

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

February 19, 2004

Committee
Report No.

04-25

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 January 21, 2003, July 29, 2003, November 4, 2003, December 2, 2003, December 16, 2003, February 2, 2004, and February 5, 2004, makes reference to a Miscellaneous Communication dated May 19, 1999, from the County Clerk, referring the matter relating to reviewing, revising, and establishing real property classifications for use with the new real property tax system.

Your Committee notes that the Miscellaneous Communication was referred to the Council's Governmental Relations and Finance Committee (1999-2000 Council term) at the Council meeting of May 17, 1999 (Committee Report No. 99-81, As Amended).

At its meeting of November 15, 2000, the Governmental Relations and Finance Committee recommended that the Miscellaneous Communication be referred to the Council Chair for the term beginning January 2, 2001, for a recommendation as to referral or other disposition.

At its meeting of January 12, 2001, the former Council referred the Miscellaneous Communication to the former Budget and Finance Committee (County Communication No. 01-19).

At its meeting of December 4, 2001, the former Committee met with the Director of Finance; the Real Property Tax (RPT) Administrator, Department of Finance; and a Deputy Corporation Counsel.

There was no public testimony.

The Director of Finance provided a status report on the County's conversion of the RPT computer system from a Honolulu-based system to a Maui-based system. He stated that the conversion is in the final stages, and that

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the RPT Division is working with the implementation consultant and the vendor of the RPT system to correct problems. He noted that when the system is operational, the County would have the capability of adding new classifications with minor programming.

The Director explained that changes to the classifications might take 12 to 18 months before the new classifications can be implemented. The RPT Division would need to establish zoning criteria, develop benchmarks, and assess the individual properties.

The RPT Administrator reviewed the methodology used in the valuation of real property. He explained that the RPT Division reviews comparable sales within the last year to establish a benchmark value for each neighborhood. This benchmark value is used in the mass appraisal process.

The benchmark values achieved throughout the year are used to establish a fair and equitable valuation for all of the properties within the County. It takes a full calendar year to set up reasonable values for all parcels in the County's nine tax categories, according to the RPT Administrator.

Six of the 18 months would require assistance from the Department of Planning to establish solid land use definitions that would help the appraisers set reasonable values for various types of uses, such as transient vacation rentals, bed and breakfast operations, or other types of uses the Council may want to consider.

The Committee deferred the matter pending further discussion.

By correspondence dated December 14, 2001, the Committee's Chair transmitted copies of the following:

1. Correspondence dated April 12, 1999, from the Department of the Corporation Counsel, relating to the classification of transient vacation rentals for real property tax purposes; and
2. A document entitled "REAL PROPERTY TAX TASK FORCE RECOMMENDATION".

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At its meeting of December 18, 2001, the Committee met with the Director of Finance; the RPT Administrator, Department of Finance; and a Deputy Corporation Counsel.

There was no public testimony.

The Committee discussed the possibility of splitting the Agricultural classification into two classifications. The Ag 1 classification would be for properties in active agricultural use, such as farming or raising of livestock. The Ag 2 classification would be for properties with no agricultural activity. The Ag 2 classification would include gentlemen's estates (homes that are located on agricultural property that are not used for agricultural activities).

The RPT Administrator informed the Committee that the mechanism to recognize the Ag 2 use ("gentlemen farmers") is already in place. The RPT Division examines the landowner's use of the land, and assesses these parcels differently.

Property determined to be Ag 1 qualifies for a preferential, reduced valuation. The agricultural portion of the land is assessed for agricultural use, and the residential portion is assessed according to comparable residential properties. Ag 2 property is valued at the highest and best use, or market value.

The Director of Finance suggested that the Council consider establishing a new zoning classification for gentlemen's estates. The existing Agricultural zoning would be for active agricultural uses. He recognized that this is a time consuming process, but once the zoning classifications and restrictions are reestablished, the RPT Division would be able to rely on the property's zoning rather than make judgment calls on individual properties.

