COUNCIL MEETING

AUGUST 9, 2023

The Council Meeting of the Council of the County of Kaua'i was called to order by Council Chair Mel Rapozo at the Council Chambers, 4396 Rice Street, Suite 201, Līhu'e, Kaua'i, on Wednesday, August 9, 2023, at 8:44 a.m., after which the following Members answered the call of the roll:

Honorable Addison Bulosan
Honorable Bernard P. Carvalho, Jr.
Honorable Felicia Cowden
Honorable Bill DeCosta
Honorable Ross Kagawa *(Excused at 3:02 p.m.)*
Honorable KipuKai Kuali'i
Honorable Mel Rapozo

APPROVAL OF AGENDA.

Councilmember Cowden moved for approval of the agenda, as circulated, seconded by Councilmember Carvalho.

There being no one present to provide testimony, the meeting proceeded as follows:

The motion for approval of the agenda, as circulated, was then put, and unanimously carried.

Council Chair Rapozo: Motion carried. Next item, please.

MINUTES of the following meeting of the Council:

June 28, 2023 Council Meeting

Councilmember Kuali'i moved to approve the Minutes, as circulated, seconded by Councilmember Cowden.

There being no one present to provide testimony, the meeting proceeded as follows:

The motion to approve the Minutes, as circulated, was then put, and unanimously carried.

Council Chair Rapozo: The motion carries. Clerk, can you read the next item?

CONSENT CALENDAR:

C 2023-171 Communication (07/13/2023) from Hugo D. Cabrera, Deputy County Attorney, transmitting for Council information, the Quarterly Report on Settled Claims filed against the County of Kaua'i from April 1, 2023 through June 30, 2023.

Councilmember Kuali'i moved to receive C 2023-171 for the record, seconded by Councilmember Carvalho.

Council Chair Rapozo: Is there any discussion or public testimony?

There being no one present to provide testimony, the meeting proceeded as follows:

The motion to receive C 2023-171 for the record was then put, and unanimously carried.

Council Chair Rapozo: Motion carried. Next item, please.

COMMUNICATIONS:

C 2023-172 Communication (07/18/2023) from Council Chair, requesting the presence of Ed Sniffen, Director of the State of Hawai'i Department of Transportation, Highways Division, to provide an update on pending projects relating to the following:

- Wailua/Kapa'a traffic issues and what is being done to address the growing traffic problem in the Wailua/Kapa'a corridor;
- Tree trimming islandwide; and
- The status of repair work to Port Allen Pier and Port Allen Small Boat Harbor, including the weaknesses/vulnerabilities of the pier and future plans to allow barge service to the pier.

Councilmember Kuali'i moved to receive C 2023-172 for the record.

Council Chair Rapozo: As I stated before the meeting started, the Department of Transportation (DOT), because of the fires in Maui have deployed many of their people over there, so they are not able to be present today. We are going to be deferring this.

Councilmember Kuali'i removed the motion to receive C 2023-172 for the record.

Councilmember Kuali'i moved to defer C 2023-172, and failed for a lack of a second.

Council Chair Rapozo: Is there any discussion? Go ahead.

Councilmember Kagawa: I want to thank Christiane for scheduling Ed Sniffen to come to Kaua'i. He is a really nice guy, he came a few years ago telling the Council about the improvements that were planned for the Kapa'a traffic. Basically, I think what they were trying to do was trying to turn Kapa'a traffic into permanent contraflow both ways, two (2) lanes as much as possible on each side to get traffic to flow, as much as possible without having the need to have contraflow going on. The contraflow has been going on for a long time. Everyone asks, "Why would we spend so much money on contraflow and not do the improvements," but I guess we are finally getting there and we will see how effective it is when completed. The other thing that we have is the timing of DOT's work. If you listen to the radio, KONG FM 93.5 will announce to the public when there is a real problem going on, like people are backed up, they are missing appointments, they are late to school or what have you...

Council Chair Rapozo: Hold on. Right now, we are having a technical issue, we do not have the captions. We are going to have to take a recess. I am sorry about that.

There being no objections, the meeting recessed at 8:39 a.m. due to technical issues.

The meeting was called back to order at 8:44 a.m., and proceeded as follows:

Council Chair Rapozo: Councilmember Kagawa, you had the floor.

Councilmember Kagawa: The other problem I had said was the timing of the traffic improvements that the State does periodically, trimming trees, cutting buffalo grass, etcetera, and for the public, they ask, "Why are they doing it now, do it at night or on the weekend; why do it when people are going to work and trying to get to school to pick their children up?" There is a lot of traffic on the eastside and the Westside, there really is no good time, but when you are doing these cleanings or cutting trees, and it limits to one-lane traffic, you are going to have some major problems. For the public, it seems to be occurring too often. Some of the things and solutions I am hearing when they are trimming trees is instead of trimming branches, just cut the entire tree down, especially if they are invasive trees like Albizia. Why not just cut it down instead of trimming the top, because in one (1) month, the branch will hang over the road again. Those types of questions can be asked. We are not like O'ahu or other islands that when the highway shut down, they have multiple ways to get around. We only have one (1) lane in and out. Some of the Councilmembers have talked about trying to open access roads during those times, but I think the State frowns upon going through that process. What are some ways that we can improve these things. One of the concerns I have is the Puhi traffic light in the afternoon, and why does that light always back up every afternoon as you head west? Are there timing devices to make sure that the green...to get back to Waimea stays on as long as possible? Are they censors or is it just normal timing? How can the State step up its game so that we can alleviate as much as possible? There are many engineering, new technology that can be used, and those are some of the questions that can be asked. All we want is for them to put their best effort to try and make the lives of people on Kaua'i the best that it can possibly be. Those are some of the concerns that I had. Regarding the Port Allen Pier, it is my understanding that it is almost one hundred (100) years old. There are major problems with footings of the pier, but for the use that they have with the military using it a little bit, and they have tour boats using it, it is sufficient. They do not need to do the improvements to continue those use. But should they want to expand so that we can get barge service or what have you to be done, there are significant improvements that need to be done to the footings and the pier structure itself, including possibly expanding. My question for the state or the Harbors is, at what point do we say, "Exporting of agriculture products is something we want for Kaua'i for sustainability, to get off tourism"? If you are asking Westside agriculture businesses to export and they must drive numerous trucks to Nāwiliwili and try to make a profit there, I do not know if that is possible. Our trucking businesses are so tied up doing imports. There are many goods coming to Kaua'i, and Young Brothers does not seem too interested in getting goods off Kaua'i. All they are looking at is profit. If I was a profit-making company, maybe I would think the same way, but I am not. I am thinking how we get off tourism. If we do not make things easier for our agricultural companies to make a profit, like having Port Allen available for them to export goods off Kaua'i, so we can become the "onion" capital of Hawai'i and take over Maui's popularity in that—those are some of the things, but they cannot do it if they cannot get those goods out. Kaua'i Commercial's trucking business is for-profit. If they have tons of business, getting goods off Young Brothers and taking them to Costco's and what have you, they are going to do that. Rather than drive their truck all the way to Kaumakani and bring that truck through traffic through Young Brothers window; 11:00 a.m. to 2:00 p.m., twice per week. Honolulu's window is eight (8) hours. On Kaua'i, our window is two (2) to three (3) hours. Unbelievable. We must change the thinking. Young Brothers is under the Public Utility Commission. They are state regulated, monopoly. Why do we not make sure the state is making sure that Young Brothers are taking care of our island's needs, sustainability. Those types of issues. If you do not do that, why would businesses that plan to export even think about doing it, other than an area close to the Līhu'e at. We need options and then we will have success and invocation, and getting off tourism. Those are some of my concerns and is what I wanted to bring up to Mr. Sniffen, and ask "Where are we going?" Do we just think that Nāwiliwili is fine? We used to have barge service at Port Allen way back when we were exporting sugar. Why are we closed off now to those times when agriculture is a sustainable business for this island? I just hope that we can have some movement and say, "Let us take a closer look at Port Allen and its viability and its meaning for the Westside heading to the future." I am a Westside boy, like Councilmember DeCosta, and I hope that the Westside can be more sustainable and not so relied on tourism. Thank you.

