ECONOMIC DEVELOPMENT AND BUDGET COMMITTEE

Council of the County of Maui

MINUTES

April 3, 2019

Council Chamber

CONVENE: 9:05 a.m.

PRESENT: Councilmember Keani N.W. Rawlins-Fernandez, Chair
Councilmember Kelly T. King, Vice-Chair
Councilmember Riki Hokama, Member (out 1:45 p.m.)
Councilmember Tasha Kama, Member (out 10:50 a.m.; in 1:45 p.m.)
Councilmember Alice L. Lee, Member
Councilmember Michael J. Molina, Member
Councilmember Tamara Paltin, Member
Councilmember Shane M. Sinenci, Member
Councilmember Yuki Lei K. Sugimura, Member

STAFF: Leslee Matthews, Legislative Analyst
Shelly Espeleta, Legislative Analyst
Christy Chung, Legislative Analyst
Clarita Balala, Substitute Committee Secretary

Zhantell Lindo, Council Aide, Molokai Council Office (via telephone conference bridge)
Denise Fernandez, Council Aide, Lanai Council Office (via telephone conference bridge)
Mavis Oliveira-Medeiros, Council Aide, Hana Council Office (via telephone conference bridge)

Don Atay, Executive Assistant to Councilmember Shane M. Sinenci
Kate Griffiths, Executive Assistant to Councilmember Kelly T. King
Sarah Freistat Pajimola, Executive Assistant to Councilmember Keani N.W. Rawlins-Fernandez

ADMIN.: Michele Yoshimura, Budget Director, Office of the Mayor
Scott Teruya, Director of Finance, Department of Finance
Marcy Martin, County Real Property Tax Administrator, Department of Finance
Jeffrey Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

OTHERS: Cindy Reeves, Maui County Administrator, University of Hawaii at Manoa's College of Tropical Agriculture and Human Resources Cooperative Extension
Kenna Stormogipson, Bills Researcher, Hawaii Senate Committee on Ways and Means (via video/telephone conference bridge)

Others (2)

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

CHAIR RAWLINS-FERNANDEZ: Aloha kakahiaka kakou. Aloha. \`Elima minuke i ka hala o ka hola \`eiwa ma ekolu o Apelila i ka makahiki \`elua kaukani umikamaeiwa. E \`olu\`olu mai, e ho\`omalu e ke Komike Ho\`omohala Waiwai me Mo\`ohelu Kala. \`O wau ka Iku Ha\`i o keia komike, Keani Rawlins-Fernandez. It is 9:05 on April 3, 2019. Will the Economic Development and Budget Committee please come to order. I am your Chair, Keani Rawlins-Fernandez. I keia la, me ko kakou ea Committee Vice-Chair and Council Chair Kelly King.

VICE-CHAIR KING: Good morning.

CHAIR RAWLINS-FERNANDEZ: Aloha. Member Shane Sinenci.

COUNCILMEMBER SINENCI: Aloha kakou.

CHAIR RAWLINS-FERNANDEZ: Aloha. Member Mike Molina.

COUNCILMEMBER MOLINA: Aloha, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Aloha. Member Alice Lee, what language you got for us this morning?

COUNCILMEMBER LEE: I have Filipino, although they may not recognize it, naimbag nga aldaw.

CHAIR RAWLINS-FERNANDEZ: Maikai. Member Riki Hokama.

COUNCILMEMBER HOKAMA: Chairman.

CHAIR RAWLINS-FERNANDEZ: Member Tamara Paltin.

MS. PALTIN: Aloha kakahiaka, Chair.

CHAIR RAWLINS-FERNANDEZ: Aloha kakahiaka. Member Yuki Lei Sugimura.

COUNCILMEMBER SUGIMURA: Good ole American good morning.

CHAIR RAWLINS-FERNANDEZ: Good morning. And Member Tasha Kama.

COUNCILMEMBER KAMA: Aloha kakahiaka, Chair.

CHAIR RAWLINS-FERNANDEZ: Aloha kakahiaka. And from the Administration we have with us Budget Director Michele Yoshimura.

MS. YOSHIMURA: Good morning, Chair.

CHAIR RAWLINS-FERNANDEZ: Good morning. And from Corporation Counsel we have Deputy Corporation Counsel Jeff Ueoka.

MR. UEOKA: Good morning, Chair.

CHAIR RAWLINS-FERNANDEZ: Good morning. And Committee Staff with us this morning, Leslee Matthews.

MS. MATTHEWS: Good morning.

CHAIR RAWLINS-FERNANDEZ: Aloha. Clarita Balala. Shelly Espeleta.

MS. ESPELETA: Good morning.

CHAIR RAWLINS-FERNANDEZ: Good morning. And Christy Chung. Okay. Oh, and just a quick reminder for everyone to please silence your cell phones or other noisemaking devices. Okay. Members, we have one item on today's agenda, EDB-1 relating to the proposed Fiscal Year 2020 Budget for the County of Maui. As I mentioned yesterday, at the beginning of every meeting where EDB-1 is agendized, I will be requesting any written follow-up questions you may have for the various departments. So, if any Members have questions to transmit today, please indicate so by raising your hand and Staff will collect them from you now. Today, we'll be receiving a couple of presentations regarding real property tax, and after that I will be distributing my real property tax rate proposal which we will be working off for today's meeting after we accept testimony. Similar to yesterday's deliberations, my goal for today is to review the real property tax rates together and have an in-depth discussion. Please feel free to propose your own amendments today as well. I will be seeking consensus for the proposal with or without amendments from the Committee Members. After today, the resulting draft proposal will be forwarded to the Department of Finance requesting comment. So, let's begin with public testimony. Ms. Matthews, do we have testimony? Okay, great. Testimony will be limited to one item on the agenda. To testify, please sign up with Staff. Testimony is limited to three minutes. If you're still testifying beyond that time, I will kindly ask you to complete your testimony. When testifying, please state your name and who you are representing. Please also indicate if you are a paid lobbyist. So, let's first check in with our District Offices. Ms. Mavis Oliveira-Medeiros at the Hana District Office, will you please call your first testifier?

. . .BEGIN PUBLIC TESTIMONY. . .

MS. OLIVEIRA-MEDEIROS: Aloha kakahiaka --

CHAIR RAWLINS-FERNANDEZ: Aloha kakahiaka.

MS. OLIVEIRA-MEDEIROS: --Chair. This is Mavis Oliveira-Medeiros from the Hana Office and there's no one here waiting to testify.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Ms. Denise Fernandez at the Lanai District Office, will you please call your first testifier?

MS. FERNANDEZ: Good morning, Chair.

CHAIR RAWLINS-FERNANDEZ: Good morning.

MS. FERNANDEZ: This is Denise Fernandez at the Lanai Office and there is no one waiting to testify.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Ms. Zhantell Lindo at the Molokai District Office, will you please call your first testifier?

MS. LINDO: Aloha, Chair. This is --

CHAIR RAWLINS-FERNANDEZ: Aloha.

MS. LINDO: --Zhantell Lindo at the Molokai District Office. There's no one here to testify.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Ms. Matthews, will you please call our first testifier here in the Chamber?

MS. MATTHEWS: Yes, Madam Chair. Our first testifier is Cindy Reeves testifying on behalf of UH Manoa CTAHR program in her position as the Maui County Administrator.

MS. REEVES: Good morning, Chair, Councilmembers.

CHAIR RAWLINS-FERNANDEZ: Good morning.

MS. REEVES: I was fortunate enough to either meet personally with all of you or with your staff and so I've given you all a copy of our report from last year. But I wanted to come just briefly today, I know I've given you a bunch of handouts but it's all really easy, cool, pretty stuff mostly. What you didn't see in the Mayor's Budget is our FY '16 line item which was actually $100,000, and historically UH Cooperative Extension has had a $100,000 budget item which if not had been cut in FY '17 could have funded at least three or more of the valuable projects throughout Maui County through each of FY '17, '18, and '19, and that's what you see on the rest of this page and the next page were the proposals that we actually funded and then those that we weren't able to fund because we just ran out of money. I'm greatly appreciative of the $75,000 line in the Mayor's FY '20 Budget proposal and for each of your support, but I'm humbly ask the Councilmembers to consider an increase back to our historically successful $100,000 budget line for FY '20 during your deliberations. I'm going to just move to the second page of the handout at this point because I think you can look at the rest of that, and what I wanted to share with you there was how we leverage the money that we get from Maui County. I strive to be very transparent. You can see on there our entire budget and the amount we get from Maui County. Essentially for every dollar we get from Maui County, we bring in $21 into Maui County from other sources. Now, the fun stuff, if you'll turn to the next page, you'll see this really pretty sunflower and that's because I would like to invite all of you to come to our sunflower field day on campus. It's on April 18th and I know you're going to be in the middle of Budget discussions, but if you'd like to take a break for an hour, we will be sharing with all of the ornamental growers here on Maui who are interested in growing sunflowers for cut flower purposes, the different varieties that grow well here. As you'll see at the bottom of that, you'll also get a tour of the educational bee house, and that is the next page. The bee house is actually a project that was funded last year with Maui County grant funds. It's been a very exciting project. We have become overwhelmed with requests from teachers to please bring their students to the bee house. And so what you see there is the announcement that went out for our first classes last year. On the next page, you'll actually see some students from MEO Youth Services, the bee house is behind them, and the courses that they went through. And then if you turn to the last page, you'll see what's really cool about the bee house is the transparent glass hive. So, they go into the bee house, they get to see the bees actually working in the hives. They get to go into our garden, we have a pollinator garden, and it just brings it all together. So, it's really cool. I wanted to thank you for your support for this project and for all of the others that you have supported throughout the years. And thank you for your consideration this budget season. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Members, does anyone have any questions for our testifier?

VICE-CHAIR KING: I have a question.

CHAIR RAWLINS-FERNANDEZ: Committee Vice-Chair King?

VICE-CHAIR KING: Thank you, Chair. Thank you for being here, Ms. Reeves. First of all, I wanted to make a disclaimer that the sunflower project has nothing to do with me or my company. It was like delightful surprise that…I think it might have been inspired by the sunflower fields but the idea of doing cut flowers was not on our radar, but I'm happy that you're doing it and I think it's going to benefit a lot of people. So, the question I have is of these projects that were not being able…that we were not able to fund, how many of them happened anyway? And are any of these on your radar for this year if we can increase that amount?

MS. REEVES: Very few of them happened anyway.

VICE-CHAIR KING: Okay.

MS. REEVES: These are special projects that people depend on getting additional funding to do. So, essentially our agents do field work like the sunflower field day that we're having, that's their normal work. The funding that we get from Maui County helps us to do kind of the special projects and that's what you're seeing here. So, if the people decide to reapply this year, let's say I get the $75,000, I'll put out the request for proposals, we'll get proposals in from researchers, extension agents from across the State. The kicker is that they have to do the work right here in Maui County so it's Maui, Molokai, and Lanai. And then we get these great projects done. But I never know from year to year if one of these funds…ones that weren't funded if they're going to reapply or not.

VICE-CHAIR KING: Okay.

MS. REEVES: Certainly, I can ask them to reapply if there's interest in a particular project.

VICE-CHAIR KING: Okay. But so, and is this list in any kind of prioritization?

MS. REEVES: It's only listed in the prioritization of the ones that we could fund and the ones that we couldn't. So, essentially, it's a peer-reviewed process with the Director of OED and her ag specialist and me, we go through all the proposals and we rank them from one to however many we get it.

VICE-CHAIR KING: Okay. And that's what order…

MS. REEVES: And then they get the money.

VICE-CHAIR KING: And that's what order, so I'm just trying to figure out if we had given you the full amount that you would have been able to maybe fund the next two on the next list or something like that. Is that the way you would have gone down through it? So, the top of that not able to fund list would have been the next priority or is it, does it work differently?

MS. REEVES: That's a good question and to tell you the truth I'm not sure that I have it in that order. I can make sure and get you --

VICE-CHAIR KING: Okay.

MS. REEVES: --a revised copy --

VICE-CHAIR KING: Okay.

MS. REEVES: --of the order.

VICE-CHAIR KING: Well, I was just wondering because this is how we do the CDBG grants, right?

MS. REEVES: Right.

VICE-CHAIR KING: There's a prioritization and then if somebody falls out then the next one on the list gets funded. So, if we…

MS. REEVES: It is that way, yes.

VICE-CHAIR KING: Okay, so if we were able to see, you know, if something didn't happen with one of these top ones then maybe some of these would get funded. I'm just kind of curious to see what the prioritization is on the project, so.

MS. REEVES: I can provide that.

VICE-CHAIR KING: Okay.

MS. REEVES: I'll provide that for --

VICE-CHAIR KING: Okay.

MS. REEVES: --online testimony for you.

VICE-CHAIR KING: Thank you. Thank you. And thank you for the diversity of the projects that you've been addressing. It really…I think…I've heard from the agriculture community that they probably wouldn't…Bobby Pahia told me he probably wouldn't be growing taro today if it wasn't for the work that you guys did, so thank you.

MS. REEVES: Well, thank you very much, and thank you all for your support, you make it possible.

VICE-CHAIR KING: Mahalo.

CHAIR RAWLINS-FERNANDEZ: Mahalo for your testimony, Ms. Reeves. Okay. Okay, Members…oh, Ms. Matthews, are there anyone, any other testifiers with us this morning?

MS. MATTHEWS: No, Madam Chair. There's no other testifiers signed up in the Chamber.

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo. Okay, seeing no other testifiers, if there are no objections, I will now close public testimony.

COUNCILMEMBERS: No objections.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Okay. Public testimony is closed.

. . .END OF PUBLIC TESTIMONY. . .

ITEM 1: PROPOSED FISCAL YEAR 2020 BUDGET FOR THE COUNTY OF MAUI (CC 19-61)

CHAIR RAWLINS-FERNANDEZ: Okay, Members, I would like to now recess the meeting to the call of the Chair so we can each review the questions and responses from departmental personnel that have been received thus far. I would request that Members either remain seated in the Chambers or return to your office as we each individually review our departmental responses. When everyone has concluded, but no later than 9:55, I will reopen our meeting so that we can receive the two RPT presentations. I also received a request or a recommend…a requested recommendation on what order to review the departmental recommendations, and since we have next week Monday, we'll be presenting our top five priorities and top five concerns, I would recommend that you start there so that you will be prepared for next Monday's presentations on the priorities and concerns. I hope that kind of helps to guide your review of the responses. Any questions before I recess?

VICE-CHAIR KING: I have a question.

CHAIR RAWLINS-FERNANDEZ: Committee Vice-Chair King?

VICE-CHAIR KING: Okay, thank you. I don't think we're going to get through all those responses in that short of period of time, but I did want to ask you about the priorities form because it looks like it's priorities according to the specific item numbers. But, you know, I mean is there a place for us to actually discuss our priorities in terms of goals and issues for the County? You know I mean I was thinking about this over the last week and it appeared that affordable housing is the number one priority but it would be good to come to some consensus about that. And, you know, if we can identify our top three to five issues then there's a lot of items that come under each of those and so it's hard to identify just one item in affordable housing for instance as a top priority, so.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair King. Would Members be interested in adopting that into our Budget process? If that's something that the Members would be interested in, then it's something that I can plan to incorporate into our process. Okay, great. Okay. I'll figure out a way to do that for our upcoming meetings. Okay, are there any other questions before I recess? Okay, seeing none, it is 9:20 on April 3rd, and the Economic Development and Budget Committee is now in recess. . . .*(gavel)*. . .

RECESS: 9:20 a.m.

RECONVENE: 10:04 a.m.

CHAIR RAWLINS-FERNANDEZ: . . .*(gavel)*. . . Will the Economic Development and Budget Committee please return to order. It is 10:04 on April 3rd. Okay. And I hope that time served everyone well in reviewing the departments' responses. The next two things that we have scheduled are two presentations. The purpose for these presentations today is to help all of our Members understand the historical background to our RPT. I believe that it's more beneficial for our community to have our Councilmembers with a baseline knowledge before we start making decisions. Each of the presentations will be about 15 minutes each, followed by question and answer. And the first presentation is by Kenna Stormogipson. And I practiced it, sorry I butchered your name. And then our second presentation will be by our Finance Director Scott Teruya. So, Kenna recently completed her master's thesis in public policy with UC Berkeley. Her topic was how infrastructure can support affordable housing in Hawaii transit-oriented development areas. She completed this project with the support of the Hawaii Office of Planning. Since then she was…she has worked as a researcher with the Public Policy Center at UH Manoa and now as a bills researcher at the Hawaii Senate Committee on Ways and Means. Without objection, I will designate Kenna as a resource person for the agenda item pursuant to Rule 18A of the Rules of the Council.

COUNCILMEMBERS: No objections.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Members. Okay.

COUNCILMEMBER HOKAMA: Chair, just for information for the Committee, so who will she be speaking on behalf for? The Ways and Means Committee, Mr. Dela Cruz?

CHAIR RAWLINS-FERNANDEZ: No. I received her presentation and I thought it would be beneficial for the Members to also hear the presentation.

COUNCILMEMBER HOKAMA: Any other county has received this information as well, Chair?

CHAIR RAWLINS-FERNANDEZ: I don't know if any other county. I can ask --

COUNCILMEMBER HOKAMA: Okay. Maybe --

CHAIR RAWLINS-FERNANDEZ: --Miss…

COUNCILMEMBER HOKAMA: --in her introduction she can say who she represents then. Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay. Kenna, did you hear that question? Kenna? Kenna, did you hear the question that was asked?

MS. STORMOGIPSON: Okay, I had my thing on mute but I can hear you now, yeah.

CHAIR RAWLINS-FERNANDEZ: Okay. The question asked was who you're representing and so I explained that I received your presentation…

MS. STORMOGIPSON: Hello? All I heard was the question.

CHAIR RAWLINS-FERNANDEZ: Oh. The question that was asked was who you're representing and --

MS. STORMOGIPSON: Oh.

CHAIR RAWLINS-FERNANDEZ: --one of the Councilmembers --

MS. STORMOGIPSON: Well, I…

CHAIR RAWLINS-FERNANDEZ: --asked if you had presented this information to any other counties in Hawaii.

MS. STORMOGIPSON: I presented some of this information to the Transit-Oriented Development Council; although, I focused more on, little bit more on Honolulu. But I also presented to the Hawaii Economic Association some of this information at their monthly luncheons. And all of this came from doing a master's thesis with the Office of Planning.

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

CHAIR RAWLINS-FERNANDEZ: No, she's not representing the Senate Ways and Means Committee.

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

COUNCILMEMBER SUGIMURA: She's representing herself.

VICE-CHAIR KING: Chair, are you…Kenna, are you representing any entity or are you just speaking on behalf of yourself and your study?

MS. STORMOGIPSON: Right now I will just be representing research that I did for my master's work, and then I also worked in the fall for University of Hawaii Public Policy Center.

VICE-CHAIR KING: Okay.

MS. STORMOGIPSON: But right now I'm working with the Ways and Means Committee, but this is not from the Ways and Means Committee, this is from my own research that I did.

COUNCILMEMBER SUGIMURA: So, Chair?

CHAIR RAWLINS-FERNANDEZ: Yes, Member Sugimura?

COUNCILMEMBER SUGIMURA: So, could I ask, so when did you do this research, like how current is the information? Or when did you get your masters and when did you do…what are the dates of all your presentations?

CHAIR RAWLINS-FERNANDEZ: How current is the information?

MS. STORMOGIPSON: Oh, so this information I got from Taxes of Hawaii Data Book which almost every year is printed in the State Library. And it…I bring it all the way up to

2017 in terms of property tax data. And I did it for all counties but I have, Maui's the first county that I'm presenting separate county-level data to per the request of Keani. So, it's current as of 2017, and then there's part of it that are even a little bit more current than that. Yeah.

CHAIR RAWLINS-FERNANDEZ: So, Member Sugimura, what she'll be presenting today is historical information.

MS. STORMOGIPSON: Chair, I'm happy…

CHAIR RAWLINS-FERNANDEZ: So, it's more from --

MS. STORMOGIPSON: Yes.

CHAIR RAWLINS-FERNANDEZ: --before. Just some background on how our RPT rates got to where it's now.

COUNCILMEMBER SUGIMURA: Okay.

CHAIR RAWLINS-FERNANDEZ: From statehood. Yeah?

VICE-CHAIR KING: And, Chair, is that…is specific to Maui County?

CHAIR RAWLINS-FERNANDEZ: Yes.

MS. STORMOGIPSON: So, I'm happy to start whenever…

CHAIR RAWLINS-FERNANDEZ: So, we'll put…

MS. STORMOGIPSON: Oh.

CHAIR RAWLINS-FERNANDEZ: The presentation is, has been tailored to Maui County. Okay? Okay. Kenna, are you ready? We're ready to --

MS. STORMOGIPSON: Yeah, I'm ready.

CHAIR RAWLINS-FERNANDEZ: --now receive your presentation. Thank you for being here.

MS. STORMOGIPSON: Okay, great. Okay. Hi, everybody. Can everyone see the screen?

CHAIR RAWLINS-FERNANDEZ: Yes.

MS. STORMOGIPSON: Okay. So, just a brief overview of how I got here. In fall of 2017 my wife and I were stationed here. She's at Pearl Harbor Hickam and so this is us driving across the country to put our car on a boat. And I was halfway through my master's program at UC Berkeley, and so when we got to Hawaii I needed to find an organization to complete my master's work, to actually do the paper for. I did all my course work at Berkeley campus but I needed a project to finish. And so Robbie [*sic*] and Ruby took me on with the Office of Planning, and they asked for help around infrastructure financing. So, that's how I got started down this path was a request from the Office of Planning. And so I completed my thesis, I graduated which was great in May of the past year, and along the way I learned some pretty interesting things. So, this first slide is about spending on government construction projects which is a pretty good indicator for how much infrastructure is being built in Hawaii. This slide I got --

VICE-CHAIR KING: Chair?

