

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

January 20, 2006

**Committee
Report No.**

_____ 06-3

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Budget and Finance Committee, having met on December 13, 2005 and January 3, 2006, makes reference to County Communication No. 05-341, from the Economic Development Coordinator, transmitting a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.48, MAUI COUNTY CODE, PERTAINING TO REAL PROPERTY TAX AND THE WAILUKU REDEVELOPMENT AREA".

The purpose of the proposed bill is to provide real property tax exemptions to encourage property owners to make building improvements that will result in new amenities, more jobs, an increased tax base, and restored pride in the Wailuku Redevelopment Area.

Your Committee notes that the Wailuku Redevelopment Area is approximately 68 acres located within the town of Wailuku. The boundaries include parts of Main Street, Vineyard Street, Market Street (including Happy Valley), Central Avenue, and Wells Street.

By correspondence dated November 18, 2005, Stephanie Ohigashi, Chair, Maui Redevelopment Agency, stated that the proposed bill is important for the revitalization of Wailuku Town, and requested that the matter be scheduled for discussion as soon as possible.

At its meeting of December 13, 2005, your Committee met with the Economic Development Coordinator, the Director of Finance, the County Real Property Tax Administrator from the Department of Finance, and the First Deputy Corporation Counsel.

Your Committee received public testimony from six people in support of the proposed real property tax exemption to encourage development in the Wailuku Redevelopment Area. One testifier stated that the exemption would allow for the

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development of his property, and suggested that the proposed bill be revised to allow property owners an additional year to complete construction work.

Your Committee received written testimony from Stacie Thorlakson, President, Maui Chamber of Commerce, in support of the proposed bill.

The Economic Development Coordinator stated that the Wailuku Redevelopment Plan was developed pursuant to Chapter 53, Hawaii Revised Statutes (HRS), the Urban Renewal Law. The Plan includes specific strategies and actions to eliminate slum and blight conditions, and was adopted by Council Resolution No. 00-151. She further stated that one of the “proposals for action” in the Plan was the adoption of a property tax abatement ordinance.

The Economic Development Coordinator said that the proposed bill is a collaborative effort of the Maui Redevelopment Agency, the Wailuku Main Street Association, Inc., and the Office of Economic Development.

The Director of Finance indicated that the proposed bill will provide a real property tax exemption for the incremental increase in building valuation primarily attributable to qualifying construction work, for a period of seven years. He explained that appreciation in land value would not be exempt.

The Director of Finance presented a historical analysis of building improvements in the Wailuku Redevelopment Area, and concluded that the potential loss of future real property tax revenue would be nominal.

Your Committee requested that the Director of Finance provide these statistics in writing.

In light of the testimony in favor of providing the property owner with an additional year to complete construction work, the Economic Development Coordinator expressed support for extending all deadlines in the proposed bill by one year.

Your Committee expressed concern that homeowners in the Wailuku Redevelopment Area may experience a large increase in real property taxes in the eighth year after completion of their improvements.

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Your Committee questioned the necessity for the requirement that the laborers and mechanics who perform the qualifying construction work be paid at or above the rate of wages established by Chapter 104, HRS. Chapter 104, HRS is intended to apply to government public works projects, and requires laborers to be paid "prevailing wages" as determined by the State Director of Labor and Industrial Relations.

Your Committee deferred consideration of the matter pending further discussion.

By correspondence dated December 15, 2005, the Director of Finance provided statistics and background data related to properties within the Wailuku Redevelopment Area.

By correspondence dated December 28, 2005, the Chair of your Committee requested that the Department of the Corporation Counsel revise the proposed bill to extend existing deadlines by one year, include language to allow 50 percent of the incremental increase in building value to be exempt from real property taxes for the eighth year following completion of construction, and make other nonsubstantive changes.

By correspondence dated December 28, 2005, the Department of the Corporation Counsel transmitted a revised proposed bill incorporating the proposed revisions recommended by your Committee.

By correspondence dated January 3, 2006, the Chair of your Committee transmitted a map identified as "Wailuku Redevelopment Area, Existing and Proposed Boundaries, January 2000".

At its meeting of January 3, 2005, your Committee met with the Economic Development Coordinator, the Director of Finance, the County Real Property Tax Administrator from the Department of Finance, and the Corporation Counsel.

Your Committee received public testimony from four people in support of the proposed bill. One testifier suggested that the proposed bill be revised to delete the requirement for documentation showing compliance with wage rates established by Chapter 104, HRS.

The Economic Development Coordinator said that she had no objections to deleting the wage-rate requirement.

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The Corporation Counsel stated that tax abatement and tax exemption programs are policy decisions made by the Council to reduce or eliminate taxes. He stated that Chapter 104, HRS applies to government public works projects, and not building improvements made by private property owners.