Council Chair Rapozo: Councilmember Cowden.

Councilmember Cowden: I want to thank you, Council Chair Rapozo, for putting this on the agenda. Thank you, Councilmember Kagawa for bringing up good points, particularly on the Westside. Can we have a bullet point when they come back that is north of Kapa'a as well? Like we have half hour, rush hour traffic in Hanalei, which sometimes Waimea can almost be as bad. Are we going to be able to ask questions beyond these bullet points when they are here?

Council Chair Rapozo: I think they are going to do an overall briefing, I believe, and we can definitely ask.

Councilmember Cowden: Okay.

Council Chair Rapozo: Go ahead.

Councilmember DeCosta: A very minor communication on my behalf, I did a little homework. First of all, addressing the traffic. It is as bad on the Westside as it is on the east. I am the only one here that drives from the Westside in. Councilmember Cowden and I had a meeting with the Department of Education and we told them, "Can we look at the number of vehicles that are coming from the tree tunnel, Kōloa, Kalāheo, coming to the east with their children to school, Chiefess Kamakahelei Middle School, King Kaumuali'i Elementary School, Kaua'i High School?" They responded that the County had more workers coming from the west to work in Līhu'e than we have parents driving their children to school. We have districts now that are zoned that their children need to attend their geographic area, so if they are from Kalāheo, they are supposed to attend Waimea Canyon/Waimea High School. If they live in Kōloa, they are able to attend Kaua'i High School. The point I am trying to make is that I drive in that traffic every day. In the summertime our County workers are not home, they do not have summers off, they come to work. When I leave my house at 7:00 a.m. there is no traffic. Funny the last two (2) mornings that I drove to work in Kapa'a, because I work at Kapa'a High School, there is a lot of traffic right now when the school is in session. The school is a problem. We cannot tell our parents to not drive their children into certain schools, but we have to look at that—the State and the County have to work together to make things better, a better quality of life on Kaua'i.

Another point I would like to make is, why is tree trimming going on during the day? It is a hazardous...they put the lights on at night, it is dangerous. Councilmember Kagawa has an excellent point, cut those Albizia trees one time. It takes a few hours to trim a branch, can you imagine if you lay a big tree down, it is going to take multiple hours, but that tree will not grow back in the next month. He has a really good point. The last point I want to make is a lot of our state highways are taking the low bidders when it comes to trimming trees and they are able to bid low because they are not using police to direct traffic. They are using people that do not have experience in traffic, they wear orange vest, hold a cellphone, and they are calling traffic when they need to with their stop sign, and then they are not. I have sat in that line honking my horn and they are looking at their phone the cars should be going, so that is a big problem, our police officers are the ones that should be directing traffic, because they have the experience, but these tree trimmers are not using them because the elevated cost of their job bid. They use people who are not trained in traffic control, they are the ones directing traffic, they get the low bid, the State uses them, and we have problems. I spoke directly to Larry Dill and he told me that is a problem. I am glad Councilmember Kagawa addressed the harbors. If we really want to become self-sufficient, we must grow our own food and export our own food. If we do not do that, we are going to be tourism inclined. I am a little worried when we displace the tour companies. I do not care about the tour companies in Port Allen, but if we displace them, they cannot go to the small boat harbor in Kekaha. That is not a commercial boat harbor. That is a residential boat harbor. If we are going to make Port Allen a commercial pier to help our farming industry, which I totally support, then those boat industry people have to be displaced, and I do not want to see them go down to Kikiaola Small Boat Harbor, because we have too many of them there right now. It is barely manageable. If we displace them, where do they go? That is just my *mana'o* for the day.

Council Chair Rapozo: Is there further discussion? Is there any public testimony?

There being no objections, the rules were suspended to take public testimony.