MS. STORMOGIPSON: --from Paul Brewbaker.

VICE-CHAIR KING: Chair? Just, can you just ask her to move her mic a little bit away?

MS. STORMOGIPSON: But the main --

CHAIR RAWLINS-FERNANDEZ: Kenna?

MS. STORMOGIPSON: --point of this…yeah?

CHAIR RAWLINS-FERNANDEZ: Sorry to interrupt, there's a lot of static on our end. Would it be possible to either keep the mic still or to just speak a little farther away to eliminate some of that --

MS. STORMOGIPSON: Yeah, how is this?

CHAIR RAWLINS-FERNANDEZ: --static sound?

MS. STORMOGIPSON: Is this better?

VICE-CHAIR KING: No, we can't hear.

CHAIR RAWLINS-FERNANDEZ: There's less static but it's really soft.

MS. STORMOGIPSON: Okay, how's that?

VICE-CHAIR KING: That's good.

COUNCILMEMBER SUGIMURA: Better.

CHAIR RAWLINS-FERNANDEZ: Is that okay for everyone? Yeah.

MS. STORMOGIPSON: Is that better?

CHAIR RAWLINS-FERNANDEZ: That's better.

MS. STORMOGIPSON: Okay, I'll try that. So, this slide is just showing that Hawaii as a whole is spending about half of what it used to spend on infrastructure. So, in the '60s and '70s, there was a lot of government spending on roads, bridges, tunnels, all that, and then now it's half of what it used to be. The next slide was I started thinking about well, why was Hawaii spending so much less on infrastructure? And some of the reason was because the Federal government is putting less money, so that's definitely a big part of it. But in addition, real property tax rates throughout the whole State have really decreased since the '60s and '70s. So, this is just an overview of all four counties, and you can see that back in the '60s and '70s, the rate was more like 14, 15, 16, even $18 per 1,000. So, it was many times higher than it is now, and so now we're down to where most counties except for Hawaii County are charging about 4 to $6 per 1,000 as opposed to 18, 15, 16. So, I thought this was very interesting. And then if I pull out specific counties, so here's Maui's residential real property tax rate. Now, this is improved residentials and you can see by this chart that there's been a steep decline. The rate used to be much higher and then I think part of what happened is the rate used to be controlled by the State and then in the '78 ConCon that changed to where the counties took over control. It took 11 years to take full control, the process started in 1981 and you can see that there's a big drop there from '81 to then '82. And then there's kind of another little drop after 1989 when they took full control, but then it looked...based on the numbers I could see, then there was a separation, there was homeowner rates and there was improved residential rates for Maui and so that's where you see two lines there on the graph. Can everyone still hear me?

CHAIR RAWLINS-FERNANDEZ: Yes.

MS. STORMOGIPSON: Okay. So, now Honolulu's graph looks pretty similar. Again, there was kind of a drop-off when the counties took control, and I think that's just because there's an enormous pressure to keep rates low of course, because you don't want to make homes unaffordable for people who are living in them. Okay. So, now here's a comparison and this came from a DBEDT 2017 study, analysis of real property tax in Hawaii, and it's showing that the average property tax in the United States for a metro area is...in this case this is 1.4 percent which would be $14 per 1,000 since that's how we do it in Hawaii. So, the average is $14 per 1,000 but most counties like I said are charging 4, 5, $6 per 1,000. And so this just is showing you how Maui's rates compare; although, the timeshare rate is comparable, you can see it in the upper right. It's the red one, that one is comparable to the metro area average, but it's not higher than average so I think that's something to keep in mind. Okay. And I know some of this is because counties don't pay for schools so I realize that that's part of it; however, even if you looked at schools, schools tend to be about $5 per 1,000 and so even...that's what other jurisdictions charge. So, even with schools, Hawaii's tax is low. Okay. So, I was looking to property taxes because they're a great way to pay for infrastructure. They are stable, they're pretty straightforward to collect so it's hard for people to avoid them unlike some income taxes. And municipal bonds, this is something that you can take advantage of with infrastructure is the public can get bonds at 3 to 3½ percent whereas in the private sector they're paying 9 to 12 percent interest rate when they pay for the sewers or the roads or whatever is needed to build housing. If the developer pays, they have a much higher interest rate. And the other reason is because it is a progressive tax, it's much more progressive than sales tax. You know if you have more expensive houses, you pay more. Okay. So, a question I get a lot is why is private financing so expensive? Why is a developer paying 10, 11 percent interest when I can go to a bank and get a mortgage at 4½, 5 percent? So, this slide is just breaking it down, because a developer can't just go to a bank and get a 5 percent interest for a project, it's considered high risk and they need the initial money to buy the land. If you don't even own the land, then a bank is not going to give you what they call debt financing or financing from a bank. So, developers have some of their money from a bank which they call regular debt, and then they have a chunk that comes from investors and they call that equity financing. And the problem is, is that investors want a much higher percent interest because they're very high risk. As in they don't have collateral on a mortgage. Basically, their deal is if the project doesn't go through, they lose all their money, if it does go through, they make 20 percent interest. So, a developer has to get some equity first before they can even go to a bank, and that's that 20 percent interest rate loan which is expensive. And then the rest they try to get from the bank at 5 percent. So, when you combine those, that's when you get these higher overall rates. And right now what's happening is it used to be you only needed 30 percent equity, now it's more like 40 percent. This is for the typical developer, I know some people out there have, you know, connections with giant piles of money somewhere, but most developers have to use equity to get their debt. So, point of this slide is the market is riskier right now, because we've been in a really long run and people are talking about recessions, and so the developers are having to get more and more of their money from equity. And we're at about 11 percent interest right now. But this...I mean we all, I think we all mentally know that a loan at 3½ percent is way, way better than at 11 percent, but this is just to show some numbers where if you pay for infrastructure with public bonds, just your finance costs are so much lower, especially if it's taking three, four years to get something built, to get a housing project built. So, you can see by year four, you have to pay $1.2 million on a $10 million loan versus private money would be paying 4.4 million. So, it just, it makes a big difference quickly, and that's something that the private sector can do if they put in big infrastructure. I mean the public, sorry. That's what public municipal bonds can do. Okay, so I didn't want to overload people with information so those are the main slides I wanted to share. I think the big conclusions is that Hawaii as a State has definitely underfunded infrastructure for the past 30 years which is why we're seeing so many things need fixing, they have deferred maintenance, they, you know, are safety concerns or they break. And on top of that now we're talking about climate change so infrastructure is going to be a huge need any way you slice it. And then municipal bond financing is way, way cheaper than private financing and that is something the public sector can leverage when it comes to paying for infrastructure because it's a public good. You can't use public bonds to pay for most things but you can use it for public goods. Now, property tax, it's also efficient and an equitable way to pay because the more your property is worth the more you pay. And then property taxes in Hawaii it's the lowest of any metro area. It is the lowest property tax rate in the country. And I also think it's better to compare Hawaii to a metro area than a whole state because we are small, we have high costs for infrastructure. So, it's better to compare it to like let's say Seattle or Dallas or LA metro area as opposed to the entire state of Texas or the entire state of California, because we don't have these flat, cheap rural areas where it doesn't cost much to build things. Hawaii just doesn't have a place where it's cheap to build. Some other advantages of property tax, higher taxes, property taxes are an incentive against real estate speculation. So, we all know that some of the reason home prices are so high is because people have to compete with folks from all over the world buying second or third homes. And a property tax is an incentive against just buying a house because you think it'll go up in value. And it's not that you…

CHAIR RAWLINS-FERNANDEZ: Kenna? Okay. I think we got disconnected.

VICE-CHAIR KING: So, Chair?

CHAIR RAWLINS-FERNANDEZ: Yes?

VICE-CHAIR KING: We don't have that slide on our presentation.

CHAIR RAWLINS-FERNANDEZ: Yeah.

VICE-CHAIR KING: Is that the last one that was left off or are there more that we don't have?

CHAIR RAWLINS-FERNANDEZ: Yeah, I can ask her to…I don't know if it was in the transmission or if it's, it was in the printing.

VICE-CHAIR KING: Okay.

CHAIR RAWLINS-FERNANDEZ: But I'll --

VICE-CHAIR KING: Is that the last slide?

CHAIR RAWLINS-FERNANDEZ: --get that last slide to everyone.

VICE-CHAIR KING: Okay. That's the last one?

CHAIR RAWLINS-FERNANDEZ: Yeah, I believe so, unless she added after.

MS. STORMOGIPSON: Hi. Sorry about that, I got a little disconnected.

CHAIR RAWLINS-FERNANDEZ: Kenna, is this your last slide?

MS. STORMOGIPSON: Yeah.

CHAIR RAWLINS-FERNANDEZ: Okay, thank you. We'll need the slide after, we didn't get it in our presentation.

MS. STORMOGIPSON: Yeah, sorry I added it. So, well and then there was a quote, I just pulled this up because there was a recent article a month ago…oh, can you see my presentation?

CHAIR RAWLINS-FERNANDEZ: Not anymore.

MS. STORMOGIPSON: Hang on, hang on. Let me open this up again. Sorry. Little bit of…okay. Oh, sorry about that. Okay. Now, can you see my screen?

CHAIR RAWLINS-FERNANDEZ: Yes.

MS. STORMOGIPSON: Okay. So, my last thing I wanted to kind of end on is that New York City just last month was proposing a 4 percent real property tax on second homes that are expensive, I think they had to be over $10 million. But they were proposing $40 per 1,000 or 7 times higher than Maui's Residential rate. And it didn't end up passing, it came close, but they were pushing on this tax, and this was the quote from the head of the regional association, regional plan association. He said either the housing is put back on the market for a full-time resident of New York City or folks who own valuable residences can contribute their fair share to making sure New York City is the kind of city that provides a safe investment for their property. And I really liked the way that he phrased that where, you know, cities are providing a safe investment for people's property, and yet in Hawaii we are not charging much for that safe place and we have the lowest rate like I said in the country. So, that's my presentation and --

CHAIR RAWLINS-FERNANDEZ: Okay.

MS. STORMOGIPSON: --love to answer questions if people have any.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Kenna. Okay, Members, I will now open the floor for questions. And just a reminder to please try to speak loudly into the mic so that she can hear the question clearly. I'm going to start with Member Kama and then work our way down. Okay. Member Kama?

COUNCILMEMBER KAMA: Thank you, Chair. Thank you, Kenna, for your presentation. I have a question, I'm not sure if maybe you could answer it or not but I am going to make an assumption that you went ahead and did a lot of research and homework. So, this is my question, based upon our real property taxes on the hotels in Maui County…

CHAIR RAWLINS-FERNANDEZ: I'm going to ask her to…hey, Kenna, I think --

MS. STORMOGIPSON: Oh, put it on mute?

CHAIR RAWLINS-FERNANDEZ: --you might be breathing onto the mic, so I think it just kinda --

MS. STORMOGIPSON: Oh yeah.

CHAIR RAWLINS-FERNANDEZ: --like hold the mic in a way that --

MS. STORMOGIPSON: Yes.

CHAIR RAWLINS-FERNANDEZ: --yeah, the breathing isn't on it. Okay, I'm sorry for interrupting, Member Kama.

COUNCILMEMBER KAMA: Okay. I can start again.

CHAIR RAWLINS-FERNANDEZ: Okay.

COUNCILMEMBER KAMA: So, this is my question, Kenna. Based upon our real property tax levels on hotels on Maui County, how much of an increase do you believe we need in order to generate $10 million in revenue for the next year?

MS. STORMOGIPSON: Well, I would need…I would just need some numbers about the current value of all that property so I don't have that data, but if I was given that data I could, you know --

CHAIR RAWLINS-FERNANDEZ: So, Member Kama --

MS. STORMOGIPSON: --do that.

CHAIR RAWLINS-FERNANDEZ: --the next presentation that we're going to have is from Finance Director Scott Teruya and so maybe he'll, he'd be able to help us with that question.

COUNCILMEMBER KAMA: Thank you, Chair. Thank you, Kenna.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Kenna. Member Sugimura?

COUNCILMEMBER SUGIMURA: So, it looks like your…thank you, Kenna. It looks like your research was done on homes or residence. Did you do anything regarding short term or timeshare…short-term vacation rentals, timeshares, or hotels? Or is it primarily with residential?

MS. STORMOGIPSON: No, I did…when I collected the property tax data, I did collect for all categories. Every county has different categories so I did pull out the timeshare info for Maui. Not every county has a separate rate for timeshare in the same way Maui does. But overall one trend that you can see is that commercial property tax rates are actually quite high compared to other states, because residential rates have been kept so low that that's been pushed over on to higher commercial rates. But that's separate commercial like office space, office space kind of rates separate from timeshare rates. So that is one thing that stuck out. But yeah, to show more specific level data on that, it just every county is different but for Maui, yeah, I'd have to pull up a couple different graphs. But in general the trend is that in order to keep residential rates as low as they have, the other ones have increased, and yet still like the Timeshare rate on Maui is just the average of metro residential rates. So, it's actually below average for what you would expect resort or other places to charge in other cities. I don't know if that's helpful.

CHAIR RAWLINS-FERNANDEZ: Member Sugimura, on Slide 5 there's one graph that includes Timeshare, Improved Residential, and Homeowner.

COUNCILMEMBER SUGIMURA: Thank you. I think that's a good justification for timeshare, right?

MS. STORMOGIPSON: Yeah, the Timeshare rate is…

COUNCILMEMBER SUGIMURA: Our timeshare fees can go up.

MS. STORMOGIPSON: Yeah, it's actually low compared to what other places would charge for, you know, non-residential properties that people are making rental income from. Yeah.

COUNCILMEMBER SUGIMURA: Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Kenna. Member Paltin?

COUNCILMEMBER PALTIN: Thank you, Chair. Aloha, Kenna. Thanks for your presentation. My question, I just wanted to disclose I wasn't alive in the '50s and the '60s, but I think…I was wondering if for your second slide if you factored into your research about, you know, the inflation of like what $18.50 was back in '69 and what the home values were from '69 to like 2014. I'm not sure about other states and like that, but I think homes in general in Hawaii the value is much higher and then the cost of living is higher. And so if we were to have high value for property, high cost of living, high real property tax, I don't think most folks would be able to make ends meet. And I was wondering if those were taken into account and inflation as well?

MS. STORMOGIPSON: So, that's an excellent question because you're right, what you're getting at is the rate might have gone down but maybe the amount people were paying might have stayed pretty similar year to year. And that is true that it wasn't like people's amount that they paid every year necessarily went down because the values of their homes went up. However, I would say that if you take into account inflation which last year was 2.5 percent, most counties actually got less, a little bit less property taxes than they needed to keep up with inflation. So, if you, you know, had $50 million in property tax last year and you got 52 million this year, it might seem like more but when you look at inflation you actually are falling behind. And so there's two things happening, the amount collected might seem to stay pretty the same or maybe increase but it's not always keeping up with inflation. And then the other point I think is important is that there's a big difference between if you live in the home and then you really, you know, it's going to be hard for you to afford a higher rate versus if you don't live in that home, you are being given a very low rate right now. And properties seem high here…the cost of housing seems high compared to the cost of living, but it's not actually higher than San Francisco, Los Angeles, New York City, Seattle. It's comparable to other high-cost cities and yet those high-cost cities have much higher property tax rates. So, if you don't live here and you're buying a second home or buying this property, you're getting a big discount on that house here in Hawaii versus if you were going to buy that same condo or whatnot in Seattle or New York or, you know, San Francisco. So, I guess that's an important point is that even other high-cost cities have a much higher rate even when the price tag is high. I hope that's helpful.

COUNCILMEMBER PALTIN: Yes. Can I just follow up too though, when we do set the real property tax rates it's not in a volume…a vacuum and so if we're experiencing inflation so is the homeowner experiencing inflation so that their money doesn't go as far and same like our money doesn't go as far. So, have you seen it in other places where it's just the second home that get the higher real property tax rates?

MS. STORMOGIPSON: Yes. So, that is exactly what New York City was proposing was actually two things, a second home would be higher property tax rate and it would go up kind of like an income tax where it's a marginal rate. So, let's say the first $1 million of your property, you're paying the same rate as everybody else but after $1 million, you pay the higher rate. And then, you know, if your property is…and then after say $4 million, you're at an even higher rate for that extra amount. The same way we do that for income taxes, we do that, right, it's a marginal rate, everyone pays the same for the first 20,000 they earn and then it goes up. And that's what Honolulu has done is they've said okay, if your house is worth more than I think it was 1.2 million, you have the .4 or basically $4 for the first 1.2 and then after that it increases to $6, all the…so there are places that are now trying to figure out how to have marginal rates and charge more for a second or, you know, additional properties. South Korea actually just did a very intense version of that where you pay a lot more when you buy a second home and your yearly rate I think went up significantly.

COUNCILMEMBER PALTIN: Thank you.

MS. STORMOGIPSON: So, all around the world people are trying to deal with this issue.

COUNCILMEMBER PALTIN: Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Kenna. Member Hokama?

COUNCILMEMBER HOKAMA: Thank you very much. I don't really agree with your assumptions that you've presented, and I don't know whether you're speaking as an economist or a potential developer. But you should know historically from 1935 to 1982 once the counties took over, taxation was based on 50 to 70 percent of total value, and that was one of the driving factors or maybe the factor of why rates was…we had some major adjustments in the '80s was how we looked at valuations. And I'm disappointed you have not discussed because rate by itself is nothing until you bring assessed value to the formula and yet you speak nothing about the formula. And for you to tell us to look at us like Seattle or San Francisco, you gotta be nuts. So, for me, you know, I'm kind of disappointed in your presentation of your data, 'cause I don't know what you're talking about when you keep talking to us about metro areas. Hawaii is not a metro area. We deal with a majority of rural areas that get impacted by small highly urbanized and high density of visitor industry facilities that we made the appropriate tax adjustments accordingly. So, I'm kind of disappointed that your data to me is really skewed badly. So, why haven't you brought up the valuation factor that my colleague Ms. Paltin does because that is our biggest issue, valuations?

MS. STORMOGIPSON: So, excuse me, sir, I didn't…what's your name again?

COUNCILMEMBER HOKAMA: I'm Mr. Hokama. I sat in the 1978 Constitutional Convention. I'm one of the key writers of the language that transferred the property and that's why for ten years after the transfer, all counties had to make agreements on any adjustments, that was our condition to the transfer. Okay. You don't bring up the facts that was required by government to address the conversion as it impacted each county's population base. And we're transforming from an agricultural base that was paying agricultural wages to now our new assessed valuation because of speculation and real estate development that that was one of the few ways we could help our local people. Where is your historical background and understanding of how we moved our taxation forward?

MS. STORMOGIPSON: So, I'm not…can you still hear me, sir?

CHAIR RAWLINS-FERNANDEZ: Yes, we can hear you.

MS. STORMOGIPSON: Okay. So, I'm glad you brought up those points, because you're right that in the '70s the assessed values were 70 percent. So, if your house was worth, I don't know, $100,000, they would…for property taxes they would say it was worth 70,000 and then apply the rate…

COUNCILMEMBER HOKAMA: That's okay. She wasting my time.

CHAIR RAWLINS-FERNANDEZ: Okay, Members, we'll take a quick recess to figure out what happened. And then we'll call up Finance Director Teruya.

VICE-CHAIR KING: *. . .(inaudible). . .*

CHAIR RAWLINS-FERNANDEZ: Right, yeah. Well, after we've…after we recess. We'll finish questions and then we'll call him up. Okay. It's 10:42, April 3rd, and brief recess at the call of the Chair. *. . .(gavel). . .*

RECESS: **10:42 a.m.**

RECONVENE: **10:45 a.m.**

CHAIR RAWLINS-FERNANDEZ: . . .*(gavel)*. . . Will the Economic Development and Budget Committee please return to order. It is 10:45 on April 3rd. Please excuse the technical difficulties we're experiencing. We have established reconnection with Kenna and we're going to have her complete her explanation to Mr. Hokama and then continue the line of questioning with Chair King. Okay, Kenna, will you please continue with your explanation?

MS. STORMOGIPSON: Yes. And thank you, Mr. Hokama, for bringing up those points. So, I worked with Paul Brewbaker who is the Chief Economist at Hawaii Bank…Bank of Hawaii on these slides with property taxes. And we did take into account that assessments used to be 70 percent and 60 percent of value. I thought about sharing my screen but it's an Excel spreadsheet and it's not going to look very great, but I'd be more than happy to e-mail you the Excel sheet so you could see how that was accounted for. But you're absolutely correct that when the State controlled property taxes, they would first lower the assessed value of 70 or 60 percent of market and then apply the rate. So, that's how I…so I did account for that in the graphing, but like I said it's a really good point to bring up and I'm happy to send you the information. And then I think your other point was is it fair for Hawaii to be compared to metro areas, and I think there's a back and forth on this. Randall Roth in his book Price of Paradise, there's a few economists that argue it's actually better to compare Hawaii to a metro area than to other states because of just the cost of things and how much, you know, infrastructure…the infrastructure needs on a place like Hawaii. However, it is a debate and, you know, DBEDT chose to do a study in 2017, comparing property taxes to other metro areas and so the State Tax Department decided that was a bigger…better comparison than comparing to states. But it is a ongoing debate and people feel differently about that, so yeah.

COUNCILMEMBER HOKAMA: Okay.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Mr. Hokama. Chair King?

VICE-CHAIR KING: All right, thank you, Chair. Thank you for being here. Can you give me your full name? I just keep…since it's not on the presentation anywhere, can you just give me your full name?

MS. STORMOGIPSON: Oh, my full name?

VICE-CHAIR KING: Yeah.

MS. STORMOGIPSON: Yeah. Kenna Stormogipson.

VICE-CHAIR KING: Kenna Gipson, okay.