The RPT Administrator reported that he has requested guidance from the Internal Revenue Service (IRS) regarding ways to determine the difference between a legitimate farming pursuit versus a hobby or a gentlemen's estate. The IRS stated they do not have such criteria because agricultural activity is too diverse.

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The Committee deferred the matter pending further discussion.

By correspondence dated January 8, 2002, the Committee's Chair requested that the Director of Finance provide information relating to the criteria that the RPT Division uses for reviewing valuations of real property.

By correspondence dated January 23, 2002, the Director of Finance transmitted the following: (1) a description of the valuation criteria; (2) a description of the valuation process; and (3) a list of short- and long-term improvements that can be made in the RPT classifications.

By correspondence dated May 16, 2002, an anonymous person submitted comments and suggestions relating to RPT classifications, rates, exemptions, and inspections to determine the actual use of the property.

By correspondence dated August 23, 2002, the Committee's Chair requested that the Department of the Corporation Counsel review a draft bill, for form and legality, entitled "A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.465 OF THE MAUI COUNTY CODE RELATING TO REAL PROPERTY TAX EXEMPTIONS FOR TAXPAYERS OVER SIXTY YEARS OF AGE". The purpose of the draft bill is to increase the homeowner exemption for taxpayers over 60 years of age and over 70 years of age by \$10,000, from \$80,000 to \$90,000, and from \$100,000 to \$110,000, respectively (age exemption bill).

By correspondence dated August 28, 2002, the Committee's Chair transmitted a copy of correspondence dated August 28, 2001, from Donna J. Clayton, Chairperson, RPT Review Board, to Shozo Kondo, relating to increasing the age exemption.

By correspondence dated August 29, 2002, the Department of the Corporation Counsel, transmitted a proposed bill, approved as to form and legality, entitled "A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.465 OF THE MAUI COUNTY CODE RELATING TO REAL PROPERTY TAX EXEMPTIONS FOR TAXPAYERS OVER SIXTY YEARS OF AGE".

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At its meeting of September 3, 2002, the Committee met with the Director of Finance; the RPT Administrator, Department of Finance; and a Deputy Corporation Counsel.

The Committee received oral testimony from a member of the public who had served on the RPT Task Force established in 1999. She spoke in support of a total restructuring of the RPT system, with requirements for monitoring and reviewing the system every five years. She stated that it was important to look at the whole system in order to avoid inequities. She encouraged your Committee to close the loopholes that exist regarding the circuit breaker credit, review the use of homeowner exemptions for individuals who are not residents of the County, and begin a review of valuations that considers trends over a period of time.

The Committee proceeded to review the recommendations of the RPT Task Force. The recommendations included capturing lost dollars through enforcement of existing ordinances for transient vacation rentals and gentlemen's estates on agriculturally zoned land; deleting the homeowner exemption that is considered discriminatory against the young and poor residents; retaining the circuit breaker credit exemption; increasing the minimum tax; moving toward one rate; zero-based budgeting for the County; and determining the true cost of government.

The Committee reviewed the age exemption bill and decided to review further areas of the RPT system before making any changes in exemptions.

The Director of Finance indicated that the change in the exemptions would result in an estimated decrease of \$275,000 in RPT revenue. The average savings per household would be approximately \$36. He further stated that the reduction in revenue would need to be made up by the other tax categories.

The Committee expressed concern regarding the homeowner exemption when a homeowner who qualifies for the circuit breaker credit also has an accessory unit on the same property. The accessory unit is currently excluded from the calculation for the circuit breaker credit, whether or not the accessory unit is rented.

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The RPT Administrator explained that the homeowner exemption could only apply to one principal residence. If the property has an accessory unit, it is excluded from the calculation for the circuit breaker credit, whether or not it is rented.

In response to the Committee's questions, the RPT Administrator stated that the RPT Division has examined California's RPT system, and the RPT Task Force reviewed the valuation systems used in the Midwest and the West Coast. He further stated that Hawaii's system is called an ad valorem tax system, based on the valuation of properties as determined by zoning and the property's highest and best use. This system is the most widely used system throughout the nation.