LONNIE SYKOS: For the record, Lonnie Sykos. I want to thank the Council for inviting the State DOT to come here and we all understand why they are not here, fires on Maui. I would like for you to add to your bullet items, the bridge in Kapa'a. The bridge that they are doing the construction right now. I had a background in maritime, I am very familiar with moving ships inside of harbors. I am very familiar, because I was taught by Harbor Pilots how to look at the water flow from rivers and predict what it is going to do to the movement of vessels. Historically, at that river mouth, there was a sandbar that came and went on the left side of the channel, the north side of the channel. I moved here in 2003 and about ninety percent (90%) of the river was open to the ocean. Today, at least a third of the river, and it is the northside of it, is completely blocked by rubble, sand, gravel, and now this big incident with lumber coming down, that was buried in it, it is waterlogged. The next time we have a significant rain event up the mountain, all the rubble blocked by the bridge uprights, is not moving downstream, it is just putting pressure on the pilots. Because the State Highways do not have *kuleana* over the rivers, State Harbors needs to...while they have all the equipment there, they need to use those cranes and pull all of the debris and remove it, so that the river can flow. Right now, if you go there at low tide, you can clearly see that the direction of the river is pointed into the bank on the right side and there is a huge sandbar that is developed that never used to be there, and so the river flows is not going out the channel, it is bouncing off the side, and so the relief for this is to dredge the river mouth. The rest of the issues, the traffic on the Westside is horrible, I drive out there twice a week. It is not horrible for me going that way, but for the people coming to Līhu'e, it is just bumper to bumper. I worked on interisland tugboats when...

Council Chair Rapozo: Hold on, Lonnie. Is there anyone wishing to testify? I am sorry, Lonnie, you are going to have to come back.

Mr. Sykos: Thank you. I worked on interisland...

Council Chair Rapozo: No, no...we have another speaker, you can come back on round two.

BRUCE HART: Good morning. For the record, Bruce Hart. I looked forward to Mr. Sniffen coming because no one has mentioned, in fact it does not seem to be discussed much that they have completed the other lanes coming out of the bypass and going down Haleilio Road and then going down to Kuamoo Road. From my perspective it helps. I have gone into Kapa'a and I am getting to that point where I am saying, "Wow, I can go into Kapa'a, and I am going to be able to get out of here within a decent amount of time." Often, we are quick to criticize. I think it is important to say to the State, "Thank you for completing that." I look forward to what

Councilmember Kagawa was talking about, two (2) lanes going in both directions. Thank you.

Council Chair Rapozo: Is there anyone else wishing to testify? If not, Mr. Sykos, did you want to come back?

Mr. Sykos: For the record, Lonnie Sykos. The Highways Division is not going to have a whole lot to say about the infrastructure at Port Allen. I used to work for Sause Brothers and we brought Matson barges in which were ballasted with sugar, and so that was the primary reason why we were there was to load molasses, but we also moved containers. At the time, that was the most fragile pier in the islands, and so if you touched it with the barge, when you dock a barge, you do not "bang up" against the pier. A perfectly dock to barge is about twelve inches off the pier. You never touched the pier. You touched the pier, this is in dollars back then, fifty thousand dollars ($50,000), one hundred thousand dollars ($100,000) from just barely touching the old piers, because the steel is small, there is pressure against the concrete, and the concrete just explodes. I docked a fuel barge in Kahului and using a stringline to pull the barge in, the steel thing you put the eye of the line around broke cannonballed out into the middle of the harbor. Months later my boss tells me I costed Hawaiian Tug & Barge sixty thousand dollars ($60,000), which was the cost to replace the bollard. That pier is not strong enough to conduct that type of activity and so we need federal money, like one hundred million dollars ($100,000,000), which will give you strengthening of the face. You will probably be looking at three hundred million dollars ($300,000,000) to five hundred million dollars ($500,000,000)—I have no idea. This will be hugely expensive. You will go and cut through the existing pier, so that you can pour new columns, and then once you pour new columns, then you use the existing pier as a form, and pour a new pier on top of it. That is what they did in Honolulu Harbor. That is probably the best way to do it and it allows you to elevate the pier because of global sea level rise, but this is huge money. The State DOT does not have the money to fix the pier anywhere, it is all federal money.

Council Chair Rapozo: Thank you. Mr. Hart.

Mr. Hart: For the record, Bruce Hart. Mr. Sykos testimony reminded me of something. What Councilmember Kagawa was saying about Young Brothers, and I do not how many of you will remember, but when President Trump was first elected there was talk about how back in World War II maritime law was put into place that forbid any type of foreign carrier. There were going to overturn that, and then it fell through the cracks, but we have a lack of competition regarding shipping. I do not know how Councilmembers feel about it, I have not researched it enough to really make a decision. I just remember and wanted to bring that forward. Thank you.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: For constructed information, it is called the Jones Act.

Mr. Hart: Yes, that is it.

Council Chair Rapozo: Are there further members from the public wishing to testify?

There being no further public testimony, the meeting was called back to order, and proceeded as follows:

Council Chair Rapozo: Councilmember Kagawa.

Councilmember Kagawa: I would like to clarify. My "gripe" is not with the Young Brothers workers, a lot of them are my friends, it is the management's decisions to focus solely on profit when they are regulated by the State, I find that troubling for me. Thank you.

Council Chair Rapozo: Is there anyone else? With that, the reason I put this on the agenda is because we get most of the calls. I can speak for the rest of the Councilmembers, I believe that when people get stuck in traffic and they miss flights, doctor appointments, it is crazy. I will say, and I am sure people will disagree but as Councilmember DeCosta mentioned, I believe the Westside traffic is worse than the Kapa'a traffic, even before the improvements. The Westside traffic does not move, it truly crawls, and if you are heading out in the afternoon or coming in the morning, it is crazy. The reason I put this item on the agenda was so that the public can hear from the State Department of Transportation and not from councilmembers who is trying to answer questions that we may not have the answers to. After hearing Councilmember Cowden's request and members from the community, originally the intent was to defer, but Clerk, I would suggest that we receive this item and we repost this item when we set the meeting date with DOT, and I would like to change the first bullet point to say, "to address the growing traffic problems on the island of Kaua'i," that it is not limited to Wailua/Kapa'a. A lot of the questions I have is for the Westside, believe it or not. I live in Wailua, I do not go to Kapa'a unless I have to, because it just sucks, but now as I am going to the Westside more often, that sucks more, and there is no alternative route. You got one-way out and one-way in. Everyone is trying to take shortcuts through the Kaua'i Community College (KCC) or Kīpū road and causing a bigger problem, and there is no alternative. To my knowledge the State does not have a plan for the Westside. I want them to tell the community. The skin is thick, but it is still rough sometimes. Clerk, if we could do that...

Councilmember Kuali'i: Chair, may I?

Council Chair Rapozo: Go ahead.

Councilmember Kuali'i: Typically, if we can send them questions ahead of time, some members might have very specific questions, at least they will be able to prepare in advance and come with better answers as opposed to us thinking of questions. So, maybe if you are receiving it, it will allow us time, maybe by the end of the day today to send any additional questions we might have to send in advance.