MS. STORMOGIPSON: That's Stormogipson. It's a combined last name.

VICE-CHAIR KING: Oh, S-T-O-R-M…

MS. STORMOGIPSON: O-G-I-P-S-O-N.

VICE-CHAIR KING: Oh okay. Okay, thanks. I just like to have…usually people put their names on their presentations but I didn't see that on --

MS. STORMOGIPSON: Yeah.

VICE-CHAIR KING: --anywhere on here. Okay, so my questions, on Page 2 what you've given us is an average of all rates, is that correct? The improved RPT for --

MS. STORMOGIPSON: Page 2…

VICE-CHAIR KING: --all counties, it's an average of…

MS. STORMOGIPSON: Yes.

VICE-CHAIR KING: I mean when we were looking at that one average, the red line which is Maui that's an average of all rates in the RPT. Do you know how many…

MS. STORMOGIPSON: No, hold on. Hold on. Let me pull up the exact slide real quick.

VICE-CHAIR KING: It's the second slide you gave us.

MS. STORMOGIPSON: Improved RPT --

VICE-CHAIR KING: There's one line…

MS. STORMOGIPSON: --so there's four different lines there.

VICE-CHAIR KING: Right. There's one line --

MS. STORMOGIPSON: One line for each county.

VICE-CHAIR KING: --for Maui and that's an average of all our rates?

MS. STORMOGIPSON: No, not of all the rates, just the one for Improved Residential.

VICE-CHAIR KING: Oh, okay.

MS. STORMOGIPSON: Just the Improved Residential one, it doesn't take into account Commercial or Agriculture --

VICE-CHAIR KING: Okay.

MS. STORMOGIPSON: --or Homestead or…no --

VICE-CHAIR KING: Okay.

MS. STORMOGIPSON: --just Improved Residential.

VICE-CHAIR KING: Okay, and there was only one category back then, there was no separate…

MS. STORMOGIPSON: No, there were many categories.

VICE-CHAIR KING: Okay.

MS. STORMOGIPSON: There were many categories but each county had…over the years those categories changed and each county had different ones.

VICE-CHAIR KING: Okay, so do you know how many --

MS. STORMOGIPSON: But every county…

VICE-CHAIR KING: --categories that that average encompasses in Maui, for Maui County?

MS. STORMOGIPSON: Oh, well no, no, no, this…no, no, this is just Improved Residential and I --

VICE-CHAIR KING: Okay.

MS. STORMOGIPSON: --picked that one because all four counties had that.

VICE-CHAIR KING: Okay. Okay, so you're comparing against, across all four counties, that one category?

MS. STORMOGIPSON: Yes, across all --

VICE-CHAIR KING: Okay.

MS. STORMOGIPSON: --four counties the same rate --

VICE-CHAIR KING: Okay.

MS. STORMOGIPSON: --so we're comparing apples to apples.

VICE-CHAIR KING: Okay, thanks for that. And then the next slide you've got a…this is just Maui County Residential --

MS. STORMOGIPSON: Yeah.

VICE-CHAIR KING: --and you've got a blue line and then the orange line that says homeowners, is that the homeowner's exemption piece?

MS. STORMOGIPSON: Well, there's a Homeowner rate. When I looked in the tax book of Hawaii, Taxes of Hawaii book, there was a separate line there that said Homeowner and I do have to --

VICE-CHAIR KING: Okay.

MS. STORMOGIPSON: --apologize that I didn't go super in-depth into Maui.

VICE-CHAIR KING: Okay, I think that's our --

MS. STORMOGIPSON: --particularly.

VICE-CHAIR KING: --homeowner exemption, if I'm not mistaken. But was that…

MS. STORMOGIPSON: Yes.

VICE-CHAIR KING: So, was there any inclusion in…we have an item called circuit breaker which allows another…an exemption for folks who are in areas where the values went up over the years and, you know, through no fault of their own now their house is worth maybe twice as much and so we have this kind of a forgiveness circuit breaker. Was there any…do you have any…

MS. STORMOGIPSON: I did not take that into account.

VICE-CHAIR KING: Okay.

MS. STORMOGIPSON: The only thing I took into account was the rate and then I know I think Maui has a $200,000 homeowner exemption, right? Is that right?

VICE-CHAIR KING: Right.

MS. STORMOGIPSON: Yeah.

VICE-CHAIR KING: Okay. So, that's what that orange line is I'm assuming? Okay. And then the other…the next slide that was confusing to me is you said Maui compared to 51 metro area average and you…and so are…so you've got a blue line that says metro area average. Where is…I don't understand the comparison to Maui on that line.

MS. STORMOGIPSON: Well, this is for Improved Residential rates --

VICE-CHAIR KING: Okay. So --

MS. STORMOGIPSON: --so that blue line…

VICE-CHAIR KING: --again just the…okay. So, that…so everything on this page is Improved Residential?

CHAIR RAWLINS-FERNANDEZ: Except for where --

MS. STORMOGIPSON: Well, no, no.

CHAIR RAWLINS-FERNANDEZ: --it says Timeshare and Homeowner.

MS. STORMOGIPSON: Yeah.

VICE-CHAIR KING: Okay. But that blue line that says metro area average?

MS. STORMOGIPSON: That's for the Improved Residential. I apologize.

VICE-CHAIR KING: Okay, so we're comparing our Timeshare rate to their Improved Residential rate, is that what the comparison is on that line?

MS. STORMOGIPSON: Yes, that's what that shows and --

VICE-CHAIR KING: Okay.

MS. STORMOGIPSON: --I don't have an average of timeshare rates. The only reason I have this metro area average is because DBEDT did a study in 2017 and DBEDT did a real property tax study so I have that information from them.

VICE-CHAIR KING: Okay. Well, I'm just trying to --

MS. STORMOGIPSON: My guess, if I were to…

VICE-CHAIR KING: --reconcile this comparison. So --

MS. STORMOGIPSON: Yeah.

VICE-CHAIR KING: --the blue line is the metro area average for Improved Residential and then you're comparing that --

MS. STORMOGIPSON: Yes.

VICE-CHAIR KING: --with our Timeshare rate on Maui?

MS. STORMOGIPSON: Yes.

VICE-CHAIR KING: Okay.

MS. STORMOGIPSON: Yes.

VICE-CHAIR KING: Okay. And did you…

MS. STORMOGIPSON: Sorry about that.

VICE-CHAIR KING: Okay. And then did you have any comparisons with our Hotel rate which is quite a bit lower than…

MS. STORMOGIPSON: I did not create a slide for that.

VICE-CHAIR KING: Okay.

MS. STORMOGIPSON: So, I have the Excel spreadsheet but I don't have a…I did not create a slide.

VICE-CHAIR KING: Okay. Because I mean I think that's one of the key issues when we're looking at timeshare is how far apart our Hotel and Timeshare rates are, and that's fairly new. So…oh, I think we lost her again. We could just do like an audio with her if we just call her I guess. We don't have to be looking at her face.

CHAIR RAWLINS-FERNANDEZ: Yeah.

VICE-CHAIR KING: Not that she's not a lovely person, you know.

CHAIR RAWLINS-FERNANDEZ: It'll probably be less staticky, I'm guessing.

VICE-CHAIR KING: Yeah, maybe less staticky.

CHAIR RAWLINS-FERNANDEZ: Yeah, so we're gonna try to establish connection with Kenna now.

VICE-CHAIR KING: Do you want to gavel out for a second?

CHAIR RAWLINS-FERNANDEZ: Okay. We're gonna take a very quick recess to call Kenna now. Okay. If there are no objections --

VICE-CHAIR KING: No objections.

CHAIR RAWLINS-FERNANDEZ: --we'll now go into recess. . . .*(gavel)*. . .

RECESS: 10:54 a.m.

RECONVENE: 10:57 a.m.

CHAIR RAWLINS-FERNANDEZ: . . .*(gavel)*. . . Will the Economic Development and Budget Committee please return to order. It is 10:57 on April 3rd and we are…we've established a connection via telephone this time. Okay, Chair King --

VICE-CHAIR KING: Okay.

CHAIR RAWLINS-FERNANDEZ: --will you finish up with your questioning?

VICE-CHAIR KING: Okay, I had two last concerns, and one is, you know, I appreciate your comparison to the metro average, because I do think, Chair, that we are in a situation where we're calling ourselves metropolitan in some respects and that's why we were given an MPO, the Metropolitan Planning Organization is based on the fact that we can now call Maui a metropolitan area if we look at our entire island of Maui. So, I think that's an important distinction to make because if we're not we wouldn't have an MPO. The other thing that I wonder if Ms. Stormogipson can answer is how difficult...a lot of these numbers only go up to 2013 or 2014, and my experience, and Mr. Hokama can correct me if I'm wrong, but as a homeowner I've always seen our rates to be low and the last two years there was what I consider a substantial increase in residential property taxes and for the first time in a long time. I think we raised it up in the last two years. The beginning of the last two years was significant so I think that was 2017, the Fiscal Year 2017. Is that right? Yeah. So, I think that these comparisons could be helped with adding on to the last...adding the last two years on. I don't know how easy that would be, but, you know, and I say that from personal experience too, because every time we would get our appraisal and our tax bill, my husband would be like thoroughly disgusted at how low it was when we were complaining we needed more money. And he'd always complain to the Mayor that the taxes were too low. And when I came onto this Council was the first time I had seen a proposal to actually raise Residential. So, that may be a substantial addition to looking at the historical numbers and maybe that it goes up a bit. So, those...that's my concern. I just wondered if that would be something that you'd be able to add to these numbers or is that a real difficult task looking, you know, trying to bring it up to date to the end of 2018?

CHAIR RAWLINS-FERNANDEZ: So, you're asking Kenna if she would be able to add information on the comparison slide that would bring us up to date and then send it to us at a later date?

VICE-CHAIR KING: Well, it doesn't have to be the comparison slide, it could be the third slide, the Maui Residential RPT Since Statehood, because that ends at 2016 and right after that was when they went up, we raised them up a little bit. So, you know, I just think that that would be important historical information.

CHAIR RAWLINS-FERNANDEZ: So, you would like her to add that information and then send us an updated slide?

VICE-CHAIR KING: Yeah, I'm just asking her if she can add that in and send it to us so that we can have a clear picture all the way through. Because I think at one point they were just like very stable and then we...in recognition of that the last Council raised them up.

CHAIR RAWLINS-FERNANDEZ: Kenna, did you hear the question?

MS. STORMOGIPSON: I think…what I caught is that counties have been raising their rates in the last two years --

CHAIR RAWLINS-FERNANDEZ: Sorry --

MS. STORMOGIPSON: --up to 2017.

CHAIR RAWLINS-FERNANDEZ: --I'm just going to…I'm going to interrupt real quick. Kenna?

MS. STORMOGIPSON: And…yeah?

CHAIR RAWLINS-FERNANDEZ: Okay. Chair King asked if you would be able to add updated information on Slide 3 and…

VICE-CHAIR KING: For the last two years.

CHAIR RAWLINS-FERNANDEZ: For the last two years.

MS. STORMOGIPSON: Yes, we could do that.

VICE-CHAIR KING: 'Cause it would reflect the increase that we enacted over the last two years.

CHAIR RAWLINS-FERNANDEZ: Okay, thank you. Okay.

VICE-CHAIR KING: Thank you, Chair.

MS. STORMOGIPSON: When would people need that by?

VICE-CHAIR KING: ASAP.

CHAIR RAWLINS-FERNANDEZ: As soon as you would be able to get that information.

MS. STORMOGIPSON: Okay.

CHAIR RAWLINS-FERNANDEZ: Okay. We're going to move on.

MS. STORMOGIPSON: *. . .(inaudible). . .* Ways and Means so I don't know, it might take a couple days but yeah.

VICE-CHAIR KING: Yeah, that's fine.

CHAIR RAWLINS-FERNANDEZ: Oh okay. Thank you.

VICE-CHAIR KING: Yeah, thank you. Thank you very much.

CHAIR RAWLINS-FERNANDEZ: Thank you for doing that. Okay. Member Lee?

COUNCILMEMBER LEE: Hi, Kenna. I have one question.

MS. STORMOGIPSON: Hi.

COUNCILMEMBER LEE: Actually, I have two but these other guys are waiting. The one question is we have had a hotel sold recently for like $1.2 billion, and I think the assessment was more in the neighborhood of 300 million. And --

MS. STORMOGIPSON: Wow.

COUNCILMEMBER LEE: --the method that we use here is comparable sales for our tax system. What do you think about other methods like using the income method or perhaps you know of other methods whereby it could be a fairer assessment on some of these luxury multimillion, billion-dollar hotels?

MS. STORMOGIPSON: Yeah, I mean I'd have to learn more about the...when you said income method, are you talking about the income that they receive from the property?

COUNCILMEMBER LEE: Yes, there are different methods --

MS. STORMOGIPSON: Okay.

COUNCILMEMBER LEE: --usually of, you know, but here on Maui we use the comparable sales method.

MS. STORMOGIPSON: I see. Yeah.

COUNCILMEMBER LEE: Well, if you don't know offhand, why don't you give it some thought and maybe you could drop us a line when you have a chance?

MS. STORMOGIPSON: Yeah. I would love to answer that question and I just want to be sure I'm understanding correctly. But yeah, so I would...I just need...I would need a little more detail. But in general for really big properties that don't have a lot of comparables, if you're trying to figure out like how much is this property worth, like what is it even worth then it is a better method to say well, what's the income it's bringing. Because when people buy commercial properties in the sense of multiunit properties whether it's an apartment building or a hotel, they look at the revenue per year to decide how much they can...what price they would give for a property. They don't necessarily go and compare to other properties, what they care about is the yearly revenue. So, basing a tax on that yearly revenue can be better when you don't necessarily have lots of similar properties being bought and sold to compare their value that way. Is that getting to your question?

COUNCILMEMBER LEE: Yes, but I just thought maybe there were other methods besides comparable sales that other --

MS. STORMOGIPSON: Right.

COUNCILMEMBER LEE: --municipalities use and income is usually one of them but I'm not sure which areas or which metro areas use that method and if you were familiar with it but if you're not that's okay.

MS. STORMOGIPSON: Yeah, I'm familiar with the debate, I don't know which metro areas particularly use revenue, yearly revenue but I'm sure there are some, and it is considered a better way because that is the way that buyers set their price for what they'll pay for a property is generally by revenue, not comparables.

COUNCILMEMBER LEE: All right. Well, thank you very much.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Kenna. Okay, mahalo, Member Lee. Member Molina?

COUNCILMEMBER MOLINA: Yeah, thank you, Madam Chair. Aloha, Kenna. My name is Mike Molina, I'm one of the nine Councilmembers. I just had one question related to your remarks in your presentation regarding timeshares. Can you clarify for me if I'm correct as far as what I heard, you're saying that our timeshare rates I guess Statewide should be higher when compared to other municipalities?

MS. STORMOGIPSON: Yes, they are low compared to other municipalities.

COUNCILMEMBER MOLINA: And well, what was…

MS. STORMOGIPSON: No, as a state they're low; however, within the State of Hawaii, of course you always have to consider well, if Maui has a much higher rate than Kauai, maybe people will just shift to Kauai, 'cause you're competing in a sense with other counties not just, you know, a timeshare in Utah or I don't know, on a…right?

COUNCILMEMBER MOLINA: Well, I ask this because our current Timeshare rate is $15.41 per $1,000, and our Administration is currently proposing a decrease in the rate by about a $1.48 so down to $13.93. So, I just wanted to get a feel for, you know, eventually we're going to ask the Administration why the decrease and in hearing your comments on timeshares I was just curious.

CHAIR RAWLINS-FERNANDEZ: Thank you --

MS. STORMOGIPSON: Yeah.

CHAIR RAWLINS-FERNANDEZ: --Member Molina. Okay, we're going to move on to Member Sinenci.

COUNCILMEMBER SINENCI: Thank you, Chair. Thank you, Kenna. Yeah, my question just kind of derived from one of the statements you had on the conclusion slide where you say Hawaii has underfunded infrastructure for the past 30 years. And I don't require an immediate answer to my question, but I was just wondering how does that compare to the recent Honolulu rail project and what are some of the negative impacts of the project and how as a County can we look at some of the important lessons from this infrastructure project?

MS. STORMOGIPSON: That's a good question. I would, I think I would need to do some more thinking to give a good answer.

CHAIR RAWLINS-FERNANDEZ: Okay, we can get that response from you at another time. Okay, thank you, Kenna. We're going to move on to our next presentation.

MS. STORMOGIPSON: Great.

CHAIR RAWLINS-FERNANDEZ: I really appreciate you sharing your research with us. I think it was helpful. Okay.

MS. STORMOGIPSON: Great.

CHAIR RAWLINS-FERNANDEZ: Thank you so much.

MS. STORMOGIPSON: Okay, all right. Bye.

CHAIR RAWLINS-FERNANDEZ: Okay, bye. Okay, so our next presentation is by our Finance Director Scott Teruya. And we also have--wait, is it Deputy Director?--Marcy Martins [*sic*], Real Property Tax Administrator. And Scott is also…Director Teruya is also going to go over some of the historical information specifically for our County and how we got to where we are now and then provide us some additional information and scenarios on how the different rates would apply to different…if a house is on…being charged a different category. You ready? Okay.

MR. TERUYA: Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Take it away.

MR. TERUYA: It's actually too small…I mean too big.

UNIDENTIFIED SPEAKER: Too big?

MR. TERUYA: Yeah. Just put it to 100 percent. Cut out the bottom, that's all. Oh fit the page. Fit the page. Maybe fit the page.

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

MR. TERUYA: Yeah, if you can just…see it's missing…cutting out all the bottom. Fit the page. No.

COUNCILMEMBER LEE: Madam Chair? Just checking that this handout is exactly the same as the…yeah. As the…I'm not joking. I cannot see. Okay, thank you. Same one right?

CHAIR RAWLINS-FERNANDEZ: Member Lee would just like a confirmation that the handout that we received has the same numbers as we are seeing on the screen. Member Lee, Director Teruya confirmed that the numbers are the same.

VICE-CHAIR KING: Asking that question every single time.

MR. TERUYA: Okay, thank you, Chair. Good morning, Chair and Members. I just wanted to…what I'm going to present to you was recommended on behalf of the Chair Rawlins-Fernandez to give a brief PowerPoint to assist the Members as you're crafting your budget. Because the certification doesn't come out till April 18th and by then it might be a little bit too late for you folks so some of the information that's presented to you is more directly relevant to…you don't get exact certified numbers but you have the gist of how you either going to add revenue or reduce revenue, what you can change and what you cannot change for the upcoming fiscal year. So, that's really what this is about. I've been given only 20 minutes so I'm going to go real quick through this. So, first here what we have here is just a matrix of…it's a very simple spreadsheet. So, you have column that's highlighted A, B, and the third column that's highlighted in yellow. And the first column A is similar to what you're going to receive at certification. It's basically valuation for revenue projection, that's your certified numbers, that's part A. Part B is your rate, so that is the number that the Council will be deliberating on to ultimately give you column C which is the revenues. So, in A divided by $1,000…oh, divided by 1,000, multiplied by your tax rate gives you C. And when you sum those numbers, it takes you down to what the Mayor has right now at $334,830,203 if you…the Members follow. From that number you subtract for circuit breaker credits which currently is at $430,000. That gives you your net revenue estimates, then you add the minimum tax, 2,792,397. That minimum tax also can be changed by the Councilmembers for the upcoming fiscal year. Should you add minimum tax, that number would go up. If you subtract, obviously it goes down. When you total all of that, you get down to what the Mayor currently has as his proposed for real property taxes only which is that 337,192,600 if my eyes serve me correct. So, that…this, Members, is something that you can utilize. Your part A right now is fixed. Based on the proposed, that number will change because the certification takes into effect actual appeals. After that is done, at certification those column A will be fixed. You have the ability to change B and then that gives you C. So, when you guys are deliberating and if you need more revenue, this is…from real property tax only, other than other fees that you guys can change as well, you can change your rates and you can also change minimum tax to ultimately plus or minus your bottom line. So, that is that first page. How do you go down? How do you go to the next page? Oh there, okay. Okay, on the second page, you like numbers, you got numbers. Here is your rates for the County property taxes since we were effective on our own from the ConCon of ’78, in 1981 the County had its own kuleana so to speak of rates. So, from 1981 to the present is all classifications we ever had and their rate structure. In 1981 and 1982 as you can tell and even 1983 assessment year, the rates were all the same. The reason why the rate dropped from ’82 to ’83 was we used to be at 60 percent of assessed value so the rate although it looks like it went down but it’s, it didn’t really go down because the assessments went to 100 percent of market value. So, you can see a change there but effectively nothing changed other than the way we did taxation. When you scan across and you guys can draw your own comparison, it’s not until ’85, Fiscal ’86 that we can see some changes to some of the rates. In 1989, you can see rates changed slightly in there in the Commercial, Industrial, and Hotel area where they started to increase. And this historically has been the same for each county. In 19…Fiscal ’94 you can see the addition of the Homeowner category. In 19 or 2000…in Fiscal ’06 you see the addition of the Timeshare classification. In Fiscal ’11, you see Commercialized Residential addition. And in 2019 you see the Short-Term Rental classification addition. So, Members, I’m just here giving you nothing other than just historical data for you guys to look at how things were and how things changed over the years, how special interest groups got involved and we started to as money became available, you know, some people got lower rates. So, you can just take a look at that at your own leisure.

COUNCILMEMBER PALTIN: Chair, can I ask a point of information?

CHAIR RAWLINS-FERNANDEZ: Yes, Member Paltin?

COUNCILMEMBER PALTIN: You know when you said in ’83-’84, we went to 100 percent of market value, is that still the case up until today?

MR. TERUYA: In the State of Hawaii that is correct.

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo.

COUNCILMEMBER LEE: *. . .(inaudible). . .*

CHAIR RAWLINS-FERNANDEZ: Member Lee?