The Committee noted that the market valuation base contributes to the County's bond rating. The County's bond rating is based in part on how revenues will be generated and collected, and the County's ability to make timely payments.

The Committee deferred the matter pending further discussion.

At its meeting of December 3, 2002, the former Council recommended that the Miscellaneous Communication be referred to the Council Chair for the term beginning January 2, 2003, for a recommendation as to referral or other disposition.

At its meeting of January 10, 2003, the Council referred the Miscellaneous Communication to your Budget and Finance Committee (County Communication No. 03-7).

By correspondence dated January 21, February 11, June 17, July 28, July 29, July 30, August 5, August 25, October 19, October 28, November 3, November 5, and November 14, 2003, and February 2 and 3, 2004, your Committee received correspondence from various individuals providing comments on RPT.

At its meeting of January 21, 2003, your Committee met with the Director of Finance; the RPT Administrator, Department of Finance; the Budget Director; and a Deputy Corporation Counsel.

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There was no public testimony.

Your Committee received a copy of the Department of Finance's presentation entitled "County of Maui Real Property Tax Overview". The overview provided information regarding the RPT revenues by community plan districts and RPT classifications, the assessment/valuation process, exemptions and credits, and important dates relating to RPT.

Your Committee requested that the Administration consider the following suggestions to improve the RPT system: (1) review RPT systems, in other municipalities, particularly those with resort area; (2) enhance the circuit breaker credit rather than increase the homeowner exemption; (3) review the Improved Residential classification to minimize speculation; and (4) enforce transient vacation rental regulations and the requirement that the property is the principal place of residence to qualify for the Homeowner classification.

Your Committee deferred the matter pending further discussion.

By correspondence dated July 9, 2003, your Committee's Chair requested that the Department of the Corporation Counsel provide a legal opinion relating to the establishment of two classifications for agricultural lands and whether the County can impose a penalty on the landowner who provides inaccurate or false information regarding the use of the land.

At its meeting of July 29, 2003, your Committee met with the Director of Finance; the RPT Administrator, Department of Finance; and a Deputy Corporation Counsel.

Your Committee notes that areas of concern raised by members of the public have included the following: fairness and equity of the RPT system and classifications; backlog of subdivision valuations; valuations of beachfront property and their negative impact on our long-term residents and families; loopholes and inaccurate claims for homeowner exemptions; problems with the circuit breaker credit program as it relates to using the adjusted gross income versus all disposable income; and lack of enforcement of existing laws.

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Your Committee received oral testimony from eight members of the public who provided insight into individual issues with the RPT system. Four members of the Committee for Equitable Taxation (COMET) related their own situations where their valuations have increased significantly because of multiple sales of neighboring properties. Two testifiers provided insight into the recent change in the application of the circuit breaker credit. One provided a schedule of computations showing the change and its effect on her property, which she believes incorrectly assigns half of her land to the accessory unit. One person recommended the use of tax investment financing for paying for improvements to the infrastructure. One person testified in support of expediting the backlog on mapping subdivisions and closing the loophole for condominium owners who falsely claim the homeowner exemption.

Your Committee received the following items at the meeting:

1. A chart submitted by Buck Joiner, providing a sample of condominium properties that appears to be incorrectly claiming the homeowner exemption.
2. A copy of correspondence dated May 19, 2003, from Glenn M. Azuma to Michael Gagne (submitted by Lance Holter), regarding tax increment financing.
3. A copy of three charts entitled "Real Property Tax Suggested Revisions"; "Real Property Tax Relief Programs, Homeowner Exemptions/Credits"; and "Real Property Tax Relief Programs, Business Exemptions/Credits".
4. Written testimony from Thomas A. Bodden.