Council Chair Rapozo: Yes. Councilmember Carvalho.

Councilmember Carvalho: Just to clarify, this is not specific to the Wailua/Kapa'a area, you are going to open up everything.

Council Chair Rapozo: Yes.

Councilmember Carvalho: I think it is good. Because there is a lot of same situations but different issues. I just wanted to clarify that.

Council Chair Rapozo: Is there further discussion?

Councilmember Kuali'i to receive C 2023-172 for the record, seconded by Councilmember Carvalho, and unanimously carried.

Council Chair Rapozo: Next item, please.

C 2023-173 Communication (07/21/2023) from the Boards & Commissions Administrator, requesting Council approval to accept roundtrip airfare accommodations for three (3), estimated in value to be approximately $405.00, for two (2) members of the Board of Ethics and one (1) staff person to attend the one-day, statewide ethics conference which will be held on September 1, 2023.

Councilmember Kuali'i moved to approve C 2023-173, seconded by Councilmember DeCosta.

Council Chair Rapozo: Is there any discussion or public testimony?

There being no one present to provide testimony, the meeting proceeded as follows:

The motion to approve C 2023-173 was then put, and unanimously carried.

Council Chair Rapozo: Motion carried. Next item, please.

C 2023-174 Communication (07/24/2023) from the Director of Finance, requesting Council approval of the acceptance of legal terms and conditions from System Innovators E-Commerce Online Payment Portal – Orbipay & Alacriti.

Councilmember Kuali'i moved to approve C 2023-174, seconded by Councilmember Carvalho.

Councilmember Cowden: I have a very simple question.

Council Chair Rapozo: Can we have the Department of Finance up, please?

There being no objections, the rules were suspended.

REIKO MATSUYAMA, Managing Director: Good morning.

Councilmember Cowden: Good morning. Can you give us a very brief overview. I am sure it is fine, but I would like to know if this is something new, what is it, and so not only for myself, but the public understands what System Innovators E-Commerce Online Payment Portal is. Is it recurring or is it fresh?

Ms. Matsuyama: Reiko Matsuyama. System Innovators is a vendor that we currently use for our cashiering system. They do any deposits that come into the County, we enter it into this cashiering system. System Innovators has recently launched this new online payment portal, so that we can offer certain payments to be done online, as well as over the counter. They are going to be starting with the Real Property Division and sewer payments, which we already have online, but they can offer it at a lower cost to our citizens, and it will be integrated with the software that we already have, so it will reduce the workload on our side, administratively.

Councilmember Cowden: That is good. And then there is usually the citizen pays the banking, the merchant fee, so is it reducing that merchant fee?

Ms. Matsuyama: Yes. Even with the current vendor that we have now, there is a fee for credit cards and there is a flat fee for e-checks. That flat fee for e-checks is going to be lower than what we currently offer with the other vendor. I am not sure about the percentage for the credit cards, but I think they are comparable.

Councilmember Cowden: Okay. So, it is largely invisible to the community, but it certainly helps us as we are seeing that we are understaffed in just about every way we are going, whatever way we can, simplify it and make it faster and more direct is good, and it keeps the books, as we are doing it.

Ms. Matsuyama: We are hoping we can expand it to more than just Real Property and sewer payments, so hopefully soon.

Council Chair Rapozo: Okay. Thank you. Are there any further questions for the Department of Finance? We will take this opportunity to congratulate you as the new Managing Director for the County.

Ms. Matsuyama: Thank you.

Council Chair Rapozo: I assume you will be wearing two (2) hats for now.

Ms. Matsuyama: A couple of hats. I am still here.

Council Chair Rapozo: Thank you.

Councilmember DeCosta: I want to make a comment because I was not able to go Monday, I did not know what was happening, I would have liked to be there supporting you.

Councilmember Cowden: Yes, I did not know either.

Councilmember DeCosta: I want to let you know that...and this is why I am very fond of Councilmember Kagawa and I was very fond of former Council Chair Kaneshiro. I think when people have a financial background in accounting or finance, they know their stuff when it comes to numbers. I am glad that we have someone at the helm who knows numbers, because those numbers come from tax paying citizens who deserves the best. I know where your heart is, I befriended you prior to even you coming aboard on the County. I am happy. Welcome aboard, Managing Director Matsuyama.

Ms. Matsuyama: Thank you.

There being no objections, the meeting was called to order, and proceeded as follows:

The motion to approve C 2023-174 was then put, and unanimously carried.

Council Chair Rapozo: Motion carried. Next item, please.

C 2023-175 Communication (07/25/2023) from Edwin H. Sniffen, Director of the State of Hawai'i Department of Transportation, Highways Division, requesting agenda time to present an update on the HiRUC project and to share details about Act 222, legislation enacted this year that implements a road usage charge for electric vehicles (EVs) beginning on July 1, 2025.

Council Chair Rapozo: Is there any discussion before I entertain the motion to defer? I do not want to get too deep into the details until we get the briefing, but I do not want to deny anyone to speak.

Councilmember Kuali'i moved to defer C 2023-175 pending response from the Department of Transportation (DOT), seconded by Councilmember Carvalho, and unanimously carried.

Council Chair Rapozo: That will be scheduled at the same date as the traffic update as well. Next item, please.

C 2023-176 Communication (08/01/2023) from Council Chair Rapozo, transmitting for Council consideration, A Bill For An Ordinance Amending Chapter 5A, Kaua'i County Code 1987, As Amended, Relating To Real Property Tax, amending Section 5A-11.4, Section 5A-11.22, Section 5A-11-12.1, Section 5A-11A.3, and Section 5A-11.3, repealing Section 5A-11.7, Section 5A-11.11, Section 5A-11.14, Section 5A-11.16, and Section 5A-11.31, and creating a new section entitled "Assessment Cap for Other Than Home Exemption Property and Property Used For Long-Term Affordable Rental."

Councilmember Kuali'i moved to receive C 2023-176 for the record, seconded by Councilmember Cowden.

Council Chair Rapozo: This Communication relates to Proposed Draft Bill (No. 2901). I know we had people wishing to testify on Proposed Draft Bill

(No. 2902), which is the Disabled Veterans Credit or exemption. Is there anyone in the audience wishing to testify on Proposed Draft Bill (No. 2901)?

Councilmember Kuali'i: Are you planning on taking testimony now instead of at Bills For First Reading?