COUNCILMEMBER LEE: And then you don’t have listed here, Scott, the home exemptions, homeowner exemptions.

MR. TERUYA: It’s coming.

COUNCILMEMBER LEE: It’s coming. Very good.

MR. TERUYA: Okay. Okay, on Page 3 this shows the four different counties. It shows FY ’19 rates that were adopted, and then it shows FY ’20 rates as proposed per county. In the Big Island and in Kauai, there are no proposed changes in the FY ’20. If you look across in Honolulu there’s a proposed rate change to Hotel and Resort and there’s a change proposed rate to the Tier 2 to Residential A. Let me maybe give you a point of background. In Honolulu, Residential classification includes apartment, homeowners…apartment and homeowners so you gotta realize that in Honolulu they shrunk the class, they combined…they collapsed classes so that now the apartment is now in Residential and the homeowners are in Residential as well. The next page…

VICE-CHAIR KING: Chair?

CHAIR RAWLINS-FERNANDEZ: Chair King?

VICE-CHAIR KING: I guess if we're able to ask informational things maybe it'll go quicker when we get back to it, but so in Maui County apartment is not…I mean Apartment zone is not just residential, correct? So, that Apartment rate, is that Maui County Apartment rate for anything zoned Apartment whether it's residential or hotel?

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: The short answer is anything zoned Apartment could be in there other than it being condominiumized and that will be answered later in this presentation.

VICE-CHAIR KING: Okay. So, in the…well, you just made the statement that Honolulu collapsed their apartment and residential, that's just residential apartment, correct?

MR. TERUYA: That is the Apartment zoned properties that collapsed into Residential.

VICE-CHAIR KING: Right, but is…but in Honolulu is all their apartment Residential?

MR. TERUYA: Yes.

VICE-CHAIR KING: Okay, 'cause we don't necessarily have that here.

MR. TERUYA: No, we're a --

VICE-CHAIR KING: Some of our apartment is not Residential.

MR. TERUYA: --little bit different.

VICE-CHAIR KING: Okay, thank you.

MR. TERUYA: But that is also in the end of the presentation and when I go --

VICE-CHAIR KING: Okay.

MR. TERUYA: --into classification.

VICE-CHAIR KING: Okay, I just wanted to clarify what Oahu's position was.

MR. TERUYA: Okay, the next page and don't follow the page numbering if there is on there, this is kind of part of our certification that we pulled out. So, the next slide I have here is a minimum tax history. As I mentioned to you folks that it also affects your bottom line if you do choose to move the minimum tax amount for properties. This graph multiple, I guess, shows multiple things. The different fiscal years, it shows you the change in minimum tax over the years, the number of parcels that are charged minimum tax, and the additional revenue it brings, along with, Member Lee, the home exemption amount in the last category which has changed over the years. So, that's on this page right here. The next slide is…at least I wanted to point out to you folks is when you look at minimum tax and you really don't know what comprises of this, and this shows several different categories of people who pay minimum tax and the amount, number of parcels that pay minimum tax so you can just take a look at that at your leisure. The next slide is the home exemption by county. This also goes a deeper dive so you can see the other counties and their type of exemption. And one of the reasons why it is very difficult to just use your rate in comparison to the other counties is because there's different net exemption, so just if we all had the same rates but people had different exemption, it really…to compare them would not be really apple to apple. So, this is just a comparison of what the other counties have as home exemption. Okay. Little complicated but this basically shows net the home exemption and where majority of our properties in the Homeowner category fall. They fall in that range, that net at 250,000 to 499,900, that's where our ranges show. This shows the number of parcels that fall in that column or that bracket. It also shows you how much people receive circuit breaker within that bracket, and so you even have ten people receiving circuit breaker credit when their values are over 2 million, up to $18 million that they're qualifying because it's income based. The next slide is just a graph to show you your subsidies, the number of subsidies in these different categories. So, for example on the top it shows 26,117 homeowners and the subsidy for this program is 63,153,389 for that $200,000 exemption. And then you can go down and see the different categories that have subsidies. So, I know in Honolulu they had a committee to look over subsidies, because prior to raising rates or adjusting rates, whether or not some of these subsidies were still effective or still by the Council things that they thought should be looked at such as that I think historic residents was one of the items that they were discussing. Members, I'm going to give Ms. Martin a chance to talk to and explain the different classification and the type of properties. As Ms. King mentioned, it can be a little than your typical thought of what properties are so follow through it, and I know there's going to be questions because when you get into condominiumization of properties, your typical classification may not apply because the Code says otherwise, so. Okay, go ahead.

MS. MARTIN: Chair?

CHAIR RAWLINS-FERNANDEZ: Please continue.

MS. MARTIN: Thank you. I also want to take this opportunity to let you know that effective March 16th, I have been selected as the Real Property Tax Administrator. Real Property is comprised of competent assessors and data collectors. We have a wealth of information about Maui County and the tax base. I believe this data should be shared and used, and I look forward to helping Real Property be a valuable resource for all of you. So, in that spirit the next few pages are going to show you what Scott and I believe to be extremely important. Every year the assessors in Real Property classify every property for tax rate purposes into 11 categories. So, to help you understand what is in these groups of properties, we have created this reference for you. The first classification is Timeshare. This is comprised of properties, condominiums and non-condominium properties which are subject to a timeshare plan as defined in Hawaii Revised Statutes 514E-1. Some of them have been condominiumized like the Marriot, and others like WorldMark are non-condominium properties. Residential classification is vacant and improved, non-condominium land zoned Residential. It's also project district designated Residential. These homes are rented long term or are second homes and not rented. And they don't have the home exemption. The Apartment District sorry, excuse me, the Apartment classification is project district Multifamily, vacant and improved non-condominium land zoned Apartment. It also has condominiums which are second homes and not rented, and they include condominiums which are rented long term. So, in the first picture we have your typical apartment building. In the second picture we have an Ag condominium. This property is in the Apartment class, it's zoned Agriculture, it's been condominiumized so it's in the Apartment class.

VICE-CHAIR KING: Excuse me, Chair? Could I…could we just get an --

MS. MARTIN: Yes, and it's…oh.

VICE-CHAIR KING: --explanation of what condominiumized means?

CHAIR RAWLINS-FERNANDEZ: Ms. Martins [*sic*]?

MS. MARTIN: Condominiumized means submitted to the property regime with the State of Hawaii. So, it has a CPR number.

VICE-CHAIR KING: Okay.

MR. UEOKA: Chair, just…

CHAIR RAWLINS-FERNANDEZ: Mr. Ueoka?

MR. UEOKA: Thank you, just quick clarification. It's…there's a State law in place that goes over the condominiumization of a property, so we treat those properties that have gone through that process properly as condominium properties. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Mr. Ueoka. Ms. Martins [*sic*]?

MS. MARTIN: Thank you. So, the Apartment class also consists of vacant land zoned Apartment, and it also consists of condominiums that could be Hotel zoned but the owners have chosen not to rent the properties and they have classified in a lower classification which is the Apartment classification so they're second homes. The Commercial classification has project district commercial properties, industrial and commercial condominiums and vacant and improved land zoned Commercial. So, in these pictures is a mall, NAPA, and a commercial condominium on Industrial land. The Industrial classification has project district zoned Industrial vacant and improved properties, vacant and improved non-condominium land zoned Industrial. So, we have warehouses. We also have commercial stores on Industrial-zoned land. We have malls on Industrial-zoned land and big-box stores. The Agricultural classification includes vacant and improved non-condominium land zoned Agriculture or Rural. These properties don't have the home exemption. They don't have to be in agriculture production, it's based on their zoning. Homes can be rented long term or are second homes and not rented. Many of the homes have agriculture use. Our Conservation classification consists of golf courses and State Conservation land. Our wind farm is in the Conservation classification. We've got oceanfront homes on Conservation-zoned land. And we've got fish ponds in Conservation. The Hotel and Resort category consists of vacant land zoned Hotel and last year it was defined to have properties improved with eight or more short-term lodging units and employ more than 20 full-time persons. So, we've got our typical hotels, Grand Wailea, and vacant land zoned Hotel. And the Homeowner classification is all properties that have been granted a home exemption. This includes condominiums, residential homes, properties with ag use. It includes properties that are zoned other than Residential. We also have some Hotel-zoned properties that have the home exemption and are in the Homeowner classification. Commercialized Residential classification is a parcel or condominium unit that has been granted a bed and breakfast permit or a transient vacation rental and is owner occupied. The Short-Term Rental classification has properties used for transient occupancy less than 180 days and are not classified as Hotel and Resort. This includes the permitted short-term rental homes.

MR. TERUYA: Chair, that's all we have presented to you for today and if…take any questions that the Members may have.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Director Teruya and Ms. Martins [*sic*]. Okay. At this time, Members, I will now open the floor to questions starting with Committee Vice-Chair King and then moving to Member Sinenci and then working our way down.

VICE-CHAIR KING: Okay, thank you, Chair. Actually, thanks for that brief explanation, I'm sure you're going to get a lot of questions about the classifications and what they mean. But my main question is do you have any position paper or justification…the Mayor's justification for the percent change that he's proposing? I don't expect you to go over it right now but is there something that he's written down that explains why the percent changes go from, you know, 2.1 percent to 3.5 percent, some of them are 17 percent? Do we have anything that we can…that can be distributed that can just kind of inform us of what his thinking was in proposing those changes?

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: Sorry, I don't have any of that information. I can defer to Budget Director but I don't have any --

VICE-CHAIR KING: Okay…

MR. TERUYA: --justification on any…

VICE-CHAIR KING: Okay, can we ask the Budget Director maybe if she knows?

CHAIR RAWLINS-FERNANDEZ: Ms. Yoshimura?

MS. YOSHIMURA: Chair, we don't have anything in writing at this point, but we can provide you in writing at a later date.

VICE-CHAIR KING: Okay. I appreciate if we could maybe ask that additional question.

CHAIR RAWLINS-FERNANDEZ: Yeah. So, we did ask those questions and a letter was sent requesting that information by April 2nd but I believe…oh, no? Right? I thought this is the questions, the justification. Yeah. Yeah. So, what we'll…we've already --

VICE-CHAIR KING: Did we receive it?

CHAIR RAWLINS-FERNANDEZ: --requested that information but we haven't received the response yet.

VICE-CHAIR KING: Okay.

CHAIR RAWLINS-FERNANDEZ: So, we'll receive that response in writing.

VICE-CHAIR KING: Okay.

MS. ESPELETA: Madam Chair? I apologize. I believe the…

CHAIR RAWLINS-FERNANDEZ: Ms. Espeleta?

MS. ESPELETA: I believe the Department requested an extension to respond to that letter till Monday the 8th.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Ms. Espeleta.

VICE-CHAIR KING: Okay. Thank you, Chair. That's my main question.

CHAIR RAWLINS-FERNANDEZ: Okay. Member Sinenci?

COUNCILMEMBER SINENCI: Thank you, Chair. Thank you, Mr. Teruya. For Page 2, the historical outline of the real property tax. My question was did some of the tax, the really significant tax changes through the years, were they…did they correspond with changes in property values?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: Chair? Thank you for that question, Mr. Sinenci. For the years that I was here, I can tell you it was, the deliberation was…took place both at the Mayor's level having their introduction along with the Councilmembers on what they felt. We have, when I was the administrator for the Real Property Tax Office, we had provided comments for just like during the deliberation as to the impacts. But as far as the reasoning why, a lot…some years was a revenue neutral situation where there was no additional funds that were needed by the Council or this body and therefore it was…resulted in revenue neutral situations per classification. Sometimes it would be a revenue neutral for the overall so there could still be some modification within categories with the overall being a net zero. So, it really is upon this body to identify what are the needs of the budget and whatever deliberation process you are…you want, but we are here just as resource. We're not here for to recommend any one or which way but other than to help and assist you with getting your budget to where you need to. So, we provide any comments that you have but we will not be suggesting any which way. Thank you, Chair.

COUNCILMEMBER SINENCI: Okay, thank you. Because I believe the circuit breaker couple years ago that was done with I know some of the properties in Hana, our subdivision values doubled during that year and so it corresponded with the increase in property values, the circuit breaker. Then my second question was for the new property…for the tax director. In her…under agriculture slide, Improved Ag-zoned land with no ag use. Can you explain…I mean I know this was some of the questions that I had a question about dwellings that were on Ag-zoned land and it's cite as improved Ag-zoned land with no ag use.

CHAIR RAWLINS-FERNANDEZ: Ms. Martins [*sic*]?

MS. MARTIN: Chair, thank you. So, the Agriculture classification is based on zoning. So, an Agriculture property can be an Agriculture property without agriculture use or it can be a property benefiting from an agriculture use assessment. They are both in the same Agriculture classification, unless they have a home exemption then they go into the Homeowner classification.

COUNCILMEMBER SINENCI: So, that homeowner would qualify for the Agricultural tax bracket rate?

MS. MARTIN: No, the homeowner would qualify for the Homeowner tax rate if they can…so an Agriculture property can be…have no actual agriculture use and have a home exemption and be in the Homeowner category, or it can have an actual agriculture use and a home exemption and be in the Homeowner category, or it can be non-owner occupied and be Agriculture land that's not used for agriculture or have an Agriculture use valuation meaning it's actually in agriculture production.

COUNCILMEMBER SINENCI: Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Sinenci. Member Molina?

COUNCILMEMBER MOLINA: Yeah, thank you, Madam Chair. My I guess one big question was along the lines of Chairman King's is like the Administration's rationale for the adjustments, in particular the Timeshare whereas we're looking at, you know, the adjustments for other property classifications were increases and then in Timeshare what looks…what appears to be a significant decrease. So, I guess we'll have to wait for that response in writing. But, you know, I guess I'm such a pest I really wish we could have, you know, some of the more anticipated questions that this Council would ask that we could have the, you know, some of our responses in person. So, 'cause I know when we get something in writing, I'm sure we may have more questions so anyway just my thoughts. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. Member Lee?

COUNCILMEMBER LEE: Thank you, Madam Chair. Thank you, Director. This is very helpful information. Do you see your task as pretty much implementing policy but not really thinking beyond, you know, the day-to-day chores that you have? Like for instance, for instance okay, we're living in a different world today and a lot of the formulas and the rates and fees and this and that really started when we were a much smaller community, much smaller population, and now we are overwhelmed with 3 million visitors and we're faced with these incredible bills to pay for infrastructure. And one of the main sources of revenue for us is real property taxes yet we're just like inching our way along adding 10 cents here and 5 cents there and when we need probably multimillions of dollars on a regular basis. Do you ever think about those things or do you sort of wait for the Mayor and the Council to ask you to come up with those kinds of solutions?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: Thank you. Thank you, Chair and Member Lee, for that question. To be honest, we've had very little time with this Administration to go over not only the budget but many ideas. I do have ideas. I have expressed them with some Members in the past as well and with the Mayor. I think right now there's various things that have been on the block that couldn't be achieved such as tiered rates. There's some things that just take time to get in place not only because at the will but at the whim of the computer system. So, some of those things are in movement right now to give the next fiscal year an opportunity to have that discussion when the system is able to take care of tiered rates. That is something that I can tell you the Mayor has supported and for the proposal so that the software can do it. It doesn't mean that he's going to do it but we'll be having that discussion when the system is able to do the multi-tiered rates. But I understand what your question is. Ultimately, I'm not the final say person so my recommendations go to the Mayor's Office and he has a lot of things on his plate as well, and definitely some ideas have been floated across the Mayor and I can't tell you what his final decisions are until he tells me to do otherwise.

COUNCILMEMBER LEE: Okay. Well, how about if we tell you to do otherwise? Like for instance okay, you mentioned okay, restrict…your somewhat restricted technology, by technology, you don't have the computer system or whatever, yeah? But like I said, we're in need of substantial revenue sources yeah, not little nickels and dimes here and there. So, let's say if we wanted to in the area of Improved Residential…well, we don't have Improved…well, Residential, okay? Second homes, if we say the first 2 million would be at the same rate, yeah? Because let's face it, a lot of our local people have homes that are $2 million only because of the economy, you know. But a lot of other people who don't live here who buy all those beachfront properties in Paia and Haiku and every place else, they're buying it for 3 million and 4 million and 5 million. How about can…would you be able if this Council agreed to institute that kind of program this year manually until you get the equipment or maybe we can help you pay for the equipment that you need to implement this kind of project? Because those are the people who can afford it, those are not local people. Those are the people who…and then what's good about them as Jeff mentioned is they only stay here a couple of months a year, you know, but they're buying up all of our beachfront property. So, can we implement something like that this year or this coming year?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: Thank you, Chair. To answer your question, I think I just mentioned the same thing is right now our computer system cannot do it. We have already requested to the vendor to…we have to…it's a pretty lengthy process of giving specifications to a report to get even a bid. So, the bid is somewhere between 100 to $200,000 for the time and material for them to modify our system. Once that is done, we will be able to do it, but for this fiscal year, the upcoming, it is not going to be able to be done. But we have already moved it in motion for the Mayor for having that consideration next fiscal year.

COUNCILMEMBER LEE: So, you might be able to do it next fiscal year?

MR. TERUYA: From…according to the vendor, it will take at least six months, at least six months, so we're trying to move it now so that the Mayor will have that ability to give it consideration for the next fiscal year.

COUNCILMEMBER LEE: Yeah. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Lee. Member Hokama?

COUNCILMEMBER HOKAMA: Thank you. I would say Council has tried in the past to make appropriate adjustments. We tried it with BF-70 under Agriculture, because we looked at the agricultural subsidy from the General Fund between 25 and $30 million a year, okay? The pushback came from our own local people. We tried to make adjustments under Residential, the pushback came from local people and families that had multiple lots. That's the pushback so I would say I am open to Ms. Lee's proposal, it's how much political will does this Council have? Because when the locals came out, the Council always crumbled, okay? So, it was…it's not something we haven't talked about in the past, it hasn't been something we haven't tried in the past, Council always buckled when it came to doing the right thing because they chose to do the popular thing. Taxation is never popular. But I hear the comments from my colleagues and I would say I am quite happy to try again, because we're going to need to make those appropriate adjustments. And I would share with my colleague from Hana that a lot of it, the issues we've tried to address was not Maui generated. We had to address something that was outside of our realm of control, global impacts. Let's call one of it in the early 2000s, the Japan bubble. It burst, the national government made a determined effort to control debt of net Japan corporations and we had big sales. Grand Wailea was sold, we lost a lot of properties was then adjusted on value so we had to adjust. Nine eleven came, impact on the visitor industry, nobody was flying, nobody was coming, so we had to adjust. But we're the only County with cash because of our discipline in fiscal affairs we're able to then adjust and support the community and its nonprofits to minimize negative impacts. I would say yeah, we tried to adjust and that was part of the adjustments on exemptions to allow our people to maintain homes and their properties on situations again we had to react to, we had no control over. But this was the one County that was able to respond positively. So, saying that, Chair, I would say I am very open. I'm…it's interesting some of the proposals, but I can say and Miss…our Chair is correct, last term we made definite efforts, but previous terms we have tried to adjust the reasonable increases under Homeowner's and Residential because that is one of the biggest subsidized areas, okay. And again, we tried to ensure that those that retired and had to deal with agricultural pensions was still able to maintain and that was part of the max tax or circuit breaker program of the past to allow our community members to maintain ownership, home ownership. And so I share that because as we move forward, part of it is how we're going to bank our future revenues to address the needs of…I would say for us we should be looking at a 2030 deadline for some of our shoreline infrastructure, 'cause if we're not in construction by then it may be too late and all we got to do is retreat. So, I would say part of the things that we could do that will assist our community and also assist this County's bond rating is three things, Chair, and I looking at this in your proposed tax rates. One is to reduce obligations, monies we already owe, especially in EUTF and OPEB funding areas, okay. Increase Carryover/Savings. The Emergency Fund needs to grow, that is what they're going to look at to increase bond rating. The third one is we need to look at developing another economic engine besides the visitor industry that we can then show we have resilience. That is what improves bond rating. It's not how much we can borrow, it's how we've approached debt, and by Charter that's the first bill we are required to pay with our cash. So, as we plan forward, Chair, you know, I'm very open to some of your proposed adjustments, but others I would say we going backwards and I'm not too open to those. So, my question for Mr. Teruya now is has the Mayor looked at those three areas that I just mentioned as regards to whether we bond or future cash generation, is there any additional comments you wish to share regarding the obligations component, the Carryover/Savings, or what is the Administration's plan to support or expand our engines? Because I don't, you know, it's hard to keep depending on a one-legged stool.

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: I'm going to make sure that OCS was able to get that question, get those questions, Mr. Hokama. Okay, just listed. Director?

MR. TERUYA: Thank you, Chair. And I've been advised by the Budget Director that they'll respond to that question in writing, Mr. Hokama.

COUNCILMEMBER HOKAMA: Well, as long as we get a response, I'm happy, Chair. Thank you so much.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Hokama. Member Paltin?

COUNCILMEMBER PALTIN: Thank you, Chair. Thank you for this presentation. On the second…or I got a couple questions. You know on the second page, the real property tax data, I like having this information as well. It would be super meaningful to me if you could also include the revenue generated by real property tax at these rates for each year.

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: That can easily be given and it will be given at certification for the revenues, but as far as the previous years, we can…I can put that back in writing to the Members.

COUNCILMEMBER PALTIN: Oh, right on. Thanks. One other question, I think…I forget who mentioned it before but like these real property taxes we kind of use them to encourage things that we want to see or discourage things that we don't want to see. And I don't know if it hinges on your ability to do the tiered tax rates, but I was wondering in my district at least and probably in a bunch of my colleagues' districts, especially vacant Industrial or Commercial space is kind of a blight on our communities. And I was wondering if it's possible to give a higher tax rate to those vacant buildings that, you know, long-term vacant buildings. We got like Denny's in Lahaina or the Travelodge or the Canoe Restaurant, even Barnes & Noble for a little while, Sports Authority. Like and we keep building more of these things when we have stuff sitting vacant, so that's something I would like to kind of encourage we use what we got because there's only like…there's only one Maui and if we keep developing it like the continent then it'll be like the continent.