Your Committee received comments from four community resource personnel representing various perspectives on the RPT system. The participants were: Lynne Woods, former member of the RPT Task Force; Gladys Baisa, Maui Economic Opportunity, Incorporated (MEO); Mac Lawson, Maui Board of Realtors; and Ezekiel Kalua, West Maui Taxpayers Association.

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Ms. Woods informed your Committee that she felt the recommendations by the RPT Task Force were good and would address some of the revenue issues for the County. She stated that there were two areas that she felt your Committee and the Administration needed to focus on: agriculturally-zoned land (true agriculture versus residential agriculture), and transient vacation rentals. She further stated that regulations must be tougher on transient vacation rentals and bed and breakfast operations. She believes that in residential areas, these operations disturb and bother neighbors; in agricultural and rural areas, they do not pay their fair share of the tax burden.

Ms. Baisa shared that the County needs to capture all the revenue available to it and that the Administration may need to spend money to do that. She emphasized consideration of the following: (1) a homeowner's ability to pay; (2) implementing the circuit breaker credit in the simple manner in which it was designed; and (3) the demographics of an aging population. She believes young families are suffering, and if a 90-year-old has the ability to pay, he/she should. Ms. Baisa concluded that the Administration must enforce the existing laws and provide solid numbers so that your Committee can make sound decisions.

Mr. Lowson stated that the recommendations of the RPT Task Force focused on making sure the County received all taxes owed. Categories that are wrong must be corrected. The Task Force's recommendations included the following: (1) allow transient vacation rentals in Apartment-zoned property since it is happening illegally; (2) encourage non-residents to build million dollar homes because they help the County to maintain the lowest tax rates in the State while requiring only a small proportionate share of services due to their non-resident status; (3) encourage agricultural subdivisions on marginal land, taxed at the residential rate; and (4) increase the minimum tax.

Mr. Kalua supported comments made by the participants and requested that your Committee bring relief to the long-term residents who are experiencing large increases in property valuations.

Rather than making it more difficult to administer, the Director of Finance stated that the Administration is looking to simplify the RPT system, while preserving the integrity of the system and making it fair and equitable to all.

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In response to your Committee's questions, the Director of Finance provided an update on the backlog of the mapping of new subdivisions. He stated that the City and County of Honolulu is assisting in resolving the backlog, and the work will be completed by the end of the year.

Your Committee expressed concerns that in order to avoid a revenue loss, the Administration needs to complete the mapping project as soon as possible and continue training County personnel to assume the tasks performed by the City and County of Honolulu. Your Committee suggested that the RPT Division work with the Department of Personnel Services to consider a reclassification of the mapping position if the RPT Division continues to have difficulty in finding qualified candidates for the position.

Your Committee expressed additional concerns that the reorganization of the RPT Division, which has been in process for over two years, needs to be completed before your Committee would consider increases in equivalent personnel.

The RPT Administrator informed your Committee that the new RPT system is operational and that the RPT Division is working with the vendor and consultant to resolve minor issues.

Your Committee deferred the matter pending further discussion.

By correspondence dated August 6, 2003, the Department of the Corporation Counsel provided legal advice relating to establishing two classifications for Agricultural lands and whether the County can impose a penalty on the landowner who provides false information on land use.

At its meeting of November 4, 2003, your Committee met with the Director of Finance; the RPT Administrator, Department of Finance; a Deputy Corporation Counsel; and Bruce Erfer, member of the RPT Review Board and former Director of Planning and Institutional Data Analysis for the University of California, Santa Cruz.

Your Committee received oral testimony from 17 members of the public. Eleven people expressed concern about escalating property values; three people

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testified that enforcement of current RPT laws needs improvement; two people testified that the age exemption should be repealed; and one person testified that the application of the circuit breaker credit and the appeal process must be revised.

Your Committee also received written testimony from three people questioning the fairness of the RPT system.

Your Committee reiterated that the RPT is considered an ad valorem tax based on property value to fund County services. Your Committee further stated that members of the public have raised numerous concerns about the RPT system in regards to enforcement, exemptions, fairness and communication with taxpayers.