Council Chair Rapozo: From the public, yes. We will take the public testimony and then, we, as the Council will discuss during the bill.

There being no one present to provide testimony, the meeting proceeded as follows:

Council Chair Rapozo: Is there any discussion?

The motion to receive C 2023-176 for the record was then put, and unanimously carried.

Council Chair Rapozo: Motion carried. Next item, please.

C 2023-177 Communication (08/01/2023) from Council Chair Rapozo, transmitting for Council consideration, A Bill For An Ordinance Amending Chapter 5A, Kaua'i County Code 1987, As Amended, Relating To Real Property Tax, amending Section 5A-11.6, Section 5A-11.8, Section 5A-11A.2, Section 5A-11A.1, Section 5A-11A.3, and Section 5A-11.3, creating a new exemption entitled "Exemption for Property Used for Long-Term Gap Housing Rental," and creating a new section entitled "Assessment Cap for Other Than Home Exemption Property and Property Used For Long-Term Affordable Rental."

Councilmember Kuali'i moved to receive C 2023-177 for the record, seconded by Councilmember Cowden.

Council Chair Rapozo: Can we have the first registered speaker?

JADE K. FOUNTAIN-TANIGAWA, County Clerk: Chair, the first registered speaker is Kim Blaum, followed by Mary Kay Hertog.

Council Chair Rapozo: Have you testified before?

There being no objections, the rules were suspended to take public testimony.

KIM BLAUM: No, I have not.

Council Chair Rapozo: Thank you for showing up. You will have three (3) minutes on your first go-around. When your time starts, the light will be green, when you have thirty (30) seconds left, the light will turn orange, and then at red, your time is up. You can come back up on the second round after everyone speaks.

Ms. Blaum: My name is Kimmy Blaum, for the record. I am the Senior Vice Commander of the Veterans Council. I am the commander of the Veterans of Foreign Wars (VFW), and I am also Metro Administration for Team

Rubicon in disaster and response team lead by veterans. As a veteran myself, I am retired Airforce Master Sergeant, spent twenty-one (21) years serving our beautiful country. In this time, as a combat engineer, I have many disabilities, I have a laundry list. A couple of days ago, I spent four (4) days bouncing off my walls, running from my couch to my bed, got bruises to prove, from vertigo. Up until two (2) years ago, I was less than eighty percent (80%) disabled, then I got one hundred percent (100%). I own my home since 2014. I have been gracious enough and blessed with having my own little piece of land here on Kaua'i, but up until two (2) years ago when I was making one thousand six hundred dollars ($1,600) per month on disability, you folks know the cost of living, it is hard. When you are making thirteen dollars ($13) per hour, working as an engine mechanic, or working as a parts delivery driver for Napa, it is not the greatest outcome, when I have to take four (4) days off because I cannot move, because I am still on the floor getting sick, because I suffer from vertigo. One of my many disabilities. I have had back surgery, shoulder surgeries, everything else, and why I am here today is to talk about...I am just one of a small percent here on Kaua'i that have disabilities. I am still young, from what I consider. I am capable of going out and trying to find a job, but according to the Department of Veterans Affairs (VA), I am not. Most of these veterans that are eighty percent (80%) and above, that have spouses, that is trying to take care of them...the spouse can only work part-time, because they have to be home taking care of the other individual. With the help of the eighty percent (80%) getting tax exempted, it would mean a lot. The taxes are extremely high compared to other places in the country. Just a couple hundred dollars can mean a difference between a couple meals or an electric bill or a utility bill paid off for that month. Please consider making that eighty percent (80%)—you are only looking at one percent (1%) of the population that actually is eighty percent (80%) or above. It would make a huge impact on our lives. Thank you.

Council Chair Rapozo: Thank you so much, and thank you for your service.

Ms. Blaum: I love what I did.

Council Chair Rapozo: *Aloha.*

Ms. Fountain-Tanigawa: Next speaker is Mary Kay Hertog, followed by Heidi Schemp.

MARY KAY HERTOG: Good morning. For the record, I am Mary Kay Hertog. I am the Commander of the Kaua'i Veterans Council and I, too, am a disabled veteran, but not one hundred percent (100%) disabled veteran. Council Chair Rapozo, I am going to thank you for bringing this up. I know this is a tough subject to discuss, but I also want to thank you for doing that, and I want to thank all you other councilmembers for the support that you have shown us veterans and our families, and you do it every day. By coming to our events, as well as renaming part of Kapule Highway, the Kaua'i Veterans Memorial Highway. Thank you all for what you do for us. I am sure all of you know that Hawai'i is one (1) of eighteen (18) states that exempts one hundred percent (100%) disabled veterans from property taxes. I would guess most of you would like to support a proposal like this exempting those that are eighty percent (80%), but lesser than one hundred percent (100%) with disabilities from property taxes. If you can find an offset in the County budget that would not negatively impact other programs. The loss of revenue from this exemption could mean other programs could be cut or have to be decreased, and maybe you might have to increase taxes as well and you know how popular that would go over. Even though it sounds like it and I am not trying to talk you out of supporting this initiative, I am really not, but what I am saying is that I understand all the tough choices that you as a Council have to make, especially when keeping the County solvent, as well as paying all the bills and providing the services that our Kaua'i residents, like myself, all expect. If the majority of you think about voting no, I would ask that you maybe consider an alternative for veterans who have an eighty percent (80%) or higher, but less than one hundred percent (100%) disability rating, as many other states have done. Some states have exempted a specific amount of money, such as maybe four thousand one hundred dollars ($4,100) or four thousand five hundred dollars ($4,500) from their total assessed value of their residence, or maybe exempting the first one fifty thousand dollars ($150,000) of the assessed value of the home, and you would have to look at the housing crisis here on Kaua'i for sure. So, there are all different types of examples that other states have done to try to accommodate the disabled veterans and as Kim has stated, it is a very small number. I would like to hear what the impact would be to the County, I do not know if anyone in the Department of Finance would be able to assess that, in order to make an informed decision like that. I would just ask that you consider other alternatives if you are inclined to vote no and not support this proposal.

Council Chair Rapozo: Thank you.

Ms. Hertog: Thank you.

Ms. Fountain-Tanigawa: Heidi Schemp. She is not going to speak now.

