be the necessary tax rate to make up for losses in transient accommodations tax ("TAT") revenue. This informal study intimated that the County's need for funds to make up for a shortfall in the budget could be made up at the expense of and on the back of timeshare owners, persons generally with no voting power on the island of Maui. Timeshares thus became an easy focus of and target for solving the budget problems of the Maui Council.

At an April 2005 B&F Committee meeting, the Finance Director followed up and clarified that the $21.25 per $1,000 tax rate reflected the rate necessary to make up for the total decrease in TAT revenue on a State-wide level, rather than the loss to Maui County specifically, which would be "around...[$]9.30 to 10.50" per $1,000." During the same meeting, B&F Committee Chairman Dain Kane acknowledged that the Council did not "have anything in writing telling us what the overall impacts [of timeshares] are." Due to the lack of information, Chairman Kane advised that he would "have a problem with supporting the $16" proposed tax rate "because, just in philosophy...100 percent increase on anybody without having any type of rational nexus to justify that type of increase...is difficult for your Chair."

The Council ultimately set the initial tax rate for the "Timeshare" classification at $14.00 per $1,000 of assessed value, resulting in both the highest tax rate classification in Maui County as well as the highest tax rate on timeshares in the United States.

The "impact study" by Joseph Toy of Hospital Advisors commissioned by the administration and presented to the Council demonstrated that the "overall impacts of timeshares" on Maui were negligible. Yet the sky high tax rate was not reduced.

In 2015, the timeshare tax rate was: 165% higher than Hotels & Resorts; 243% higher than Apartments; 270% higher than Residential; 338% higher than Commercialized Residential; and 543% higher than Homeowners.

On May 15, 2015, the Council voted and adopted Resolution No. 15-52, setting the real property tax rates for the 2016 fiscal year. The real property tax rates for Maui County's 2016 fiscal year are set forth as follows:

Classification	Tax Rate
Residential	$5.40
Apartment	$6.00
Commercial	$6.60
Industrial	$6.85
Agriculture	$5.75
Conservation	$5.90
Hotel & Resort	$8.85
Timeshare	**$14.55**
Homeowner	$2.75
Commercialized Residential	$4.35

Comparatively, the timeshare tax rate for fiscal year 2016 was: 164% higher than Hotels & Resorts; 243% higher than Apartments; 269% higher than Residential; 335% higher than Commercialized Residential; and 529% higher than Homeowners.

On May 4, 2016, the Council announced its intent to set the real property tax rates for Maui County's 2017 fiscal year as follows:

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Conservation	$5.80
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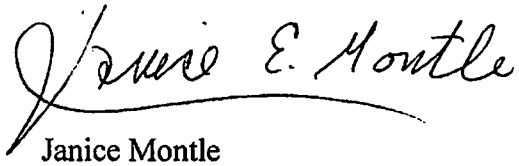
Timeshare	**$14.31**
Homeowner	$2.70
Commercialized Residential	$4.35

While heading in the right direction, the timeshare tax rate for fiscal year 2017 would still be the highest real property tax rate and: 164% higher than Hotels & Resorts; 239% higher than Apartments; 270% higher than Residential; 329% higher than Commercialized Residential; and 530% higher than Homeowners. Additionally, the slightly lower real property tax rates make no real significant impact inasmuch as they have been offset by increased assessed values for timeshare properties, resulting in a higher real property tax liability to individual timeshare owners. In actuality, despite the $0.24 decrease in the real property tax rate from fiscal year 2016 to 2017, the taxes paid by individual timeshare owners increased by 3.23%.

The extraordinarily high tax being imposed on timeshare property owners is disproportionate to the rates given to other real property owners, places an unfair and unreasonable burden on timeshare owners that is not supported by any data or empirical data showing the tax rate is justified, and demonstrates a disregard by the elected members of the Maui Council for the rights of timeshare owners, who while they generally have no voting rights, are nevertheless constituents and components of the Maui community who deserve better treatment than they have received to date. This unfair and inequitable treatment resulted in our filing a complaint in Circuit Court in 2013, in which we asserted claims for violation of the equal protection clauses of the U.S. Constitution and Hawai'i Constitution and violation of the Sunshine Law, Hawai'i Revised Statutes Chapter 92.

The tax rate is unfairly high and the resultant tax bill offers no relief to timeshare tax payers who at worst should be categorized within the Hotel & Resort classification.

Thank you,



Janice Montle
President,
Ocean Resort Villas North
Vacation Owners Association

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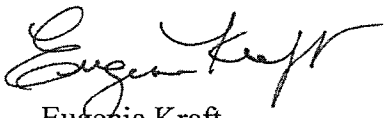
The tax rate is unfairly high and the resultant tax bill offers no relief to timeshare tax payers who at worst should be categorized within the Hotel & Resort classification. We oppose the proposed rate and request that it be reduced to be at least commensurate with the Hotel & Resort classification.

Thank you,



Eugenia Kraft
President,
Ocean Resort Villas
Vacation Owners Association