Your Committee reviewed a matrix of suggested RPT revisions proposed thus far.

The Director of Finance stated that the RPT system needs improvement, but he believes that it is not broken beyond repair. He urged your Committee to consider the burden that would be placed on the understaffed RPT Division before any legislation moves forward.

Mr. Erfer explained that: (1) the lower homeowner rate provides greater benefit to people with higher valued homes; (2) the requirements for the Homeowner classification should be improved; (3) the age exemption should be repealed; (4) the definition of income under the circuit breaker credit should be improved; (5) RPT records should be updated on a more timely basis to reflect property sales; and (6) there should be better communication with taxpayers.

Your Committee expressed concern about the enforcement of the Homeowner classification and circuit breaker credit.

Your Committee deferred the matter pending further discussion.

By correspondence dated November 13, 2003, your Committee's Chair requested that the Director of Finance provide the following: (1) a response to correspondence from Mary Murphy regarding the circuit breaker credit;

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(2) comments on correspondence from Mr. Erfer regarding improvements to the RPT system; and (3) computations using Fiscal Year (FY) 2004 RPT information relating to the Homeowner classification.

By correspondence dated November 24, 2003, your Committee's Chair transmitted the following:

1. A draft bill entitled "A BILL FOR AN ORDINANCE RELATING TO THE REAL PROPERTY TAX HOME EXEMPTION". The purpose of the draft bill is to increase the amount of the homeowner exemption from _____ to _____ and to repeal the age exemption.
2. A draft bill entitled "A BILL FOR AN ORDINANCE RELATING TO REAL PROPERTY TAX CIRCUIT BREAKER CREDIT". The purpose of the draft bill is to add a definition for "disposable income" and to authorize appeals of decisions by the Director of Finance relating to the circuit breaker credit.

By correspondence dated November 28, 2003, the Director of Finance replied that the RPT Division was correct in the application of the circuit breaker credit and disagrees with some of the suggestions made by Mr. Erfer to improve the RPT system.

At its meeting of December 2, 2003, your Committee met with the Director of Finance, the RPT Administrator and the Valuation Analyst from the Department of Finance, and a Deputy Corporation Counsel.

Your Committee received oral testimony from 16 people. Twelve people testified in general support of a property valuation system based on purchase price, similar to California's Proposition 13; two people testified that the circuit breaker credit should be applied to the entire homeowner parcel; one person supported the repeal of the age exemption and more taxpayer education; and one person supported providing relief through more RPT categories.

Your Committee also received written testimony from five people, of which two supported restructuring the RPT system; one supported expanding the definition of "income" for the circuit breaker credit, repealing the age exemption

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and establishing a public education campaign; one suggested the creation of new RPT categories; and one provided suggestions to improve the RPT Division's Condominium/Apartment reclassification project questionnaire.

The Director of Finance provided an update of the RPT Division's efforts to enforce the homeowner exemption and circuit breaker credit. He stated that the RPT Division is reviewing what the City and County of Honolulu has done to restrict their homeowner exemption, and they are working with the State in an effort to share tax information.

Your Committee raised concerns regarding the enforcement of the Homeowner classification and requested that the Director of Finance consider the filing of a State of Hawaii Individual Income Tax Return - Resident (Form N-11 or N-12) as a possible requirement.

The Director of Finance provided your Committee with the preliminary results from the RPT Division's Condominium/Apartment reclassification project. The Department sent 19,724 questionnaires to condominium owners requesting that they declare the actual use of their property for proper classification. To date, 55 percent have responded, resulting in a \$180,000 increase in RPT revenues.

Your Committee raised concerns about proper notification of the property owner, and provided suggestions to improve the notification process by working with homeowner associations and condominium management companies.

Your Committee's Chair distributed a schedule of four scenarios to provide homeowner benefits in the exemption rather than in the rate. The scenarios were based on the recommendations provided by Mr. Erfer.

Your Committee engaged in lengthy deliberations regarding the effect of these scenarios on various types of homeowners.