Your Committee requested that the Department of the Corporation Counsel revise the proposed bill by deleting the language requiring compliance with wage rates established by Chapter 104, HRS.

Your Committee voted to recommend the passage of the revised proposed bill on first reading and filing of the communication.

Your Committee is in receipt of the revised proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.48, MAUI COUNTY CODE, PERTAINING TO REAL PROPERTY TAX EXEMPTION WITHIN THE WAILUKU REDEVELOPMENT AREA", from the Department of the Corporation Counsel, incorporating your Committee's recommendations and other nonsubstantive revisions.

Your Budget and Finance Committee **RECOMMENDS** the following:

1. That Bill No. _____ (2006), as revised herein and attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.48, MAUI COUNTY CODE, PERTAINING TO REAL PROPERTY TAX EXEMPTION WITHIN THE WAILUKU REDEVELOPMENT AREA", be **PASSED ON FIRST READING** and be **ORDERED TO PRINT**; and
2. That County Communication No. 05-341 be **FILED**.

Adoption of this report is respectfully requested.

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DAIN P. KANE **Chair**

DANNY A. MATEO **Member**

G. RIKI HOKAMA **Vice-Chair**

MICHAEL J. MOLINA **Member**

MICHELLE ANDERSON **Member**

JOSEPH PONTANILLA **Member**

ROBERT CARROLL **Member**

CHARMAINE TAVARES **Member**

JO ANNE JOHNSON **Member**

ORDINANCE NO. _____

BILL NO. _____ (2006)

A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.48,
MAUI COUNTY CODE, PERTAINING TO REAL PROPERTY
TAX EXEMPTION WITHIN THE WAILUKU REDEVELOPMENT AREA

BE IT ORDAINED BY THE PEOPLE OF THE COUNTY OF MAUI

SECTION 1. Chapter 3.48, Maui County Code, pertaining to real property tax, is amended by adding a new section to be appropriately designated and to read as follows:

"3.48.559 Wailuku redevelopment area. A. The County council hereby finds and determines that:

1. To revitalize the historic town of Wailuku, Maui, a tax incentive should be provided to encourage landowners and businesses to make necessary improvements to their properties;

2. The historic importance of Wailuku as a center of commerce on the island of Maui warrants support to maintain its economic vitality;

3. Wailuku is the seat of County government and deserves revitalization to its former prominence; and

4. The Wailuku district represents a vital and diverse community for both established and start-up businesses with an eclectic mix of business types and industries.

B. For real property within the Wailuku redevelopment area, any incremental increase in building valuation primarily attributable to qualifying construction work shall be exempt from real property taxes for a period of seven years following the completion of the qualifying construction work, provided that:

1. The building permit for the qualifying construction work is issued on or after the effective date of this ordinance; and

2. The qualifying construction work is completed on or before June 30, 2009, as evidenced by the department of public works and environmental management final inspection date unless extended pursuant to subsection F.

C. For real property within the Wailuku redevelopment area, fifty percent of the incremental increase in building valuation primarily attributable to qualifying construction work shall be exempt from real property taxes for the eighth year following the completion of the qualifying construction work.

D. A claim for exemption shall be filed with the director on or before September 30th preceding the first tax year for which such exemption is claimed on the form provided by the director, and shall be supported by documentation establishing the date of the issuance of the building permit, the department of public works and environmental management final inspection date, and the director's decision to grant an extension of time to complete construction, if applicable. The claim for exemption, once allowed, shall continue for a period of seven years, provided that in no event shall such exemption be allowed beyond June 30, 2017.

E. The director shall determine the incremental increase in the valuation of buildings primarily attributable to qualifying construction work by subtracting the valuation of buildings on the property, as determined by the real property tax assessment as of the date of the issuance of the building permit for the qualifying construction work, from the valuation of buildings following the completion of qualifying construction work. For purposes of this section, "qualifying construction work" means work to construct new buildings, or to construct additions or renovations to existing buildings, located on land within the Wailuku redevelopment area, as defined in the Maui redevelopment agency's Wailuku redevelopment plan adopted by council resolution no. 00-151.

F. The claimant may request an extension of time of up to one year, but no later than June 30, 2010, to complete construction, provided that a major change in circumstances beyond the control of the claimant has occurred. The claimant shall submit to the director

written justification for an extension by June 29, 2009,
The decision of the director shall be final."

SECTION 2. New material is under scored. In printing this bill, the County Clerk need not include the underscoring.

SECTION 3. This ordinance shall take effect upon its approval.

APPROVED AS TO FORM
AND LEGALITY:



TRACI FUJITA VILLAROSA
First Deputy Corporation Counsel
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