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: Chair? Thank you for that question. To tax somebody differently within a class, I don't think we would have jurisdiction in that situation. If it was to create a new class that defines what those properties are all together and all similar then I believe we may have a right. I'll defer to Corporation Counsel in that aspect. But just to have a different tax way of doing things within a class, I don't believe we would have legal standing on that. But other than that, I can tell you that you are correct in the sense that setting a rate whether high or low is really a land policy decision of this body whether you like it or you don't like it really is what it is. It really tells you when you have a high price that that's the price of competition to come in, and when you have it very low you're welcoming competition and you're welcoming somebody for that market. So, setting your rates is a sense of land policy on what this body would like to see and what they would not like to see. As far as your ability to, how to tax, your other options which I'm not sure if I'm making a recommendation or not, but you have the ability to not only tax different classifications but you have the ability currently to tax land differently from building. So, for example, I'm not saying that this is what would happen, but if you have vacant land all over the place and it has a high land tax rate, you wouldn't…people wouldn't sit on it. I'm not saying that's good because maybe more people will develop but, you know, you have that kind of ability to set rates of land versus building differently and that's why it was initially set up. Only Maui County is the only county left that has land and building rates. All the three other counties combined it to be only one rate. So, right now you have that ability. It doesn't make it any easier for us to have land and building, because the system is very difficult and complicated. To have your tiered approach and then you have a different land and a different building, so there's a lot of complexities when it comes to the Real Property Tax CAMA system when you have both land and building rates. When you have that type of property where there's a tiered, at any threshold, $2 million, anybody valued at 2,000,001 may choose to appeal it so I'm not in that higher bracket and do you appeal the land or do you appeal the building? It's very difficult. So, to have land and building is a very difficult situation. The only reason why we probably do it still yet is because the circuit breaker has a limitation of your building value being X, but at the same time, we can always represent the numbers separately, but if we did have one system that doesn't have land and building, it would be a much easier process of calculating taxes that's for sure for us. But right now we are the only county left in Hawaii to have separate land and building rates. But that's kind of your ability on what you guys can do as a Council.

COUNCILMEMBER PALTIN: Can I follow up with the Corporation Counsel, if you're aware of any jurisdiction that places maybe if not a tax, a penalty for leaving industrial or commercial space vacant for extended periods of time?

CHAIR RAWLINS-FERNANDEZ: Mr. Ueoka?

MR. UEOKA: Thank you, Chair. I'm not aware of anyone that penalizes for vacant land, but at the same time I don't know every, the laws of every jurisdiction but I'm not aware of any. Thank you.

COUNCILMEMBER PALTIN: Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Paltin. Member Sugimura?

COUNCILMEMBER SUGIMURA: So, the first presentation which you may have heard and in…Kenan…Kean's present…

CHAIR RAWLINS-FERNANDEZ: Kenna.

COUNCILMEMBER SUGIMURA: Kenna's presentation she talked about improved real property, all counties since Statehood. What…and in comparison to what you present 'cause sounds like yours has all the facts. So, what is real improved real property? I'm trying to just give two…pull the two presentations together if there's relevance --

MR. TERUYA: Okay.

COUNCILMEMBER SUGIMURA: --that you can see.

MR. TERUYA: Chair? Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: When you say improved real property, I'm assuming you're not talking about a classification but improved real property is real estate improved property because other than that it's personal property. I'm not sure if that…she was mentioning a right or a classification. I could maybe defer to Ms. Martin if she was here during that portion.

MS. MARTIN: Chair?

CHAIR RAWLINS-FERNANDEZ: Ms. Martin?

MS. MARTIN: Thank you. If I remember correctly, she was using the Improved Residential tax rate classification, because she made the assumption that it was the same across all four counties. We don't make that same assumption though.

COUNCILMEMBER SUGIMURA: Okay. And…okay, let's not talk about that presentation then. Thank you for your data first of all, and I actually also had a question regarding the…I'm waiting for the reason why that we have the Timeshare that was decreased in the presentation from the Administration so I'll look forward to that. I wondered if you have an ability to do this and for real property for a transfer fee. So, when one person sells to another person, a body, and if it's the value is of a certain level, would we be able to track that and to assign a transfer fee? So, it would be, you know, X amount of dollars for a real property that's valued at 2 million has been talked about but to do something like that. Mr. Ueoka may have a thought about is that if we can legally do that. But I'm just wondering if that's a capability for RPT to know that and track and…yes.

CHAIR RAWLINS-FERNANDEZ: Mr. Ueoka?

MR. UEOKA: That sounds a lot like a tax because the cost to the County of transfer of property, we don't really have a real cost to us as a County. I believe the State does collect a conveyance tax and there's a process for that, but again the State has the authority to tax on anything it wants and we are limited to real property tax.

COUNCILMEMBER SUGIMURA: Okay.

MR. UEOKA: Thank you.

COUNCILMEMBER SUGIMURA: Good attempt. Good try. And tied to what Ms. Paltin was talking about, if you drive around Maui, you're going to notice that there are homes that are abandoned looking like maybe for whatever reason. Do you have access or do you know these properties? And I was just wondering since we have a housing shortage if we can, you know, do something about that? But I just wondered availability of data since you seem to have a lot of accurate information.

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: No, the Department of Finance or the Real Property Tax Division does not follow on occupancy I guess so to speak other than the condominiumized property that actually provide us with the actual use of the property. But no, we wouldn't know of a blight. We may know blight neighborhoods but not exactly which properties are vacant so to speak, yeah. Sorry.

COUNCILMEMBER SUGIMURA: As long as people keep on paying their real property tax, it's like transparent to you then?

MR. TERUYA: Yeah.

COUNCILMEMBER SUGIMURA: Okay.

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: Chair, I think I just answered, we wouldn't know --

COUNCILMEMBER SUGIMURA: Okay.

MR. TERUYA: --on which properties are not occupied.

COUNCILMEMBER SUGIMURA: I look forward to your April, is it 18th presentation for your certified rolls. Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo, Member Sugimura. Chair King and then Member Hokama.

VICE-CHAIR KING: Thank you, Chair. So, I just wanted to follow up on, you know, do you guys get complaints on…I'm trying to figure out how to put this delicately but, you know, if there's a homeowner exemption that someone's claiming and they're not actually living there and somebody else complains and exposes that, who follows up on that? Is that your Department or is that Planning Department, is that Housing?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: Thank you, Chair. That's funny, we get a lot of those calls actually.

VICE-CHAIR KING: That's what I'm assuming.

MR. TERUYA: You know the home exemption is by far one of the largest break the County offers --

VICE-CHAIR KING: Right.

MR. TERUYA: --especially for homeowners, and not only for this County, it's Statewide and nationwide. Maui County is probably…that's why you're called no ka oi I guess. But, you know, we get a lot and in certification we always give you a compliance list of what we've done in real property as far as generating non-budgeted revenue from compliance. So, for the home exemption, yes, it is directly related to the Real Property Tax Division to enforce that program and safeguard it. In compliance right now before me for the 2009…'19 Fiscal Year, we removed 579 exemptions for a total of $1.3 million.

VICE-CHAIR KING: Wow. Wow.

MR. TERUYA: In that year…I mean is this this current…for the current fiscal year or the upcoming fiscal year we already removed 334 exemptions for $790,000.

VICE-CHAIR KING: Wow.

MR. TERUYA: So, the program, you know, is…when you look at your certified numbers, you're going to notice that prior to this body back, way back when, they created an ordinance for the exemption to be a lot stiffer meaning you must follow resident return, you got to, you know, there's a lot of things that you got to provide. And until, up until that time, we were increasing in homeowners by about 1,000 per year and since you guys, the Council adopted that language, it went down 1,000 per year. So, you know, we're providing…I mean there's a lot of information that I think other counties would like to have our ordinance because it's very clear. Other than having that language, it's just, it's a clerk trying to play tag with somebody playing the game.

VICE-CHAIR KING: Okay. Is there a fine?

MR. TERUYA: Well, yes --

VICE-CHAIR KING: For someone…

MR. TERUYA: --for any year that you cannot…you violate it, it's definitely we can go back and recalculate you for taxes including…

VICE-CHAIR KING: Okay, but there's no fine on top of taking them off of and recouping that exemption?

MR. TERUYA: Chair? Currently, there is none but you can create one.

VICE-CHAIR KING: Okay. Well, I'm not…that wasn't the reason for asking that but, you know, I just went…it occurred to me that if you are…I'm not sure what your process is for determining whether someone's violating the homeowner's exemption. But if in that process you find somebody who's not only collecting a homeowner's exemption but doing an illegal short-term rental then I'm sure you're turning that information over to Planning so then they can, you know, enforce against illegal short-term rentals. I'm hoping that that's what's happened, that there's coordination between the two departments.

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: I can tell you we can provide any department any information, whether or not I can make them do anything to it, I really can't do that. I know several fiscal years back, Mr. Hokama had tried to make the penalty whichever was lesser to be whichever is greater. So, I mean this body still has the ordinance and the ability to change any ordinance and fines and whatever you guys wish. So, if there's areas that you want to be apprised of, we can --

VICE-CHAIR KING: Well…

MR. TERUYA: --let you know where they are for this body to take…

VICE-CHAIR KING: There are areas I would like you to apprise the Planning Department of without having to be asked, because to me that should be an automatic, you know, you find someone doing illegal short-term rental, report it to the Planning Department. I don't want to have to make an ordinance about it. But thank you for the information. It's really interesting, you know, that you're able to enforce and actually drop people off that exemption list who don't belong there. And then the last thing I wanted to say, Chair, is that, you know, every year we talk about…last year I think the thing about tiered tax reform…tax came up, the tax structure but it always comes up like right when we're in the Budget Session and then we talk about well, let's plan for this and let's get it, you know, let's be prepared next year. And so, you know, I was just wanted to propose that we create a temporary investigative group as soon as possible. Probably won't be able to meet until after Budget Session but let's just do it and let's like spend some time doing thoughtful tax reform. Instead of just waiting for the Mayor to come up with his proposal and then we have to react to it, we should be working together. We heard about, you know, from this Mayor we're going collaborate, we're going to work together. I have not yet seen that so maybe we have to create the group that does that and then we invite the Mayor's people into it. But somehow we got to start working together so that we're coming out with a tax reform next year that makes sense, that's a unified effort, that doesn't involve, you know, this…why is he doing this or why is the Council doing that, we should be working together and we should bring in the expertise and then be prepared ahead of time. And that way that gives also the public a chance to comment and the experts, and a lot of people that I know that are looking at this that have…in the community that have either legal backgrounds or tax backgrounds and have made all these suggestions, and every year we go why don't we do this but we're already in budget and it's too late to enact it. So, if we're looking at software programs, let's get…let's work together with the Administration so we can come out with a unified intent instead of having them buy a software program and the Council goes well that doesn't work, we don't like that. We should really be working together and I don't know how more plainly to put that so that we get a call that says yes, let's work together and let's be at this meeting together. So, anyway, is that something that we could put on a future agenda? Creating a temporary investigative group for tax reform and have those, you know, have…well, we already have some ideas out there. I would really appreciate it and I think I'd like to be proactive before the next Budget Session. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair King. Good points and yes, I would be open to doing that. Member Hokama and then Member Molina.

COUNCILMEMBER HOKAMA: Thank you, Chair. Very quickly, I would ask the Director and Department upon your adjustments on that slide that my colleague from West Maui brought up, if you would also consider adding the County's, the various…County's total assessment of RPT. Again let us make sure we get the information as it relates to the formula where then people understand how the bill number is then calculated and what the bill asks the property owner to pay. The last one regarding my question is I would hope you would continue to share with the Committee areas what I consider still exiting loopholes in our ordinances, 'cause I know we tried to repeal the condo ordinance, yeah? That is an area that if reporting is underreported and most property owners would rather do that 'cause then you pay less taxes, those are the type of things that we should be looking at. And again I would say I've attempted it, we need to try again 'cause these are part of the loopholes that for some of us will bring in those additional revenues that then we can make the smart rate adjustments because we are trying to maximize and capturing what we should be capturing instead of continuing to provide those loopholes to have property taxpayers underpay and then the balance of the base has to then make up the difference. So, that would be my request, Chair. Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo, Member Hokama. Member Molina?

COUNCILMEMBER MOLINA: Yeah, thank you, Madam Chair. For Mr. Teruya, you know, one of the more interesting and busier boards and commissions that we have in the County is the Real Property Tax Review Board. Have we seen an increase in the number of appeals? And if so can you tell us why? Our present system of taxation, you know, we've had concerns from various groups throughout the years such as COMET about possibly changing or overhauling our system. So, I'm just curious to find out if we've been seeing as the number of appeals increased or decreased over the last couple of years? Would you have that information for us?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: Thank you, Chair. I have not seen any spike in any way recently. The last time we did one was about ten years ago when we did the condo survey and got flooded with like 6,000 appeals. But only when we do major changes to our Code do we get spike in appeals. But I don't think a high rate of appeal is a bad thing for our Division, because historically nationwide every jurisdiction expects about a 2 percent of appeals and that is probably industry standard. And the more aggressive you are meaning the closer you are to market value the more appeals you should get. So, the more appeals that you get is really showing that the Division is being very accurate to market. And second part about appeals is anybody can appeal, so it doesn't mean that you have a large spike in appeals it means the Division is doing bad, it just could be any reason, anybody can appeal. And for just going back to Mr. Hokama's comment about those condos, that when we brought up several years ago, you know, that is, we've done the enforcement on that and I'm just showing what the program has done. But the compliance section has removed 269 people fraudulently classifying bringing in $753,711. And the program subsidy that you have before you, if you got rid of...repealed that condo ordinance to have a different way of classifying property, that's another $8 million right there. You know so there's programs out there for the Members to look at and decide whether or not they like it or not. For us and Honolulu we're on use, that we still have the condo use. Kauai repealed it and Big Island repealed it years ago, so the Members have the ability.

COUNCILMEMBER MOLINA: Okay. Thank you.

MR. TERUYA: Thank you, Chair.

COUNCILMEMBER MOLINA: Thank you. Thank you, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. Okay. It looks like there's no more questions. Thank you so much for your presentation, Director Teruya and Ms. Martins [*sic*]. I think it was really helpful for this Committee to have that bigger picture and understanding. Okay. So, Members, Staff distributed my proposal for the RPT. I'm going to just quickly explain rationale behind my proposal, and then we'll break for lunch and then you can have some time to kind of think about it, think it through. And then when we come back after lunch we can start discussion. Okay. My proposal for RPT rates is informed by the data obtained from the 2017 Maui

County Data Book, the selected retail property statistics for budget consideration for Fiscal Year 2018 through 2019, and the Hawaii Tourism Authority's 2018 Hawaii Hotel Performance Report. Overall, I propose a 5 percent decrease in the Residential, Apartment, and Homeowner classes for our community. Many residents are seeing increasing taxes to fund maintenance on much needed infrastructure and services that are heavily used by visitors and those who cater to our visitors. Considering our ongoing litigation concerning timeshares and the anticipated boost in visitor traffic with the new airport and CONRAC, I am proposing to raise Hotel and Short-Term Rental RPT rates to the same rate as the Timeshare. These additional revenues will help fund more infrastructure and housing projects, service...services and programs for our community, lessening the impact of the number of visitors per day to our three-island or four-island community. The first sheet is the estimated additional revenues of raising the Hotel and Short-Term rates to Timeshare rates and the estimated losses in lowering Residential, Apartment, and Homeowner rates. The net result is additional revenue for the County to offset the impacts of additional tourism to our County. The second sheet breaks down the cost of percentages of those costs to the visitors per day per island and lists the data for the percentage of these costs compared to the hotel daily room rates and revenue per room. As you can see from the very low percentages, an increase would not affect our revenue stream and is a very small amount compared to the daily expenditure of individual visitor. Maui County's hotel...hotels have the highest revenue per available room rate in the State. Among Hawaii's resort regions, Wailea has the highest revenue per available room. When compared to sun and sea destinations, Maui County ranks third. Some of these additional revenues could be used to construct the much needed future workforce houses...housing for employees, maintain current infrastructure and services, or fund future infrastructure, services, and programs. So, yeah, think through my proposal over the break and then we can start discussion when we get back. Okay? So, if there are no objections, I'll now recess for lunch.

COUNCILMEMBERS: No objections.

CHAIR RAWLINS-FERNANDEZ: And I'll see you back at 1:30. Mahalo. Okay. The Economic Development and Budget Committee is now in recess. It's 12:17. . . .*(gavel)*. . .

RECESS: 12:17 p.m.

RECONVENE: 1:45 p.m.

CHAIR RAWLINS-FERNANDEZ: . . .*(gavel)*. . . Will the Economic Development and Budget Committee please return to order. It is 1:45 on April 3rd. Okay, Members, before the break, Staff distributed my proposal for the real property tax rates. It...the spreadsheet that I had distributed worked off of the 2019 assessed values, and since we have the 2020 assessed values, we, over the break I entered in the 2020 assessed values from Appendix B and found a discrepancy. And the discrepancy is under the Commercial valuation. There is an extra two, and so we were just trying to figure out where the discrepancy was before the Budget Director had come downstairs and helped us figure that out. So...

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

CHAIR RAWLINS-FERNANDEZ: So, it's not on the current one you have. I was updating it and it was when I had updated, when I entered in all the numbers that the total that I got on my Excel spreadsheet was about 20 billion off from the...

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

CHAIR RAWLINS-FERNANDEZ: In the valuation, yes. In the total that was on Appendix B is 50,828,774,795 and that's on Page 10. And we have Budget Director here and so she also has a spreadsheet for us, for the Members to review to see the assessed valuation. Budget Director, did you want to comment on the discrepancy?

MS. YOSHIMURA: Chair, thank you. So...oh. Sorry, Staff is making a copy of the spreadsheet that Budget Office used. And the discrepancy is in the Commercial. It should be 2,778,767,550 [*sic*] and we just had an extra 2 there so with...well when you total it up if we didn't have...if it was 2 million it totals to the 50 million...2 billion totals to the 50 billion number. It was just a typo on that. And I think Staff is going to distribute the spreadsheet that we worked off of.

CHAIR RAWLINS-FERNANDEZ: So, did everyone understand that? On your Appendix B on Page 10 under the Commercial valuation there's just an extra two, at 22 billion. The correct number was 2,778,767,590. Okay? All right. And so...

VICE-CHAIR KING: Chair? Chair, could I just...

CHAIR RAWLINS-FERNANDEZ: Yes, Chair King?

VICE-CHAIR KING: Okay, so I thought these valuations weren't certified yet?

CHAIR RAWLINS-FERNANDEZ: They are not.

VICE-CHAIR KING: Okay. So, they're just going on...

CHAIR RAWLINS-FERNANDEZ: Right, so these are the assessed values that we're working off of until we get the certified numbers on April 18th.

VICE-CHAIR KING: Okay. Do we have like a percentage of like a plus or minus percentage of what we...what in actuality it should be?

CHAIR RAWLINS-FERNANDEZ: Budget Director?

MS. YOSHIMURA: No. These are the certified...well, these are not certified, these are the assessed values less what the Department or the Real Property Tax Office thought would be less appeals, so this is net an appeal amount. And that's what we wait for for certification, for the appeal process to finish, and then we do the certified values based on the actual appeals.

VICE-CHAIR KING: Okay. So, do we know like accuracy-wise are we plus or minus 2 percent on the...

MS. YOSHIMURA: It varies year by year depending on how much appeals we get, so it's hard to...

VICE-CHAIR KING: So, it'll be this number minus the appeals?

MS. YOSHIMURA: So, it'll be this number...on the spreadsheet that you're going to be getting from the Staff, you'll see the actual number and then it'll be that number adjusted by the actual appeals. So, this is just an estimated number based on an estimated amount of appeals.

VICE-CHAIR KING: An estimate, okay. So, all right, thanks.

MS. YOSHIMURA: Yeah, 'cause what we could...our best guess would be at this point.

CHAIR RAWLINS-FERNANDEZ: Okay, and we're now joined by Finance Director Scott Teruya. Director Teruya, was there anything else you'd like to add either to this situation or to Chair King's questions?

MR. TERUYA: Thank you, Chair. And I'm guessing the question was really in regards to the appeals, and that is estimated off the previous year as well as the best estimate that we would ever have, and it's always an estimate and that's all I really can say.

VICE-CHAIR KING: Okay. We have a set amount of money...of...Mr. Teruya, we have a set amount of dollars that we set aside for appeals usually every year, and so what's the normal amount of actual appeals that are successful versus what we set aside for potential appeals?

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: Okay, well, first of all we don't aside money, we set aside an approximate of valuation that would be under appeal for the various categories based on what the previous year was, and that's the best thing we can do. We cannot really estimate anything other than what we had in the past. As far as successful appeals when it gets lodged, when cases go before the Board of Review where there is a difference between ourselves and the taxpayer, those are very highly successful in us winning the case. There is a process that doesn't go to the board which is a stipulation and for those errors or one-off mistakes, et cetera, those are usually stipulated with the taxpayer prior to being...going to the Board of Review.

VICE-CHAIR KING: Okay. It didn't quite answer my question but…it's more about process.

CHAIR RAWLINS-FERNANDEZ: Mr. Ueoka?

MR. UEOKA: Thank you. I think, Chair King, per our appeals process under the County Code, once an appeal is filed, I believe the deadline is April 9th. So, once the appeal is filed, that's what Mr. Teruya does, he takes away half I believe of whatever the amount --

VICE-CHAIR KING: Okay.