Your Committee deferred consideration of the matter pending further discussion.

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By correspondence dated December 10, 2003, your Committee's Chair requested that the Director of Finance provide the following: (1) recommendations to improve the definition and enforcement of the Homeowner classification; (2) recommendations to improve the notification, enforcement and appeal process as they relate to the circuit breaker credit; and (3) computations using FY 2004 RPT information showing the effect of rolling back the homeowner's FY 2004 valuations to FY 2000 valuations.

By correspondence dated December 15, 2003, the Director of Finance responded that the RPT Division is reviewing the homeowner exemption requirements for the City and County of Honolulu for possible integration into the Maui County Code. The Director stated that the RPT Division should be empowered to request certified tax returns from homeowner applicants on a random basis, and that approximately \$4,099,990 in lost revenue is expected if homeowner valuations were rolled back to FY 2000 levels.

At its meeting of December 16 2003, the Committee met with the Director of Finance; the RPT Administrator, Department of Finance; and a Deputy Corporation Counsel.

Your Committee received oral testimony from eight people. Six people testified in general support of a freeze in RPT and a move towards a property valuation system based on purchase price, similar to California's Proposition 13; one person testified that the circuit breaker credit should be applied to the entire homeowner parcel; and one expressed concerns about residential rentals on agricultural property.

Your Committee also received written testimony from two people in support of restructuring the RPT system.

Your Committee engaged in lengthy deliberations regarding the legal and policy issues involved in changing the application of the circuit breaker credit that excluded additional dwellings and 50 percent of the land from the calculation of the credit. Ultimately, your Committee concluded that it was important to understand the legislative history of the circuit breaker credit and requested further research on the matter.

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Your Committee noted that any change in the RPT system needs to carefully consider the rising cost of providing County services, the ability of the RPT Division to implement these changes, and the overall effect on our community.

Your Committee requested assistance from the Director of Finance to develop various models for RPT relief.

Your Committee deferred the matter pending further discussion.

By correspondence dated January 30, 2004, your Committee's Chair transmitted a report entitled "THE LEGISLATIVE HISTORY OF THE CIRCUIT BREAKER CREDIT" and a schedule comparing the County's circuit breaker credit and the City and County of Honolulu's RPT credit for low-income, elderly households.

At its meeting of February 3, 2003, the Committee met with the Director of Finance, the RPT Administrator and the Valuation Analyst from the Department of Finance, and the First Deputy Corporation Counsel.

Your Committee received oral testimony from seven people. Five people testified in general support of a freeze in RPT and a move towards a property valuation system based on purchase price, similar to California's Proposition 13; one person testified that the circuit breaker credit should be applied to the entire homeowner parcel; and one expressed concerns about residential rentals on agricultural property.

Your Committee also received written testimony as follows: one in support of a property valuation system based on purchase price, similar to California's Proposition 13, and of restructuring the RPT system; three requesting immediate RPT relief for homeowners, and two requesting RPT relief for long-time residents.

Your Committee received a document entitled "Real Property Valuation, A Presentation by the County of Maui, Department of Finance" from the Department of Finance. The Director of Finance explained the method in which the County determines the fair market value of all taxable real property. The

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Director stated that the RPT Division does not have the resources to assess each property individually and must rely on a system of mass appraisal. He reiterated that it is a system that is widely used throughout the country. The Valuation Analyst stated that for property sales in FY 2003, the fair market value established by the Department was 96 percent of the sales price. The Director asserted that property valuations are done uniformly, equitably, and in accordance with national standards and the Maui County Code.

Your Committee expressed concerns that the current RPT system does not protect the long-time resident in times of rapid appreciation in property values.

Your Committee expressed concern that the Department has not provided more information regarding the use of sales price as a basis of valuation or suggestions on how to protect long-time residents.

Your Committee asked the Director whether the Administration believes that a problem with the RPT system exists and that these problems need to be addressed. The Director stated that he was not prepared to provide the Administration's position, but that improvements can always be made in areas such as the circuit breaker credit and the Homeowner classification.