Council Chair Rapozo: Is there anyone in the audience wishing to testify, that is not registered? If not, I will call the meeting back to order. Oh, I apologize.

Mr. Sykos: For the record, Lonnie Sykos. Just as a member of the public, I am not a veteran. I did service for the country as a contractor and I have great appreciation for what people in the military do. I think this will be a relatively insignificant amount of money for our total budget, and I fully support the property tax exemption for the disabled veterans. Thank you.

Council Chair Rapozo: Thank you. Is there anyone else?

There being no further public testimony, the meeting was called back to order, and proceeded as follows:

Council Chair Rapozo: I will just address the General's comments because I think it is important. Like Lonnie stated, I do not believe it is significant, but we will not know until we actually...we try to get some numbers from the VA just to see. The other part of this Bill is the "less than eighty percent (80%)," which will get a fifty-thousand-dollar exemption. Like you mentioned at some of the other states. Fifty thousand dollars ($50,000) in our market, with our assessments, is pretty insignificant. I am hoping that we can get that bumped up. When we get more numbers from VA, we will be able to identify the fiscal impact, but for me, it is not going to be significant, simply because we just do not have that many combat veterans that are disabled that own a home. We just do not. The extra fifty thousand dollars ($50,000), typically will save fifty dollars ($50), sixty dollars ($60), or seventy dollars ($70) per year. It is not significant, but it does help. I am hoping through more discussions with more data from the VA, we will be able to expand that for the eighty percent (80%) and below. As far as the eighty percent (80%) and above, I think it is well-deserved. When you look at the exemptions that we give in our County, to historical properties that even have a transient vacation rental (TVR) or commercial nonprofits that make a lot of money, and they are getting tax exemptions, for me, yes, I am a veteran, but I am not a combat veteran. There is no comparison in my mind. If we have to remove exemptions to accommodate fiscal impacts, then the veterans would be the last place that we should be touching. We are not going to be losing any services with this exemption. I appreciate your testimony and respect all of you that came to testify, and thank you for your service. Is there any further discussion?

Councilmember Cowden: Yes. First, I want to give you both my maximum respect and Kimmy, as you first moved to Kaua'i, or at least when I first met you a number of years ago, I saw your adaptation and working, I actually brought a request like this a few years back, and I believe the Department of Finance did give us somewhat of a number. It was not insignificant, but it was not a lot when you look at the entire percentage. I am on page of what the Council Chair just said. I learned a lot from you and I learned a lot from attending those veteran council meetings at the beginning, and just seeing what it takes for people to be good parents and just to be able to function. I think it comes down to feeling respected for what people have gone through and I see especially many of our younger veterans returning from foreign wars in the more recent past, it seems like they need the support. Not all of them are good at asking for it. Because I pick up hitchhikers, a surprising amount of them are veterans from Iraq and Afghanistan, and I just see what a struggle they have and most of them cannot even hope to own a house. I am thankful that we are looking at Mahelona for putting some veteran housing in there, that is deeply needed. I am very supportive of it. I feel like it is the least that we can do when you look at the sacrifice that has come before people who had to serve in active and combat duty, so thank you. Thank you for coming today and testifying.

Council Chair Rapozo: Is there any further discussion? Councilmember Kagawa.

Councilmember Kagawa: We have Representative Tokuda coming soon and I am going to ask her when she comes, if we have problems with disabled veterans struggling financially and here, we are at the County-level trying to decide who and how much percent get tax breaks, why is the federal government not taking care of those disabled veterans that have served our military. If they are left struggling, I think it is really a difficult situation to have the state and the county try to make their lives better, when the federal government has the big tax base. They have a thirty-trillion-dollar deficit, print money whenever they have to, go over budget whenever they need to, so how can the county fix this problem? I think it behooves the federal government to solve that problem, otherwise who else is going to want to serve? If you know that you go in and serve, you may get disabled and then the federal government is going to abandon you with your financial hardships. It is very troubling. Thank you.

Council Chair Rapozo: Councilmember Cowden.

Councilmember Cowden: I have a follow-up to Councilmember Kagawa's comment. We just came back from the National Association of Counties (NACo) and I am on the committee that is called Health Safety and Education. One of the resolutions, and this is our second or third year we have asked for this, since I have Veterans Council in here, what we are pushing and we need to push with Jill Tokuda is to have when people are getting released, to have the counties notified who is coming, so that we can be right there at the airport to welcome them with open arms and get them into the right programs. I am in agreement that the federal government needs to work with us more, so that people are not failing before they are even coming forward, so thank you for bringing up the role of the federal government.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: I think Councilmember Bulosan was before me.

Council Chair Rapozo: I am sorry. Go ahead.

Councilmember Bulosan: A little bit off topic, but I am running off of what Councilmember Kagawa stated. Representative Jill Tokuda will be here next week Wednesday and they said she is doing an open discussion specifically for veterans. It is going to be at the Līhu'e Library from 9:00 a.m. to 11:00 a.m., so for everyone watching if you know any veterans make sure...if you are looking for the help from the federal government, make sure you get to that meeting. I believe she is bringing her entire staff to help, so thank you for bringing that up, Councilmember Kagawa.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: I am not a military person, but I came from a military family. It was because my dad who served in the Korean War, I had a cousin who served in the Vietnam War, my two (2) brothers went to Korea, Germany, and served oversees. Council Chair Rapozo served in the miliary. It allowed me to go to college, so I want to thank all the veterans out there. I believe what Councilmember Kagawa is saying, it is a federal thing and the County has very little that we can do, especially when they do not own a house on the island. I do not know what veteran that cannot work owns a house, what local veteran that cannot work, owns a house, unless his or her parents gave them a house. Now, if we have veterans coming from outside states here to pick up a property because now their property tax is cheaper or exempt, than it is an investment opportunity. We want to keep our investment opportunities for our own people here in the State of Hawai'i. I want to let you folks know that there are things that the county can do. If we do not talk about property tax, we can talk about county programs and better quality of living here at the County and how we do that is with the property taxes that we draw revenue from and we make this island a better place for the amenities for all to enjoy. That is what I wanted to say. Thank you.

Council Chair Rapozo: Councilmember Carvalho.

Councilmember Carvalho: In my experience in working closely with our veterans, it is important that...and I agree with Councilmember Kagawa, but the federal, state, and county, we all should work together. There are different levels that comes to support our veterans. For me, I think that is very important. Yes, Jill Tokuda and everyone else, but we have to look at the entire picture and really come forward collectively to support our veterans. That is where I am at. I wanted to say that upfront. Thank you.