MR. UEOKA: --in question is and we hold that on the side. So, you are correct though, we do need to put some money aside also for the successful appeals --

VICE-CHAIR KING: Right.

MR. UEOKA: --where we'll owe the other half back to the taxpayer or maybe not other half but a portion of the difference.

VICE-CHAIR KING: Right, that's what I was referring to --

MR. UEOKA: So…

VICE-CHAIR KING: --'cause I've seen that in the budget every year --

MR. UEOKA: Yeah.

VICE-CHAIR KING: --there's always a dollar amount. So, okay.

MR. UEOKA: There should be some money --

VICE-CHAIR KING: Yeah.

MR. UEOKA: --set aside. Thank you, Chair.

VICE-CHAIR KING: Okay, thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Mr. Ueoka. Okay. So, is everyone satisfied with…

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Oh. Finance Director Teruya?

MR. TERUYA: Sorry. Sorry, I probably didn't catch the question initially, but I kind of, now that I hear Corporation Counsel I can clarify that. So, when…once we have the appeal process completed and we have certification, we have the actual certified numbers for revenue projection purposes. When people pay their bill, those monies are put into a litigated account, we put that money away for that case until it's adjudicated. So, and but you for rate purpose setting, you have 50 percent of that amount to be put aside for budgeting purposes. But 100 percent of the funds upon payment go into a litigated account.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Finance Director. Okay, any other questions from the Members? Okay, seeing none, okay, mahalo, Finance Director and Budget Director, for the explanation. Okay, we can move on to the rates and, the proposed rates and fees. Okay. Okay, there's going to be an updated version with the actual numbers now that we found out what the discrepancy is. But it's okay 'cause we're going to be discussing the rates anyway and that's accurate as my proposal. Okay. Okay. Again, so it's a reduction in the Residential, Apartment, and Homeowner and it's a proposed increase in the Hotel/Resort, Commercial, Industrial, and Short-Term. Okay. So, the first one I'm, for Timeshare I'm proposing to leave it as is. I think that the Council had it right and that's the impact that helps to offset the costs for the impact that visitors, the visitor industry has on the quality of life for our community, for their use on our infrastructure, on our environment, the overall quality of life for our residents, and increasing traffic. And it's the, kind of that same line of thinking in increasing the Hotel and Short-Term. Residential I proposed decreasing from 5.52 which is the current rate to 5.24, Apartment reducing it from 6.31 to $6. Commercial rate, I kept the Mayor's proposed increase which was from 7.25 to 7.39. And the Industrial from 7.45 to 7.48 and as I understand it the justification for these two increases is that the valuation of these properties have decreased and so this slight increase in the rate would basically result in the same amount coming to the County. Agriculture I proposed reducing from $6 to 5.94. Conservation I proposed leaving the same at $6.35. Hotel/Resort I proposed increasing from 9.37 to the same as Timeshare at 15.41. For Short-Term Rental Homes, from 9.28 to also the 15.41, so Timeshare, Hotel, and Short-Term would all be the same at 15.41. Homeowner I proposed reducing from 2.85 to 2.66, and lastly the Commercial Residential I proposed leaving at 4.55. Okay. So, I guess we can start discussion. Starting with Member Sinenci. Oh sorry, I'm going to start with Committee Vice-Chair King and then go to Member Sinenci.

VICE-CHAIR KING: Thank you, Chair. Yeah, I think it's a good discussion point. Personally, I am not in favor in reducing the taxes on the categories where I thought they were extremely low in the previous...and we've gotten them up to a point I think we can stabilize them. So, Residential and Apartment and Ag I would leave the same. One of the questions I had and it kind of pertains to that other question I had about what, you know, the motivation for the Mayor behind that is you've got Residential at 5.52, you've got Homeowner at...I mean I'm sorry, Commercial Residential at 4.55. And so basically Commercial Residential is Residential with a commercial value on top of that, right? So, why are we charging less...why are we taxing less for Commercial Residential than we are for, you know, Residential which to me is basically, you know, a home?

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: Okay, thank you for that question. In Commercialized Residential, I'm not sure if you even still have my book there but Commercialized Residential properties are B&Bs. So, it's not a commercial business, it's just how they titled that category, similarly how people don't like the term circuit breaker, it's just a title, that's all it is. But the properties that make up that class are B&B. So, in B&Bs you have to be an owner occupant and you don't get the exemption; therefore, the rate was reduced because they couldn't take the exemption. And that's the only reason why that category or that class took a slight reduced rate is because they were not afforded the home exemption with the requirement that they have to live there.

VICE-CHAIR KING: Okay.

MR. TERUYA: Thank you, Chair.

VICE-CHAIR KING: So, but what's the difference between Residential and Homeowner then? Because I know for Residential when you get the home exemption you go into the Homeowner category. So, Residential means what if you're not in the Homeowner category?

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: Thank you. In Residential it is your zoning must be Residential and you are not obviously renting it for short term, you're not doing a B&B. You could possibly basically be another property that you own but you just don't occupy. You're either renting it or you're leaving it vacant. A simple example would be like Maui Lani for example, if you own it and you're renting it out, it would be Residential, it wouldn't be a Homeowner. I'm not sure if that makes sense.

VICE-CHAIR KING: Okay. If you're doing…

MR. TERUYA: Just to walk through the example of what is Residential --

VICE-CHAIR KING: Yeah, yeah. No --

MR. TERUYA: --it's Urban-zoned land Residential.

VICE-CHAIR KING: --so that would keep you from being in the Homeowner's category, but you still have Residential and you're doing long-term rentals. Okay. Okay. Yeah, I think that…oh.

CHAIR RAWLINS-FERNANDEZ: Mr. Ueoka?

MR. UEOKA: And just for clarification, it could be sitting vacant also, as long as it's zoned Residential. We look at the underlying zoning and the uses. Homeowner comes in, yeah.

VICE-CHAIR KING: Okay.

MR. UEOKA: Thank you.

VICE-CHAIR KING: So, that would be if we ended up going towards a tax credit for folks who do long-term rentals, that would be…that would differentiate but that wouldn't be going in this Code but that would differentiate people who are actually renting it out and adding to our housing pool versus people who are just leaving their houses empty. Correct? Okay. So, yeah, so anyway that's another, I think another reason to keep that rate at where it is and not reduce it any, because maybe what we want to do is reduce that rate for folks who have residences that they're renting out, maybe we want to give them a tax credit down to that amount. I would be in favor of that. But I do still think we need to look at as far as the Timeshare and Hotel rates, I do still think we need to look at an index between there, because, you know, we've had this discussion and, Chair, you and I have had this discussion with the timeshare folks that the impact that they have on the County as tourist residences is not being covered by what they pay in the combination of taxes and their TOT which is, I can't remember what that acronym stands for. It's not the same as TAT and they only --

CHAIR RAWLINS-FERNANDEZ: Occupancy.

VICE-CHAIR KING: --pay it on maintenance fees, so.

CHAIR RAWLINS-FERNANDEZ: Yeah, transient occupancy tax.

VICE-CHAIR KING: Transient occupancy, yeah, versus transient accommodations. I'm not sure…so anyway, the idea was that they're…they understand I believe that their impacts is not being covered like it is in the hotel industry, and so they were happy to have an index between them and the hotel and understood that they would probably be paying more. So, anyway that's one of the things I'd like to look at. But overall, I think, you know, the philosophy of what this is presenting is a great discussion. I would like to look at this in terms of after we get our program defined in the, through the department so that we first determine what our budget is going to be…what our policy is going to be and what we're going fund in our budget, and then if we're short then we go and we look at which areas and not just this but the other fees, fee schedules, what areas we need to increase to cover those, that shortage in the program. But for me it's, you know, it's a matter of looking at first affordable housing, 'cause that's been the number one issue in the County and I'd like to see a much more aggressive goal than I think the Mayor's 175 units for this year. That's to me…and the proposals in the Affordable Housing Fund don't even cover that 175, there are less than 100 units for this year. So, I think we have some major work to do throughout the department budgets, we do that, you know, and with the idea that we come to some…you know, we've had a fruitful discussion on rates…revenues and fees that we can continue on after we figure out what it is we want to fund. But I've always been a proponent of, you know, and especially when I was on the Board of Education looking at a, you know, billion dollar plus budget is that, you know, put the program together that we want, fund that program, because those are the priorities of the County versus trying to figure out how much money we have and then how much we can fit in that because we're going to fall short for our program. If we fall short on our budget, we can always look for areas to increase but I just don't want to fall short on the goals that we have for the community. So, anyway, thank you for all the information you put together and the discussion. And to me this is a really healthy discussion to have in the back of our minds when we come back to this and we start getting into actual, you know, deliberations and decision making. So, thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Committee Vice-Chair King. So, just to respond to one of the points that you made, I would be open to reducing Hotel not because of the difference between what they pay in TAT and what timeshares pay in TOT but because of the jobs that they provide our community which is a public good. And I think, I just wanted to make sure that that differentiation was made clear that it was, it's because of the amount of jobs that hotels and resorts provide versus what timeshare and short-term rental homes, what…the number of jobs that they, you know, don't provide compared to hotel and resort.

VICE-CHAIR KING: Okay, that's an excellent point as well as the amount of contributions that hotels make to nonprofits and with the events and the sponsorships and things that we've seen over the years.

CHAIR RAWLINS-FERNANDEZ: Right.

VICE-CHAIR KING: Thank you.

CHAIR RAWLINS-FERNANDEZ: Corporate responsibility. Okay. Member Molina, did --

COUNCILMEMBER MOLINA: Yeah.

CHAIR RAWLINS-FERNANDEZ: --you have a --

COUNCILMEMBER MOLINA: Yeah, just a point of --

CHAIR RAWLINS-FERNANDEZ: --point of clarification?

COUNCILMEMBER MOLINA: --procedure question.

CHAIR RAWLINS-FERNANDEZ: Yes.

COUNCILMEMBER MOLINA: For the sake of expediency, so everybody, I know you got a wonderful, interesting proposal and a lot to cover, so if we could agree to do it like how we've done with other matters, we go by rounds, one question and then a follow-up question.

CHAIR RAWLINS-FERNANDEZ: Okay.

COUNCILMEMBER MOLINA: That way everybody get a chance to kind of…and, you know, and I'll be the first one to cut back on my commentary but because there's a lot to cover here and I'm --

CHAIR RAWLINS-FERNANDEZ: Yeah.

COUNCILMEMBER MOLINA: --itching to ask a lot of questions and hear the --

CHAIR RAWLINS-FERNANDEZ: Okay.

COUNCILMEMBER MOLINA: --discussion. So, if…for your consideration, Madam Chair. I appreciate it.

CHAIR RAWLINS-FERNANDEZ: I'm open to that.

COUNCILMEMBER MOLINA: Thank you.

CHAIR RAWLINS-FERNANDEZ: Yeah, thank you. I…oh the other point that I wanted to make was that the…my proposed RPT rates or…yeah, would bring the County $67,426,503 in comparison to the rates that the Mayor proposed. And that's on the updated spreadsheet where it says updated.

VICE-CHAIR KING: Okay, is that the one you just handed out?

CHAIR RAWLINS-FERNANDEZ: Yeah.

VICE-CHAIR KING: Okay, thank you.

CHAIR RAWLINS-FERNANDEZ: Okay.

VICE-CHAIR KING: So, if I could just make my last comment because just, you know, because you were responding my thing is that yeah, that's kind of part of my philosophy is let's not just make money just to make money, let's make sure we have…we can spend it on worthy things. So, that's my last comment.

CHAIR RAWLINS-FERNANDEZ: Member Sinenci?

COUNCILMEMBER SINENCI: Thank you, Chair. Can you repeat again where your changes would…at the revenue…the net revenues from your proposal? You said 67…

CHAIR RAWLINS-FERNANDEZ: Yeah, so on the spreadsheet that you received at the bottom right of the table it says $67,426,503. You see it at the bottom?

COUNCILMEMBER SINENCI: Yes, in comparison to the Mayor's net revenue?

CHAIR RAWLINS-FERNANDEZ: Right, and that's the difference between my proposed RPT and what the Mayor had proposed.

COUNCILMEMBER SINENCI: Oh, okay. Thank you.

CHAIR RAWLINS-FERNANDEZ: You're welcome.

COUNCILMEMBER SINENCI: I just had a comment to Mr. Teruya. While looking at the Hotel, this sheet really helped and his presentation about the tax rate comparisons by counties so I appreciate that, looking while I'm looking also at the spreadsheet. My question would be, you know, given the, just some of the recent litigation with timeshares and the Mayor's reduction in the Timeshare tax rate, my question would be like how did he come to that? Was it, you know, was due to working with timeshares or was it influenced by the litigation? Those are some of the questions I might have as far as…and maybe, you know, anticipating that whole scenario with the litigation. And that's my biggest concern.

CHAIR RAWLINS-FERNANDEZ: So, Member Sinenci, so I met with the, those representing the timeshare, and their biggest concern was the difference in the rate between timeshares and hotels. Hotels they felt was not paying their fair share which I agree, which is why I raised…I'm proposing to raise it up that they do --

COUNCILMEMBER SINENCI: Okay.

CHAIR RAWLINS-FERNANDEZ: --take a toll on our infrastructure and our environment, and it's left up to the community to then foot the cost to subsidize what's…the profits that are being made off of our resources and our home. And so my idea behind raising that RPT was that we would then relieve some of the funds that is currently being used in infrastructure like the roads, the bridges, our sewage, our water. And that would then in turn relieve some of the monies to go to affordable housing so that our…so that the hotels' guests and the visitor industry would then more help with the…with improving our infrastructure, you know, helping to pay with the safety department…department of safety with the lifeguards, with the Fire Department, with the Police Department because we know that it takes a toll on them as well. And so that was the idea behind my proposal.

COUNCILMEMBER SINENCI: Did you…are you --

CHAIR RAWLINS-FERNANDEZ: Mr. Teruya?

COUNCILMEMBER SINENCI: --still…were you still thinking of reducing the Hotel one?

CHAIR RAWLINS-FERNANDEZ: No, no. The Hotel…I've proposed the Timeshare, Hotel, and Short-Term Rentals to be the same at 15.41 and that's in the green column. But if you wanted comments on why the Mayor proposed to decrease it to 13.93, I can see if either directors would like to comment on that.

COUNCILMEMBER SINENCI: Yes, please.

CHAIR RAWLINS-FERNANDEZ: Finance Director, would you like to comment on that?

MR. TERUYA: Thank you, Chair. I kind of wanted to comment on something different and don't want to be the party pooper, but in the...I know we updated the 2020 assessed values but we didn't get a chance to update the circuit breaker adjustment on this. The actual amount is $430,000, so that would need to be updated. And mind you when we do make adjustments to the rates, it will adjust your minimum tax adjustment as well, because as some rates are increasing, they would...well, actually it's decreasing so maybe even more would be added to minimum tax. So, there is some minor adjustments we're going to have to make, that's just because the nature of when you start changing rates, people's bills are adjusted and therefore maybe more people may go into minimum tax or maybe less depending on which category. So, there will be a last-minute adjustment to minimum tax but you basically got it in the ballpark. I just wanted to mention for the Members that the 346,825 for circuit breaker needs to be updated with $430,000. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mr. Teruya, is that on this sheet that you're correcting?

MR. TERUYA: Chair, your updated sheet needs another update.

CHAIR RAWLINS-FERNANDEZ: Oh, I see. Okay.

MR. TERUYA: For down on the bottom where circuit --

CHAIR RAWLINS-FERNANDEZ: Yes.

MR. TERUYA: --breaker adjustment, that should read $430,000.

CHAIR RAWLINS-FERNANDEZ: Okay, thank you. Okay. Okay, mahalo, Mr. Teruya. Okay. Mr. Sinenci, thank you. Mr. Molina?

COUNCILMEMBER MOLINA: Thank you very much, Madam Chair. Just for clarification sake with regards to your Timeshare proposal about reinstating it back to the original rate which, you know, was good. Your...I mean with the Hotel, now you're looking at Hotel at putting them at the same rate. Can you just give a...maybe you touched on it earlier but if you could restate your intention to put Hotel the same rate as Timeshare?

CHAIR RAWLINS-FERNANDEZ: The visitor industry has an impact on our community as we all know. All of our infrastructure, our environment, adding sewage to our wastewater, damaging our reef with their sunscreen, and so in...my thought was that if we have the visitor industry pay fairly for the impact that they are having on our community and our aina, that the General Fund money that's coming from our residents, you know, from property taxes will be kind of like relieved from bearing a lot of that cost of the impact of the visitor industry so that we can better invest in affordable housing and the programs and the needs of our community.

COUNCILMEMBER MOLINA: Okay. All right, thank you. And with regards to going back to the Timeshare, I know the Administration had proposed a decrease so maybe at a later point when we get that in writing. So, and my last question for this round, maybe for Mr. Teruya, you had mentioned the Residential category, I guess people can rent if that…rent their property under that category. Can you just differentiate that between Residential and Apartment? Now, my understanding with Apartment, would that be like a person that owns a second home and they're renting a home on that second property as a long-term rental, is that…that person would come under the Apartment category?

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Mr. Teruya?

MR. TERUYA: Okay, that's a little bit in-depth answer actually, but for, first of all for Residential, Residential is your zoning is Urban and it's Residentially zoned. You either have it vacant, it's a vacant piece of property…

COUNCILMEMBER MOLINA: Okay, can you cite, well can you cite one example of what would…what type of property that would be in Maui County or an area?

MR. TERUYA: Dream City.

COUNCILMEMBER MOLINA: Okay.

MR. TERUYA: Whether it's vacant or improved with a home, not Homeowner, meaning he does not apply…he doesn't live and he doesn't own the same property. So, a renter, vacant, or vacant piece of property, those would be the examples. In Apartment it's a little different. First of all it needs to be Apartment zoned. It could be a condominium as long as it's not rented for less than six months. Anything less than six months in nature becomes Hotel/Resort use. Okay. It could be a home on Apartment-zoned land. It could be a property of agriculture that's condominiumized such as Launiupoko where there's two homes and they condominiumized and you're not having the home exemption, you will be Apartment zone because you shouldn't be able to do short-term rentals up in Launiupoko.

COUNCILMEMBER MOLINA: Okay.

MR. TERUYA: So, that would be some of the general exceptions to zoning.

COUNCILMEMBER MOLINA: Okay, well thank you for drawing that picture for me, now it's much more clear. Appreciate that. So, Madam Chair, your intent to reduce Apartment basically I guess to potentially make it a little easier for landlords to give them a little bit of a tax incentive to go more, provide more long-term inventory rentals and so forth. So, that's maybe behind your intention --

CHAIR RAWLINS-FERNANDEZ: Yes.

COUNCILMEMBER MOLINA: --for the reduction?

CHAIR RAWLINS-FERNANDEZ: Right, right. To --

COUNCILMEMBER MOLINA: Okay, thank you.

CHAIR RAWLINS-FERNANDEZ: --relieve our --

COUNCILMEMBER MOLINA: Thank you, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: --community members. Mahalo, Mr. Molina. Member Lee?

COUNCILMEMBER LEE: Madam Chair, let me quickly go over what I have. I agree with you on Timeshare, 15.41. I think Residential should stay where it is at 5.52. Apartment, I mean, you know, I think the people in Launiupoko can afford it. Apartment I think that should be 6.31, Commercial 7.39, Industrial 7.48, Agriculture the same $6, Conservation the same 6.35, Hotel I think is too high. As you said earlier, yeah, I totally agree, that's our largest industry where we have the most workers. We wouldn't want to be responsible for anybody losing their jobs. So, if you went to something like 13.93 that was up at Timeshare, what the Mayor had originally proposed, that seems to be somewhat fair. Short-Term 15.41, Homeowner's I really believe that we need to raise it instead of drop it. I think everybody can afford 5 cents, 2.90. I mean I get calls all the time, you know, to do this, to do that, everything, so, you know, people have to understand 2.85 is just an unrealistic number. And finally Commercial Residential should be higher. I think B&Bs should pay more so I think a fair number is 5.55. Thank you, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Lee. Member Paltin?

COUNCILMEMBER PALTIN: Thank you, Chair. I just wanted to clarify something that Member Lee was saying. So, like a CPR at Launiupoko would be Apartment rate?

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: I would maybe be more general to let you know that when you condominiumize your property, no matter what the zoning is but specifically for your question, yes, that would be it, provided it is used for long-term rental over six months in nature.

COUNCILMEMBER PALTIN: So, like say there's a CPR in Launiupoko and each condominium property has its own owner and then they live there. Would they be getting the homeowner exemption then?

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: Provided that you own and occupy your lot and use it for your primary residence, yes, you can get a home exemption and it could be on both. If they do not live there and they not get the home exemption, then it would be a long-term situation and claim Apartment.

COUNCILMEMBER PALTIN: Whoa, tricky. And then the other point I just I'm pretty open to all, everything. I think that, you know, like the previous Members said, I think the Hotel/Resort one of the other points that I hadn't heard yet was, you know, using tax rates to encourage what you want and discourage what you don't want and we don't want hotels to turn into timeshares. So, that would be part of my reason for not having hotel/resorts be the same as timeshares. But, you know, everything else I can agree with what everyone says even though it's different.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Paltin. Member Sugimura?