Your Committee received a copy of a correspondence dated January 9, 2004, from the RPT Administrator showing that since FY 1997, the number of homeowners that qualified for the circuit breaker credit has been steadily decreasing.

Your Committee expressed concern about the significant decrease and suggested that the Director increase efforts to inform the public about the circuit breaker credit.

Your Committee received a matrix of RPT models entitled "BUDGET AND FINANCE COMMITTEE REAL PROPERTY TAX MODELS" prepared by your Committee's staff, and engaged in a lengthy discussion on various methods of providing short-term RPT relief for homeowners.

Your Committee recessed its meeting to February 5, 2004.

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At its reconvened meeting of February 5, 2004, your Committee met with the Director of Finance, the RPT Administrator and the Valuation Analyst from the Department of Finance, and the First Deputy Corporation Counsel.

Your Committee noted that in the upcoming FY 2005 Budget, the County faces an estimated 7- to 13-million-dollar increase in required funding for employee raises and increased contributions to the Employee Retirement System and the Health Fund. Your Committee also noted that a cap on RPT revenues would probably have a negative effect on the County's bond rating and increase the cost of borrowing.

Your Committee questioned whether there will be an increase in RPT revenue if the County moved towards a purchase price system of valuation. The Director stated that on an average, there would be no significant increase in revenue because the properties that are purchased at above fair market value would be offset by properties that are purchased below fair market value.

Your Committee noted that past Councils have tried to maintain a balance between providing for the services the community needs against the amount taxpayers are willing to pay.

Your Committee engaged in a review of the RPT models outlined in a document entitled "BUDGET AND FINANCE COMMITTEE REAL PROPERTY TAX MODELS".

Your Committee received a schedule entitled "REAL PROPERTY TAX RELIEF EXEMPTION VS RATE" prepared by your Committee's staff.

Your Committee requested that the Department of Finance estimate the number of homeowners with property values in excess of \$750,000. Your Committee also requested that the Department of the Corporation Counsel research whether the County has the ability to separate timeshare properties from the Hotel classification and assign such properties a different RPT rate.

Your Committee noted that increasing the homeowner exemption provides equal RPT relief to all homeowners regardless of property value. Your

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Committee also noted that providing RPT relief by lowering the homeowner rate is regressive in nature because it favors properties with higher assessed values.

Your Committee noted that providing an increase in the homeowner exemption is a short-term measure to provide relief from appreciating property values. Your Committee also noted that it will continue its efforts towards long-term RPT relief.

Your Committee requested that the Department of the Corporation Counsel revise the draft bill to increase the homeowner exemption by \$30,000, from \$50,000 to \$80,000, and delete the section repealing the age exemption.

Your Committee voted to recommend passage on first reading of the draft bill entitled "A BILL FOR AN ORDINANCE RELATING TO THE REAL PROPERTY TAX HOME EXEMPTION", as revised.

Your Committee deferred the matter pending further discussion.

Your Committee is in receipt of a revised proposed bill entitled "A BILL FOR AN ORDINANCE RELATING TO THE REAL PROPERTY TAX HOME EXEMPTION", approved as to form and legality, incorporating your Committee's recommendations.

Your Budget and Finance Committee RECOMMENDS that Bill No. _____ (2004), attached hereto, entitled "A BILL FOR AN ORDINANCE RELATING TO THE REAL PROPERTY TAX HOME EXEMPTION", be PASSED ON FIRST READING and be ORDERED TO PRINT.

Adoption of this report is respectfully requested.

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G. RIKI HOKAMA **Chair**

DANNY A. MATEO **Member**

ALAN M. ARAKAWA **Member**

MICHAEL J. MOLINA **Member**

ROBERT CARROLL **Member**

WAYNE K. NISHIKI **Member**

JO ANNE JOHNSON **Member**

CHARMAINE TAVARES **Member**

DAIN P. KANE **Member**