Council Chair Rapozo: Is there any further discussion?

The motion to receive C 2023-177 for the record was then put, and unanimously carried.

Council Chair Rapozo: Thank you. Next item, please.

C 2023-178 Communication (08/01/2023) from Councilmember Cowden, transmitting for Council consideration, A Bill For An Ordinance Amending Chapter 5A, Kaua'i County Code 1987, As Amended, Relating To Real Property Tax, creating a new exemption entitled "Exemption for Property Used for Long-Term Gap Housing Rental" and a new "Long-Term Gap Housing Rental" tax rate classification, and making minor changes to Section 5A-11A.1 for consistency with existing language.

Councilmember Kuali'i moved to receive C 2023-178 for the record, seconded by Councilmember Carvalho.

Council Chair Rapozo: Is there any public testimony?

There being no one present to provide testimony, the meeting proceeded as follows:

Council Chair Rapozo: Is there any discussion?

Councilmember Cowden: Is Councilmember Cowden introducing this?

Council Chair Rapozo: This is just the Communication. We will have the discussion when we get to Bills For First Reading.

The motion to receive C 2023-178 for the record was then put, and unanimously carried.

Council Chair Rapozo: Motion carried. Next item, please.

C 2023-179 Communication (08/01/2023) from Councilmember Cowden, transmitting for Council consideration, A Bill For An Ordinance Amending

Chapter 5A, Kaua'i County Code 1987, As Amended, Relating To Real Property Tax, granting separated married persons each their own full Home Exemption, making the separation easier to establish with the Department of Finance, increasing the two-year maximum allowance of this benefit to five (5) years, and modernizing the language to include civil unions.

Councilmember Kuali'i moved to receive C 2023-179 for the record, seconded by Councilmember Carvalho.

Council Chair Rapozo: Is there any public testimony?

There being no objections, the rules were suspended to take public testimony.

DONNA APISA: Thank you. My name is Donna Apisa. I think most of you know me, I have been here before. Thank you for all you do. I am here today not on any specific item, but more on just taxes in general. I guess to express the frustration of the lack of communication, because when I was here before the Residential Investor tax classification, no one knew about it until they received their tax bill. Somehow there was no communication. Now, I am hearing it from owners after the fact about retroactive for 2022. My personal opinion, it probably should not have never been offered because people paid the original Residential Investor rate, but the fact that they hear about it after the fact and now they are upset, "I did not have a chance to apply for it," so I do not know. I know you have discussed before about sending notices certified mail. I have a Residential Investor tax class, I do not recall getting notices, maybe I did, but I get a lot of mail and go through it. We manage about sixty (60) properties and we never heard from any owners saying, "Take care of this," because we handled all the filings for our owners. Today, it is just to express frustration. I support the veterans, the residents, especially the longtime *kama'āina*. I know the taxes are the number one source of revenue for the county, so I know you have to get money from somewhere. I guess what I see is...I agree that taxes need revamping and thank you for your efforts. I am here basically to express frustration. I do not have solutions, I know it is a tough position, and thank you for your efforts of trying to do something. I will try to be more involved. I am just rambling on now, anyway, I will probably have to make some point and I do not know what it is now. Thank you for listening.

Council Chair Rapozo: Are there any questions? Councilmember Bulosan.

Councilmember Bulosan: Thank you for your testimony. What is the best way to be communicated at? I know for me, I need all streams from emails, texts, certified mail, knock on my door, what is the best way you feel to be contacted?

Ms. Apisa: The front page of *The Garden Island.* Most people do receive the newspaper. To me, it is a big item. It is a big news item; I just do not recall seeing it. Ron Wiley.

Councilmember Bulosan: Are you subscribed to the newsletter from the County of Kaua'i? We have a new website, there is a newsletter that goes out.

Ms. Apisa: No, I do not, but I will look into that. I receive so many emails, I try not to subscribe to too many more, but that is a good idea.

Councilmember Bulosan: Thank you.

Council Chair Rapozo: Are there any further questions? If not, thank you.

Ms. Apisa: Thank you for listening.

Council Chair Rapozo: Is there anyone else wishing to testify? Please.

HEIDI SCHEMP: Good morning. Heidi Schemp. I always get nervous when I come up here. Donna has inspired me to just talk a little generally about property taxes and I wanted to tell you a quick story. I recently saw a house for sale that is close to Councilmember DeCosta, not a fancy house, not a "fixer-upper," but on a decent size lot, two-bedroom home. Someone from California purchased it a year ago for about one million dollars ($1,000,000) and the property taxes at that time were just a few thousand dollars per year, and they got switched to Residential Investor. I do not know these people. This is just something I saw on the Multiple Listing Service (MLS), so I do not know any of the details. We will all make our own assumptions. Those people just put their house back up for sale and now it is in the Residential Investor tax rate and the property taxes are now sixteen thousand dollars ($16,000) a year. I am assuming, again, I do not know anything, I did not call the relator, I am not involved at all, but I can only assume that these people went "holy cow, abort mission; we do not want a second house there." Part is, do we want all these second homes? No, right. I support taxing them at a higher rate. You have an empty house; you have to support Kaua'i in one way or the other. I am not "dissing" that. But now, they are selling the house at one million three hundred thousand dollars ($1,300,000), so they are going to make a profit, but they are going to have to pay a lot of money too. They will have to pay capital gains, because they have not owned it for two (2) years, pay their relators, and during that process, will have to get paid out. Now, I am looking at it from someone that I am trying to buy a house, that lives here on Kaua'i, and now they are paying extra money, and unless they can close escrow before September 20th, you are looking at how many they will have to pay this year at that tax rate, they will have to finish this year at the sixteen thousand dollars ($16,000), and then next year, depending on what it is assessed at and what changes you make, it is just a big bullet to take for a local person to buy a house now. Whatever you folks can do to try to take the timing and find a way for local people that are buying to be able to get that house at the rate that is an Owner-Occupied as soon as possible, I feel like would be worth every dollar and moment spent.

Council Chair Rapozo: Thank you.

Councilmember DeCosta: I had a question. You made a point that I am not following. Your point was that these people have been on the island for a year?

Ms. Schemp: They bought the house a year ago, but their tax bill goes to California.