COUNCILMEMBER SUGIMURA: Interesting discussion and I like the way you have presented it. So, I agree with the other Members in terms of Timeshare. I question when I saw the initial proposal for it, the rate to go down because of the 365, you know, occupancy of the timeshare units and all the different things we hear that they're here, they enjoy our…they enjoy Maui and are a big part of the…they use our infrastructure, enjoy the community and yet they don't employ as many people as hotels do. I…so that rate I would, you know, be interested to continue talking about it. For hotels I don't want us to over tax them because I believe that they provide jobs, you know, for a lot of our working families that's where they're employed so I don't want to discourage that. I do believe that hotels also provide a solid base for benefits and retirements so they, you know, put money away for the long term, it's not only the hotel room nights, that they provide stability within our community more than, you know, the obvious with, which is the economic driver. So, I don't want us to over tax them as that could definitely impact, you know, loss of workers. I always support agriculture and I like to see, you know, that we do not increase the Ag rate, because it's hard enough right now for agriculture to, you know, to become what it was, and I think we're in that phase where we're going through changes with Mahi Pono and other things. So, but agriculture is important. Now, short-term vacation rentals, that is a business which is much like timeshare to many degrees and I think we need to have a discussion about that in terms of what it can be. Again, I don't want Hotel to be the $15.41 area but for the short-term vacation rentals if we could, you know, have a discussion about that. And as we walk down the path of trying to figure out our Residence, our Homeowner, you know, those kinds of rates that we walk carefully. I know everybody says that we're the, you know, we've undervalued or we're too reasonable, our real property tax rates and that we have many people coming here and buying up our land. So, if we can figure out a way of taking control of that. I know I've had discussions and I was trying to see if we can tax those people who come here for investment purposes, and I think we would need Mr. Ueoka to tell us what we can do or cannot do in situations like that so that, you know, we remain legal and above the law. But I know that there's that problem and so if we can figure out how to discourage that, that would, you know, be something that I'll be interested in hearing more about. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Sugimura. Member Kama?

COUNCILMEMBER KAMA: Thank you, Chair. So, I went ahead and took a look at your proposal, the Mayor's proposal and I put my proposal in there. So, I made copies for Staff to pass out. So, if you would go ahead and do that, Ms. Matthews, I'd appreciate it. So, basically, I agree with much of what you have done, Chair, because I have seen how much work it goes into line by line, item by item and trying to think of why do you want to do this, why do you want to increase here, why do you want to decrease there. And I kind of like the fact that you did that and so that I don't have to go through it all over again. But I did pick out a couple of the items and they're listed here on the comparison of real property tax where the Mayor's proposal is at the top, your proposal is in the center, and my proposal's on the bottom. And basically I understood about raising the hotel room rates, it's like oh, my gosh, I mean if you're going to raise something on me kind of like do it gradually like how you give baby food. You know they start with the milk and then you give them Pablum and then they start off with their, you know, there's chunky food and then they can go ahead and eat. But I think to do it just from nursing mother's milk to steak is too much sometimes to bear so I thought that maybe we need to have something in between. I do respect the work that you have done and so I proposed the rate of $12 for our Hotel and Resorts, and for the Timeshares and for Short-Term Rental, and the rest I agree with you upon. And the difference is that what it does it makes us $17 million up from the Mayor and $49 million less than what you propose. So, that's my proposal, someplace in the middle. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Kama.

COUNCILMEMBER SUGIMURA: Sounds like you. Compromise.

CHAIR RAWLINS-FERNANDEZ: So, in doing my research I looked through the meeting minutes of last year's Budget Session and the 2019 Budget Session to see how past Councils determined their rates, and I couldn't find any justification for how the Council came to the rates that they came to. And so I was wondering if, you know, Members from last year would like to share how we…how, you know, last year's Council came to the rates that they came to that it's currently at and, you know, perhaps it's something…'cause I would have liked to have shared that with the Members and just, you know, for everyone's edification. So, that everyone understands like, you know, what the discussion was about, what were the points that, you know, got them to where they were or where they are now. Oh, okay. Committee Vice-Chair King?

VICE-CHAIR KING: Okay. I'm going to try to make an attempt to make some sense of it. To tell you the truth, a lot of it didn't make sense to me. So, we didn't start, you know, and this is why I say I think we need to start with a list of priorities and look at the program, see what kind of a program we want to fund, and then go into the revenues. Because it was done, in my opinion, as a separate entity looking at what particular Councilmembers wanted to see in each category, whether it was up or downward movement, and then we took votes, you know, on these categories. And once we voted on the categories, there was not really a revisit of any individual categories. But it didn't necessarily relate to here's how many, you know, we're going to try to fund this much affordable housing, this much environmental protection, this much diversified agriculture. And the current tax rate leaves us $5 million short or we're over by, you know, we have extra money which is what I'd like to see. I'd like to see us, you know, first come to an agreement of what issues we want to address. So, to me it was more like individual Members had different ideas of what they thought was fair, and there was an attempt to increase Hotel in the last couple of years and it…we increased it a little bit, not what you're proposing here. But the votes weren't there to go any higher. So, it really came down to what the majority rule decided was fair in what…in different categories. And I, you know, I do agree with Councilmember Lee that the Homeowner/Residential rates have been so low for so long and then…and that…so where they're at I would rather just leave them the same. But when we were looking at in the last couple of years, they had been even lower and so we were at a point where, you know, if you look at it across the board with other counties, it was almost ridiculous. And we…but personally I would have liked to have seen more infrastructure funded with that money, and so because we didn't use it as a tool as you're saying to fund the infrastructure, the affordable housing, the parts of life on Maui, in Maui County that our constituents want to see improved, it felt a little disjointed from the goal of priority setting and of actual programmatic funding. So, I think the way that the…if we can move through it with having these discussions on various parts of the revenue that's coming in and then address the revenue after we've decided what it is we want to fund in the program, I think we're going to be, you know, doing what we're supposed to do to address the Countywide Policy Plan. So, you know, I can't tell you that there was a method to the madness, but the actual process was the Budget Chair came out with his proposal and then we voted up or down. You know we really didn't make that many changes on it. We might have made…I think we pushed Hotel up a little bit, but the…there really weren't too many changes and there wasn't a lot of discussion on the philosophy behind what those…what that proposal was. So, you know, I appreciate and, you know, nothing against the former Budget Chair, he had his method, and I'm just…I just appreciate the transparency of having the discussion on this before it's a vote, because a lot of the stuff that came out last year was here's the proposal, let's vote on it. And some of us weren't prepared to do that, we were hoping to have more interjection into our philosophy and I've heard that today. So, I think it's really good to see where all the Councilmembers are at with the various categories that we're looking at, and here are the reasons before we get to the point where we try to figure out how much money do we need. I mean I don't know if we're going to need 60 million or 17 million but probably somewhere in between. And how much can we spend? I'm a little concerned that I keep hearing from people in the community that we want to increase taxes and we want to increase affordable housing, but we never spend the money that's in there. You know we don't add a considerable number of, amount of housing when we're spending the money, and now I think the proposed, the Mayor's proposal is something like $9 million out of the Affordable Housing Fund and it's only going to add less than 100 new units from what I can see in the immediate future. So, those are the things I think, you know, that it…this process is different from the previous process is it…I'm hoping it gets tied to the things that we want to fund that are important to our community. So, I wish I could give you, you know, I wish…because, you know, a lot of it was also kind of just handed to us by our Chair, and then it was very little, you know, as far as the real property tax there was very little Council-wide discussion on that. So, that's what…that's the best I can tell you and maybe Ms. Sugimura has a different take on it. She and I were the only ones that were there the last two years, so.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair King. I just wanted to correct a couple things. My rationale for increasing Hotel wasn't so that we could…that Hotel rates would help with our affordable…would pay for affordable housing. It was that it would relieve some of the General Fund costs that is generated by our residents, and the residents would be helping to fund affordable housing. And in my proposal to reduce our residents' RPT was that, you know, a lot of…'cause everyone loves Maui to death, we, you know, a lot of the, our community members' homes have like drastically increased in the value and I want to give them some relief.

VICE-CHAIR KING: Okay.

CHAIR RAWLINS-FERNANDEZ: Because…

VICE-CHAIR KING: Well, that is what the circuit breaker is for, so we've had that and we have the homeowner's exemption. But no, I mean I'm not saying that that, that this is going to directly fund affordable housing, I'm just saying that all of our rates, fees, and revenues, the income that's coming in should be relative to what we're trying to fund. And that's why I think it's counterproductive to try to approve a tax code first and a tax rate first, because we don't know what we're going to fund yet, we haven't gone through the departments. And so anyway, and I know you're not trying to do that so that's why I'm saying I appreciate the discussion and then when we get there, it'll be a little better informed so we'll have that history of having talked to each other about what's important as far as the tax rate. And then when we get to the point where we know how much money we're short, we can use these various taxes and fees as a way to make up that shortfall.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair King. Before I give the mic to Member Lee, I wanted to allow Member Sugimura to comment on --

COUNCILMEMBER SUGIMURA: Thank you.

CHAIR RAWLINS-FERNANDEZ: --the process last year.

COUNCILMEMBER SUGIMURA: So, I…as far as the last two years process, we had Member Hokama as our Budget Chair, and I will tell you that his many, many years of experience of working with the budget has been helpful I think in just terms of the guidance of where we went as a Council. And this process that we are doing today is different. I'm open to, you know, things being different and taking another look at maybe the approach, but I think we're going to get to the same place. The, my perception was that when we were…when we received the budget from the Mayor and then the Council had a chance of talking to all the departments is all the departments came with the Budget Director to the Council on very, you know, specific days to ask questions about the details in the budget. Then we were able to figure out what we need or what we didn't need and we could, you know, cut out or add. And to me the budget process that involved RPT and fees were looked at later and that once we knew what the departments were trying to get to based upon their presentations then to do the, you know, discussion about the rates and fees and what is needed for those daily operation things as well as then Real Property Tax came in and to get the whole total picture of the finances. So, it's, you know, I think we're trying to get to the same place but it's just different format, different sequencing. And I do know that we went through a lot of discussions and we did get consensus from the Members so it wasn't that it was only, you know, one or a few people or Members' decision, but it was a consensus that I remember doing, you know, always being asked that question and to sort through the discussions with the department it was done then the decisions were made. So, I, that's my recollection of the way that it happened in the past and we're going to get all to the same place, it's just, you know, a different perspective. So, I appreciate…I think the…so far and it could change but the Budget Director being here to answer questions without the departments sitting, you know, side by side and for it to be done all through correspondence may be a time delay with the limited amount of time that we have. Members have asked for departments to come and maybe because, you know, some of us are used to having the departments here for the questions rather than it being in writing which is going to take a minimum of five days for the, you know, turnaround. But, you know, we all know what the deadlines are we're trying to get to and, you know, we, we'll I'm sure if we're going to be running out of time you'll adjust that. But those are, you know, some of my memories. And I really do value having the departments here so that when the questions come up, you know, we can just ask them instead of, you know, it being in writing. And I think for us to have the departments here and to ask them questions I think it adds to the transparency which will allow people in the audience not looking at our detail book, our binders and our programs binders, you know, to understand where the County is going through this budget process 'cause I think it's an important process. So, thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo for sharing, you know, your experience in the last two years. What I was like really hoping to get at is just like, you know, what Members understood, you know, the rationale behind the RPT, you know, the rates that were proposed and then adopted because I couldn't find that. And so, you know, that's part of why I'm, you know, having this process is so that, you know, we can fairly figure that out together, because as I watched the meetings in the last two years, I often heard well, we don't have money for that, and I don't understand how we wouldn't have money for something if the theory behind it was figuring out what we need first and then setting the rates so that the funding would meet our needs. And so that…if that was the philosophy, it didn't really match the discussion and the actions that was taken. And so…

VICE-CHAIR KING: Chair?

CHAIR RAWLINS-FERNANDEZ: Chair King?

VICE-CHAIR KING: Yeah, so to follow up because I was trying to make it clear from my perspective that the problem was, you know, we, that there wasn't political will to increase the Hotel rate. There wasn't political will to make the increases we needed in my mind to fund some of the things I thought we should have done. And that's why I say it was a little more piecemeal like individual projects, there were individual Members who got a lot of things funded in their districts and there's some of us who didn't get as much funded. But it wasn't wrapped around a central philosophy of what our priorities are in the community, and I think that's why there wasn't the attempt to make those increases to cover that because it was just, you know, here's what's in the budget, we don't need any more money so we're not going to increase it here. I happen to agree with the increase as I said earlier in the Residential 'cause it was so incredibly low, we had the lowest and we may still, I don't know, Residential homeowner rates in the nation. So, I thought that was a lot less painful. And thank you for nodding your head, Mr. Teruya, 'cause I think we've all talked about that a lot. But yeah, you're right, there wasn't…it wasn't wrapped around a general philosophy or the idea of the goal that we want to get to, you know, on an annual basis. And I was probably the most broken record, you know, asking questions about performance measures, because to me those are critical to, you know, and I didn't really see goals in the performance measures. I saw…I asked them why sometimes their…they look like their assumption of what they could do in the coming year was less than what they were doing in that year, and they said well, that's all they thought they could do. So, there wasn't the idea that here's what we should do, now let's find the funding for it, it was like well, you know, this is all we can do with the money we have. So, that's a, it's a mindset of do you want to work towards the best program and then look for the funding for it which is what most nonprofits do. They start with a mission and then they go out and raise money to do that mission. You know they don't go out and raise money and then decide what parts of the mission can they do. So, that's kind of what I was trying to explain, you know, I don't…and I do appreciate the background of having someone who's…and one of the things I really appreciate about our former Budget Chair was, you know, the focus on keeping fiscally responsible as far as our payments into the various insurance programs and retirement, because we've gotten farther ahead on those programs than we would have otherwise if he wasn't keeping an eagle eye on that. But basically the reason why we couldn't do what I think what we're trying to do today or this session is there really was no political will to raise Hotel rates and there was a…in the…between, even between last year and this year what I've seen is a lot more focus, even people in the visitor industry on tourism management versus tourism increase. I think that's changed that whole focus, and I've met with the head of the Hotel and Lodging, you know, Mufi Hannemann, and he, it was really interesting discussion because he actually approached the conversation with okay, now we agree with you, we need to manage tourism. So, I think the, you know, I think that opens up the door for us to really focus on the things we need for our residents and I think there is…I mean I was happy to hear Councilmembers' support for some of the increases at least towards the rates you have. So, smart idea to start high and then compromise.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair King. Member Lee, and then I'll go back to Member Sinenci and then work my way down.

COUNCILMEMBER LEE: Thank you, Madam Chair. The answer to your question is there isn't any. You asked for what was the justification and factual information that led to the establishment of rates and fees, right? There isn't any. Yeah. What happens in a budget process is you are handed the previous budget, and the previous budget is like a checkbook, you have your fixed expenses, you have your revenues, you have your liabilities, and it's your job as Budget Chair and the rest of the Budget Committee to make sure that you have enough revenues to cover all the expenses and future liabilities. So, what you do is you look at where you generate your revenues and you make adjustments. There may not be a whole lot of justification. It's kind of a matter of hmm, where can I get money from in a reasonable way and that's why you won't find anything in the minutes or in the past. That's how it is. So, the important thing is you not overstep your bounds, all of us by overcharging a particular category, and we try to stay within reason. So, I appreciate the process that you're following. I know you're trying to condense it and make it more efficient, and I…we're all trying to do that too by supporting you to do that. And there are going to be some trial and error moments along the way, but it's better to do it this way and make mistakes than not even try, right? So, by starting with the revenues first I don't think matters that much, because it's not like we're making decisions right now. At least, at the very least I'm thinking you will know where we're, where we are in our thoughts and where we could possibly go, and it's your job to kind of keep us on course and going basically in the same direction and that's why…that's how I see this process. Eventually, it comes down to we need the certification to find out, you know, exactly what we're dealing with in terms of funding. We're going to have to figure out at some point we're all going to put down our priorities, hopefully most us will be putting housing at least in the top five. But, you know, some of…I'll give you an example. What I'm trying to do is buy Wailuku Water Company and you know that, okay, and it's not because it's unrelated to housing, it is related to housing. I mean it's protecting the watershed and possible water in the future that could go for housing. We don't know that but it could. And we need…in order to get housing, you need water, you need sewer, and you need other infrastructure. And I think those are the kinds of things that you need to analyze and figure out well, how do you do this with the money we have? So, you look at the fixed expenses which we did and now you're looking at possible areas of revenue, and, you know, I appreciate that. I'm hoping that everybody can see that picture, because I see the picture and I hope that, you know, everybody understands that this is what you're trying to do, you're trying to get everybody's ideas and in an organized way and I just want to say I appreciate that.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Lee. And for Members who didn't know, Member Lee served as Budget Chair for two terms so yes, four years. So, you know, we have a lot to learn from your wisdom. Mahalo for your comments on the process, I really appreciate it and your support. Member Sinenci?

COUNCILMEMBER SINENCI: Thank you, Chair. Not too many questions but just some comments about the whole process. It's good to hear some of the discussion amongst the Council. I'm looking at, you know, working with some of the numbers that some of the Members have put out. I'm also trying to figure out how we can, you know, when the discussion is geared towards residents versus our visitor industry, you know, maybe looking at some ways to create exemptions or like circuit breaker, those types of things, if we can within, you know, within these deliberations. So, that's one of the things I was looking at. I do agree with the Chair and the Chair adds another dimension when we're going over this is to, you know, to tie our decisions to our priorities and our goals. So, I think looking at those things and we're looking at the numbers and the revenues generated from these increases, where can we, you know, I like that part where we're tying it. You know, here are the reasons, this is what we need, and so I like that process. And just having this discussion, you know, in public with our communities around the County, I think they get to share in some of our decisions. They get to…there's a process for them to chime in as we go through this, these deliberations. So, I just want to comment on that. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Sinenci. Member Molina?

COUNCILMEMBER MOLINA: Thank you, Madam Chair. Boy, I don't know how to top that from Mr. Sinenci and Ms. Lee, I tell you. But as it relates to Ms. Lee, I'm going to use one of her pearls of wisdom that she just displayed earlier and just go down your ten categories and offer my thoughts and then I'll have a quick follow-up. With regards to the Timeshare I can agree with you on that keeping it flat at 15.41. Residential, I'm more inclined to go with the Mayor's recommendation at 5.52. Apartment I'm flexible either way, 6.31 or the $6 that you've proposed. Commercial I'll leave it at 7.39 like you have it with the Mayor's proposal, same thing for Industrial at 7.48. Ag $6, Conservation 6.35, and well, let me skip over the Homeowner's, I'm fine with keeping it flat at 2.85. There's room for a slight adjustment, I'm okay, but I still want to keep it under three. And Commercial Residential at 4.55 like you have with the Mayor's. Now, getting to the Hotel/Resort and Short-Term Rental's, well with regards to your proposal at 15.41, but I just want to state first that I am open, will support something that is above the Mayor's proposal. Because as I look at all the other counties, I have here Hawaii Island, Hotel 11.55; Kauai 10.85; Honolulu $12.90, and as you know Kauai and Big Island they're not as prosperous economically as we are and their Hotel tax rates are higher than ours. So, I think it's time the hotels can…our Hotel rate can break the $10 barrier and I think they have enough room for it. But going, you know, to the extremes of $15 I'm not sure, because I know on Molokai you have two hotels, if I'm correct, Molokai Shores and Hotel Molokai?

CHAIR RAWLINS-FERNANDEZ: Just Hotel Molokai.

COUNCILMEMBER MOLINA: Just Hotel Molokai now?

CHAIR RAWLINS-FERNANDEZ: Uh-huh.

COUNCILMEMBER MOLINA: Okay, I was just wondering…

CHAIR RAWLINS-FERNANDEZ: Molokai Shores is a condo.

COUNCILMEMBER MOLINA: Oh condo, okay. Thank you for that clarification ‘cause my only concern with raising the tax too high is the impact on the cost of the room rates. And if the hotel rates would go so high, would that have an impact on retaining employees at the hotels, you know, the various hotels? So, I'm not in favor of maybe doing something that could kill the so-called golden goose. I know whether we like the visitor industry or not, they are a major economic engine for this island. But I'll just say that I am open to going above what the Mayor has proposed, so to address many of our concerns. And same thing with the Short-Term because they do have an impact and yes, they may not be as large or have as large an impact as the hotels, but I believe we should level the playing field between them and the short-term rentals and the hotel, because there is a niche market for them but, you know, maybe their rate would not be as high as the hotels but again, staying within the same vicinity. Because the short-term rentals do have an impact on the inventory of long-term rentals for our people so therefore that's the price that they may need to pay if they go in that direction. So, that in a nutshell. So, that's it for me. And I know if you…you had mentioned it earlier, I'm not sure if you did but have you given thought about if you went with a very…with a high rate of 15.41, do you see any impact other than, you know, along with what I stated which was my opinion, what impacts do you see a higher rate would have with the visitor industry or the hotel rates?

CHAIR RAWLINS-FERNANDEZ: Yeah, so --

COUNCILMEMBER MOLINA: Any thoughts?

CHAIR RAWLINS-FERNANDEZ: --there is another spreadsheet in the first packet that --

COUNCILMEMBER MOLINA: Okay.

CHAIR RAWLINS-FERNANDEZ: --was delivered before the lunch break. And there's a…and these numbers came out from the Hawaii Tourism Authority, the daily cost of the, how much visitors spend per day. So, visitors…the number of visitors per day is 59,982 and then the amount that this proposed rate would have on each of the visitors was if the hotels…well, as a business it's passed, the cost is passed down to the customer. So, it would cost an additional 64 cents to each of the visitors with this…that's the projection anyway, based on my analysis.

COUNCILMEMBER MOLINA: Okay. Well, thank you. I appreciate you provided us an analysis and a rationale for that as well. And with regards to your chairing this, this is probably the most difficult Committee to Chair, and we certainly appreciate your efforts and seeing what type of modifications you can make with regards to how we want to get to the end point in a maybe less amount of time. And I think all of us, we, as we chair our various committees, we're all not perfect, yeah, we, you know, I've heard my share of my comments on how I facilitated the GET meetings and constructive criticism is okay. So, and I think each of us have enough respect for each other to be honest and say, you know, maybe you can do this a little bit better and whatnot. So, 'cause each of us, all of us is, are not perfect, whether you're the chair or whether you're a GET Chair or Budget Chair and so forth. So, we're all about just helping each other out and trying to do the people's work in the best and most efficient way as possible. So, you know, keep up the work and I know it might get a little bumpy at times, but thank you for tolerance, especially with somebody like me who can be a nag at times on certain things. So, thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, I really appreciate that, Member Molina. And I kind of just, I wanted to emphasize the point that you made regarding the increase in the Short-Term Rental rate, as Member Paltin had mentioned a few times already today about, you know, taxing being a deterrent, because it is having an impact on our short-term…the short-term rental industry is having an impact on our long-term rental inventory. And so, you know, that's something, you know, affordable housing is important to all us, like rentals is important to all of us to increase that, so, mahalo for that point. Member Paltin?

COUNCILMEMBER PALTIN: Thank you, Chair. Good discussion. I, you know, just in the lines of discussing things, I had a couple questions maybe for Director Teruya or Director Yoshimura. Like for example, say we had 67 million additional revenue and for example, we didn't have additional monetary needs, which isn't true, but would it be beneficial to use that additional revenue instead of like bonding out certain projects? Like say you wanted a bulldozer and it costs like a million dollars or something, and you're going to use a general obligation bond or something to fund it, would it then be like 3 percent cheaper or I mean is there, do you see any value to not going to like a kind of debt and just use the additional revenues?

CHAIR RAWLINS-FERNANDEZ: Mr. Ueoka?

MR. UEOKA: Thank you, Chair. Just I know you're asking them, Member Paltin, but I just want to jump in quick. If you guys do increases revenues, you have to expend it on something. The budget needs to…

COUNCILMEMBER SUGIMURA: Balance.

MR. UEOKA: Estimated revenues need to equal operations, so it will need to be used somehow, and just from my perspective, it's a policy decision on whether you want to borrow or use cash. But they can respond also. Thank you, Chair.

COUNCILMEMBER PALTIN: Or like, you know, pay down the ERS contributions or those things. I mean I was meaning for the thing to be…the budget to be balanced but as opposed to say spending the majority on housing or if there is opportunity to have additional revenue, would it be beneficial for us to pay cash instead of incur debt service or to take a bigger chunk out of the ERS contributions or those types of things? What would be the financial…the…not recommendation but I guess prediction or something?

MR. UEOKA: Quick, just a…

CHAIR RAWLINS-FERNANDEZ: Mr. Ueoka?

MR. UEOKA: Another technical point. Again, they can respond also but in regards to paying down OPEB, EUTF, ERS type, some of them it is beneficial to advance pay, others the County doesn't see a direct benefit. It would help the overall but we would not see a direct benefit by early payment, so you can consult with them further on that but just be aware. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: And to add on to what Mr. Ueoka said, when we got the ERS and EUTF presentations, we were provided that information on, you know, which would be better to pay down, and ERS we wouldn't see a direct benefit, EUTF we would. And that has been the direction of the former Budget Chair which I intend to follow. Director Yoshimura or Director Teruya, did you want to comment on Member Paltin's question?

MR. TERUYA: Thank you, Chair. Nothing other than anytime we're trying to reduce our future liability is definitely beneficial for the County, so I would be supportive of anything that we come across that maybe we can provide to the Members as far as those discussions. It definitely makes most sense.

MS. YOSHIMURA: Chair, yeah, if you do raise additional revenues, it…you could apply it to bonded or proposed bond projects and reduce the amount of borrowing that we do. You could also put more monies into OPEB and pay down a little bit more of the liability there. So…

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

MS. YOSHIMURA: So, there's options that you could use, it's just making sure that there's the ability to, you know, pay the --

COUNCILMEMBER PALTIN: Needs.

MS. YOSHIMURA: --tax or the taxes.

COUNCILMEMBER PALTIN: Follow-up?

CHAIR RAWLINS-FERNANDEZ: Sure.

COUNCILMEMBER PALTIN: What about like our, the debt service that we carry, is it beneficial to pay it all down one time or to keep to the schedule?

CHAIR RAWLINS-FERNANDEZ: Mr. Ueoka?

MR. UEOKA: Thank you, Chair. That…well yes, it is beneficial to pay it all down at once 'cause again you wouldn't be paying interest; however, when you issue debt certain times you can't just pay it off whenever you like, there is a certain…or you might pay a penalty. It…we would have to look at each individual obligation and look at it, but generally speaking there is a set amount of time that, before you can, there's a word for it but before you can pay it off.

COUNCILMEMBER PALTIN: Like a pre-payment penalty or something?

MR. UEOKA: Essentially. There's a word for it but that's essentially correct. Thank you.

COUNCILMEMBER PALTIN: Thanks.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Paltin. Member Sugimura?

COUNCILMEMBER SUGIMURA: Thanks. So, one of the things that's, I'm just wondering about minimum tax, Director, if you have any comments that you would like to make regarding that?

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Mr. Teruya?

MR. TERUYA: In regards to minimum tax, I don't…I'm not saying for or against it, I can just tell you a little bit about minimum tax maybe. Minimum tax currently is at $400 per year. As you raise rates, normally your funds towards minimum tax will go down. It works opposite, the other way, when the values go down the minimum tax goes up. It works in different ways, so there will be an adjustment when you guys make your final decisions as to what minimum tax will recalculate to. Those…I gave you a slide as to what properties pay minimum tax, what categories fall into those categories. I think a topic for conversation when you're moving rates for every category, there may be a decision on how you're going to move minimum tax as well. It's kind of like raising one category but not the other. Are we…is the message that everybody's going to be paying more so does minimum tax should be paying more? I don't know. Minimum tax you gotta realize we have core services which is your Police, your fire protection, those have to be done, that's a fixed cost for us and what is that cost among 80,000 parcels, 78,000 parcels? It's pretty large probably. So, Corporation Counsel had asked when do you pay minimum taxes? Basically, you have…anytime it's less…when you're a homeowner, majority of homeowners a lot of them pay minimum taxes because our exemptions is large and our rates are low. So, a lot of properties pay minimum tax. When you create a subdivision primarily of homeowners, I hate to say this but it's…the amount of revenue you get from minimum tax for a subdivision of all homeowners, you probably won't even be able to collect enough money to pave their street once. That's just reality, it's fully subsidized and it's…you're creating housing which is good but you're not paying for itself on the capital end on the infrastructure. Just think about $400 for 20 years, I mean what is your pot to resurfacing the road? Very little. So, you know, those are conversations, I mean just letting you know, yeah, you…it's good for the homeowners, but as far as the revenue you collect on minimum tax on a subdivision, you know, that maybe needs to be analyzed in a committee I guess so to speak as to what it really brings back to core services that you have to pay.

COUNCILMEMBER SUGIMURA: Chair, may I continue? So --

CHAIR RAWLINS-FERNANDEZ: Yes, go ahead.

COUNCILMEMBER SUGIMURA: --Finance, do you have…you would have a recommendation to us on that?

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: Absolutely not, but, you know, you guys gotta remember, core services, Police/Fire, what is their operating budget for the County? And if everybody wants to equally pay for it and maintain it, you divide that by every parcel and you figure out what is the cost to have Police and Fire come to your house when you need it. I don't know…I don't have those numbers on me but I think, I'm pretty sure it's higher than 400. So, and that doesn't mean that that's the rationale, I'm just saying, you know, there's some…you have to pay for something. I mean and people don't like taxes but when you call 911, you probably expect to have service, and so every parcel receives those benefits, so I think that may be something that you can look at. I'm not sure. Thank you, Chair.

COUNCILMEMBER SUGIMURA: One last question. So --

CHAIR RAWLINS-FERNANDEZ: Go ahead.

COUNCILMEMBER SUGIMURA: --it's not even on any of our spreadsheets but with MPO and discussions from last year, there's the GET and going through the Legislature they're extending the expiration from, what was March 31st of this year, they're going to extend it to the ending of the year. So, what are your thoughts on charging additional GET to our residents for, you know, things that you purchase like you do now, adding a half a percent? Is that over and beyond your Department --

MR. TERUYA: Yeah.

COUNCILMEMBER SUGIMURA: --but I just wondered what your general thoughts are.

MR. TERUYA: My expertise is property tax, not GE tax. This is my way out I guess but I wouldn't have any explanation or rationale behind what the response to that question at this time. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Director. I think --

COUNCILMEMBER SUGIMURA: That was smart.

CHAIR RAWLINS-FERNANDEZ: --we as the Council --

COUNCILMEMBER SUGIMURA: That's smart.

CHAIR RAWLINS-FERNANDEZ: --you know, are responsible for figuring that out.

COUNCILMEMBER SUGIMURA: Just wondered the impact.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Mahalo, Member Sugimura. Member Kama?

COUNCILMEMBER KAMA: Thank you, Chair. So, as I've been following the discussion that started on that end, I've kind of lost track but this is what I wanted to say that I think we all agree that our, at least one of our priorities should be housing. And as my friend who chairs Water says we gotta go look for water 'cause, you know, without water you no can do housing. I says yeah, I know, but then my other friend on the other side says but you need infrastructure too, and I say yeah okay, we gotta get infrastructure too. So, when I think about the money that we need and that's why I asked the question this morning is that how much of a rate increase for the hotels do we need for 10 million? But look at my Chair, she comes out and says I'm going to go see if we can get 69 more million, and I thought okay, she's thinking big and I think we should be able to do the same thing too. I don't think we should be afraid to do what other Councils have been afraid to do. I mean look, we're brave enough to run, right? People were brave enough to elect us. I mean look at…I mean we're so green behind the ears but they have faith and trust in us so we need to do something. And I think that to live in paradise it costs us dearly, it costs us our local folks dearly. And so and they pay the most when our children leave home. So, how do you put a cost or value on your children leaving and not maybe ever coming, you can't. So, the best you can do is figure how can we all pay to live here, and so therefore my $12 proposal is in there if you all want to look at that. But I think the idea is to be able to get enough money so that we can actually do housing for our people and to ensure that the people who can pay, pay, and those who can't, let's see what they can do to help but everyone has to help. And I think one of the things, at least I know here in Hawaii is that when somebody invites you to someplace, the first thing we ask is what you like me bring, right? Everybody wants to bring something to the table so let's let our people help us to bring what they need to bring to the table so that we can really make Maui County no ka oi. Thank you, Chair.

COUNCILMEMBER LEE: Amen.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Kama. Okay, this is…oh, Chair King?

VICE-CHAIR KING: Yeah, thank you for…thank you, Chair. It's nice to listen to all the other input and then have a chance to input on that. It's really…I'm really interested in…I mean I think we all can agree that affordable housing is our number one issue so thanks for bringing that again to my colleague, $12 Tasha over there. I'm going to nickname you. But one of the questions I wanted to ask Mr. Teruya is because I really think it's important to…because of the fact that some of these tax codes involve like Apartment for instance, that's not just people living there or just people renting them out, those are…some of those Apartment-zoned areas are also short-term rentals or vacation so we can't just assume that we're giving people a break. And that's why I think giving a tax credit for people who rent out to long-term residents…long term to residents is key to being able to incentivize people to do the right thing. But my question is that do we need to do that in conjunction, because this is going to be less revenue so do we need to figure out approximately how much less revenue that would be if we…and then we have to figure out how many people are going to apply for this tax and put that into the budget at the same time. Or is this something that we need to wait for the TIG to do? Because, you know, I'd like to do it sooner rather than later, but I understand that we're not just talking about…we can't Bond Fund that credit, it's going to be credit that's going to come out of our general revenue so how do we do that, how do we a tax credit like that which I don't think we've ever had before out of our RPT and account for it in our budget ahead of time? You have any thoughts on that, Mr. Teruya?

CHAIR RAWLINS-FERNANDEZ: Mr. Teruya?

MR. TERUYA: Thank you, Chair. Thank you, Chair King, for that question. There's multiple things that I'm thinking right now. First of all, we would have to create an ordinance to identify how the credit would work, whether it's…how much you rent it for or, you know, those criteria whether it's --

VICE-CHAIR KING: Right.

MR. TERUYA: --HUD or et cetera, that's one portion of it. Another careful study would have to be is to look at the categories that we're raising such as Apartment, such as Residential so that you're looking at long-term rental. And what is the impact increase per parcel in general. Maybe a half-a-million-dollar house would be paying X amount of money more per year in taxes so would your bill be to, you know, how much…what is the credit going to be for it to be worth it, right, I guess so to speak. So, there's multiple things to…in…would have to set in motion. Just while you bring that up, I just…I'm not advocating for anything but just to let you know that in the category of Residential, Apartment, and Agriculture, those are primarily your renters because if not you're an owner and you get the home exemption and then you go into the Homeowner category. And if you look historically over the years in the rate schedule that I gave you, my understanding is Residential, Apartment and Agriculture and Conservation were similar for many, many years, and that is primarily because that those are where your renters lie. It doesn't mean you have to be the same, I just…historically when you look at the rate, they were all the same in those categories which seemed to be your renters. So, maybe I could defer to Corporation Counsel as far as the timing of the bill for a long-term credit however the Members should want to craft it so that we would draft it in time with an effective date so that, you know, then it applies, you know.

VICE-CHAIR KING: Okay.

MR. TERUYA: 'Cause you're going to have to apply for it, I mean I can't just guess who's going to get it.

VICE-CHAIR KING: Exactly.

MR. TERUYA: You're going to have to provide some type of information that the Department can scale and look at, yes, you meet this or this is the lease and then we're going to have to determine whether that lease meets your rate proposal, however you guys want to structure it. But it's nothing that can't be done. The most difficult part would identify is how much people would take advantage of it. It's gotta be worth that amount of money for you to put your house into that category at that rate, if not you just rent it for market. You know, so there's multiple things that we're going to have to analyze as far as how it --

VICE-CHAIR KING: Okay.

MR. TERUYA: --works, you know, the mechanism, how much more you're going to pay with the proposals that are set forth and then crafting it and then bringing it to this body for legislation and passing of that bill.

VICE-CHAIR KING: Yeah. Okay, so it sounds like it's something that's a little more complicated than trying to get a rate done. I mean it's not…it's something I've been working on for a little while because I've been working with Kauai. They have a credit, it's not quite working for them because of the index they chose for their rate so they're reworking that part of it and I'm trying to…I want…I'm hoping that they work out the kinks before we follow suit. But I do want to, you know, make the point that, you know, that's why I'd like to see those rates stay the same, because otherwise if you're going to give a credit off of it and it's already really low, then you're taking even more incentive away from people to even access that credit. But I have heard from people who feel like they're already renting at very reasonable rates and they feel like well, people on Kauai get a credit for doing that, and why don't I get a credit for doing that? And they…and it's, you know, in some respects it's a lot easier for landlords because they only have one person to deal with for, you know, on an annual basis, and some people like I think we rented our house once to someone for four years. So, you don't have the turnover, you don't, you know, you're not cleaning house every week and stuff like that. But they're getting bombarded with, people who rent their spaces out, their homes or their apartments are getting bombarded by the hosting platforms for the short-term rentals with these letters trying to attract them away from doing long term and saying if you rent it short term, look how much money you can make per night. And so there's literally this campaign to take housing away from our residents by Airbnb and VRBO and these hosting platforms. And the people…some of the people who have actually gotten those letters are friends of mine who are landlords and they resent the heck out of those, because they're like why are they trying to take…why are they trying to get…entice me to do something that would take housing away from somebody who lives on Maui? And so there is that recognition not just from the people that need the housing but the people who are trying to provide it and are really resenting getting and having these companies trying to entice them into doing something possibly illegally too because they're not asking them to get a legal permit, they're just saying look, you could change over and do this and make a bunch of money. So, I think that needs to…I think we need to attract people to do the right thing and I think people will. They…I mean sometime people they don't have to make as much as they're making every night in a short-term rental, but it would be nice to recognize the fact that people are doing the right thing and especially if they're staying within that affordable range of rentals. So, I'll keep working on that and maybe we can make that an offshoot of the TIG if we create a TIG for tax reform. But it appears that it wouldn't be able to be something that we could fit in at this moment into this budget. So, thank you for the answer, Mr. Teruya. And I hope you can support the effort going forward and we can try to figure it out. But I think also if we can have an estimate of how many people might be able to be identified and how much inventory we can add in along with the affordable housing we're trying to build. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair King. Member Sinenci?

COUNCILMEMBER SINENCI: Thank you, Chair. Yeah, just going off the lines of that discussion, I mean condos would be considered another short-term rentals, and so I'm thinking, you know, what are the cause and effects of increasing that rate? There might be a chance that condo sales increase with that rate increase and that could technically drive condo prices down, I mean if there's a lot of sales of condos. So, I'm just kind of thinking, you know, what are the effects or the, you know, of if we're doing some of these rate changes? That's all.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Sinenci. Okay, Members, any other comments or questions? Okay, so I'm sorry but I meant to mention this earlier. Mr. Sinenci had Staff pass out his questions for the departments so we have that added and we'll be transmitting that information to the appropriate departments.

COUNCILMEMBER MOLINA: Yeah, Madam Chair?

CHAIR RAWLINS-FERNANDEZ: Member Molina?

COUNCILMEMBER MOLINA: Thank you. I was waiting at the appropriate time, I have something that I'd like to submit to Staff as well.

CHAIR RAWLINS-FERNANDEZ: Perfect. Does any of the other Councilmembers…

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

CHAIR RAWLINS-FERNANDEZ: Oh, right. Thank you. Okay. Do any of the other Councilmembers have questions for Staff to pick up? Tomorrow? Okay. Member Paltin?

COUNCILMEMBER PALTIN: I had some but it was in handwriting so it's getting typed.

VICE-CHAIR KING: Chair?

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Paltin. Chair King?

VICE-CHAIR KING: So, I, you know, I submitted quite a few questions, and at this point, I'd like to kind of hold any further questions to wait and see if they were already asked by other Councilmembers. Our OCS staff is getting inundated and, you know, they've been, I think they've been working till I've heard 9:00 or 10:00 every night just trying to get these letters out. So, it would be good if we can get, you know, get the answers hopefully. I mean let's try to wait and see what answers come in and how adequate they are. But if we can get a conglomeration of the questions that have been asked --

CHAIR RAWLINS-FERNANDEZ: Yes.

VICE-CHAIR KING: --already that would be really helpful so we don't keep generating all this paperwork for OCS if it's not necessary. Thank you.

CHAIR RAWLINS-FERNANDEZ: Yeah, I believe I may have that spreadsheet available for Members tomorrow. Yeah, that's my hope. Mr. Ueoka?

MR. UEOKA: Thank you, Chair. I usually give my, this is usually a statement made later in the session but two things, classification is very complicated so anything any of us have said today, they are always fact specific for when you classify a parcel of real property. So, we gave general statements today but for specific cases please contact Director Teruya and his Department can give you specific answers on specific questions. In regards to the setting of rates, for legal purposes we've always considered it's Council's prerogative, we just ask that you don't discriminate against any parties when or take any type of discriminatory action when setting these rates. And it's nice if it has a rationale basis towards some governmental interest when you are setting rates. And I believe the Chair did make a statement earlier that likely would achieve those matters, but that's just my general statement on real property tax. So, good luck. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo for your disclaimer, Mr. Teruya [*sic*]. Okay. So, Members, I'm thinking of recessing till tomorrow afternoon after the GET Committee, and then that way if we're recessing early then we can continue to review the departments' responses, and then I'll work with Staff on getting that spreadsheet of questions to everyone so that we're not submitting duplicate questions. Member Kama, did you have something?

COUNCILMEMBER KAMA: Yes, I did. My $12 proposal that I submitted was based upon what you had given to us prior to lunch, and so after lunch we went back and did your proposal so I came back with an amended proposal based upon your amended proposal. So, if you wouldn't mind I'd like to enter it into the record, Madam Chair?

CHAIR RAWLINS-FERNANDEZ: Yes.

COUNCILMEMBER KAMA: Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Kama. We will have that entered into the record. Okay, Members, you know, I really want to thank all of you for supporting this new process. I understand that it's a challenge because it's new and, you know, we're all guinea pigs, and being guinea pigs isn't the most comfortable thing all the time. And so, you know, I really appreciate your support and your willingness to follow my lead on this and, you know, take that leap of faith and push beyond what has been comfortable because it's something that you know as what past budget processes have been. So, I really want to thank all of you for supporting me in this new process. And I assure you there is a method to my madness. And, you know, I really enjoyed our conversation today. I did promise you that it might be fun and I was having fun today so I hope you were having fun. And that's, all I have to say for now. Ms. Matthews?

MS. MATTHEWS: Yes, Madam Chair, what time did you want to recess until tomorrow and where?

CHAIR RAWLINS-FERNANDEZ: Yeah, so we will recess our EDB Committee meeting to tomorrow, April 4th, at 1:30 after the GET Committee meeting. And yeah, so hopefully GET Committee will be…

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

CHAIR RAWLINS-FERNANDEZ: In the Chamber. Yes, we'll be here in the Chamber. Okay.

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

CHAIR RAWLINS-FERNANDEZ: Oh, okay. And we…okay. This is the questions that we received from Member Molina. Mahalo, Member Molina. So, we have that entered into the record. Okay, any last thoughts or things that I may have missed? Okay, I think I've got them all. All right, so it's 3:26 on April 3rd and the Economic Development and Budget Committee is now adjourned.

COUNCILMEMBERS: No, no, no. Recess.

CHAIR RAWLINS-FERNANDEZ: Oh, oh, sorry, recess. Thank you. Thank you, everyone. Okay. Our Economic Development and Budget Committee is now recessed to tomorrow, April 4th, at 1:30, in the Chamber. Mahalo. *. . .(gavel). . .*

RECESS: 3:27 p.m.

APPROVED:

KEANI N.W. RAWLINS-FERNANDEZ, Chair
Economic Development and Budget Committee

edb:min:190403:ds

Transcribed by: Daniel Schoenbeck

CERTIFICATE

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

DATED the 17th day of April, 2019, in Kula, Hawaii

Daniel Schoenbeck