(Councilmember Bulosan was noted as not present.)

Councilmember DeCosta: How long has these people been on the island?

Ms. Schemp: I have no idea.

Councilmember DeCosta: Okay. They bought a house in a year and they want to turn it over in a year, they will make a profit on this house. You are concerned that a local resident cannot buy the house because it is a Residential Investor tax property. But, as soon as they move into the house, does the house not become a homeowner?

Councilmember Cowden: No.

Councilmember DeCosta: Hang on, I am...

Council Chair Rapozo: Go ahead, Councilmember DeCosta.

Councilmember Cowden: I am sorry.

Council Chair Rapozo: Members, you are going to have to allow members to have their time.

(Councilmember Carvalho was noted as not present.)

Councilmember Cowden: I apologize.

Council Chair Rapozo: Go ahead, Councilmember DeCosta.

Councilmember DeCosta: I want to be educated, so help me understand. Do they not now qualify as a Homeowner, they will still be a Residential Investor, yet they are going to live in that house and be a Homeowner?

Ms. Schemp: Yes, that is what is so heartbreaking. Let us just assume that the house is purchased and they close escrow in October. Now, the county has a date of September 30th, you have to go in and bring paperwork that says, "I live here and I want the exemption for being Owner-Occupied," and that does not go into effect until July next year, 2024, for your property taxes. So, you are looking at having to have this house, as a local person, you could buy that house tomorrow and you are now looking at a year and half of paying Residential Investor tax rate. It is expensive.

Councilmember DeCosta: I understand. We are going to address the Department of Finance later. I just know from...

(Councilmember Bulosan was noted as present.)

Council Chair Rapozo: Thank you. Is there anyone else wishing to testify? Mr. Sykos.

Mr. Sykos: For the record, Lonnie Sykos. Council Chair Rapozo, can you clarify for the public what the intention of all this is? Now, when it came to combat veterans, a Councilmember made the comment that he did not want combat veterans who were not from Kaua'i, which I would like for you to provide a definition for what "being from Kaua'i is," and so if you are not a combat...

Council Chair Rapozo: First, the Member did not say that. The Member did not say he did not want combat veterans coming to Kaua'i.

Mr. Sykos: He said he did not want them purchasing properties. Yes, he did, and using the tax advantage and thus being another "not from Kaua'i entity using our tax structure to their advantage." My question for you is who is the County trying to help and who is the County not trying to help, when you are writing the statute. If the federal constitution prohibits discrimination based upon your place of origin, how is it that the County Council thinks it can help one group of people because of their place of origin and not help everyone else. You are shooting yourself in the foot with all of this, "We do not want to help anyone who is not local," so define to the public, Council Chair Rapozo what it means to be local. I moved here in 1973, not to Kaua'i, but to the state of Hawai'i. I will never be local if I am not born here in regards to the County Council's use of your powers to help some groups of people and to not help other groups of people. Thank you.

(Councilmember Carvalho was noted as present.)

Council Chair Rapozo: Is there anyone else? If not, I will call the meeting back to order.

There being no further public testimony, the meeting was called back to order, and proceeded as follows:

Council Chair Rapozo: Let me address Mr. Sykos. I will have to go back and listen to the recording, but I did not hear that from Councilmember DeCosta. The Bill does not specify anything about place of origin. The Bill is combat veteran eighty percent (80%) and above and eighty percent (80%) and below, regardless of where you came from. You are here, you are a veteran, you are a combat veteran, you have your VA documents, you get an exemption—that is what it says. I am not going to speak for Councilmember DeCosta and I do not want to get into a debate here, I am not going to allow that to happen, I am just saying that is not what I heard. What I heard him say is that we will have veterans come from outside and they will qualify, but the ways we support veterans on Kaua'i is through tax revenues that provide services for everyone. That is what I heard him say. He did not say that this is not intended or he does not want veterans that are not local. Maybe that is what you heard and how you interpret it and that is not the intent of the Bill. Councilmember Cowden.

Councilmember Cowden: I just wanted to make a simple comment. This Bill is about something that is very narrow. I know that we had broad pieces. I just wanted to address what Donna Apisa said, because you are very much in the center of this entire industry. The outreach seems exhaustive. It has been in the paper many times. I have had probably a solid year of torturing my listers on KKCR with real property tax, thank you, Council Chair for calling in yesterday to discuss this. For about thirty-five (35) minutes we talked about this. It is very difficult, so when we are speaking with the Department of Finance, I would like to be bringing up that level of communication and if we run variance supports, which we should certainly be able to do...a variance report, I am meaning the difference between the current status and then the next status. For those people to get some sort of direct communication. It is more the case. People are not paying attention if these leaders in real estate are not seeing this. On my drive in today, I made three different calls to people. I can only call so many people, but I am constantly trying to call and inform people and it is overwhelming for the public, including the people in the industry. It is very difficult. I do not think there is an intention to withhold the information, but I honor your frustration. Thank you for being here. I see three (3) relators in the room, please do not leave, please stay, so that you can hear what we are doing, so you can make good choices and help us best know your feedback. Thank you.

Council Chair Rapozo: I brought up the certified mail, and the Department of Finance's response was about cost. Just with the one (1) example you brought up, that went from a few thousand dollars to sixteen thousand dollars ($16,000), that ten thousand dollars ($10,000) in additional revenue for this County was unanticipated. This thing about cost and impact, when we look at the amount of funds that were generated that were not expected because of this general jump in the market and the Residential Investor obviously was a travesty and was repealed, but nonetheless. The homeowner, the agents, we all have to take some sort of responsibility, like you do with your insurance, your medical, and your mortgage, so we will send out the letters. Often times when you have situations where you have owners that are leasing...the owners get the message, but not the tenant, and the owners do not care because the owners are responsible for the tax bill, and these cases happen. We have people that are paying taxes in classes that they should not be, that is the reality. I brought this up a few meetings ago. How can we as a county feel good about taking that extra money from that person knowing that they are in a wrong class, and they have to sit there for a year and half. That is not right. That is not fair. People have to take personal responsibility and they need to pay attention to what is going on. You get your assessment bill, I get the assessment bill, and in bold red letters it says, "If you change your class," number 1, people need to pay attention. If you fail for whatever reason, you could be in the hospital, your mail is not one hundred percent (100%) guaranteed. Someone could have stollen the mail out of your mail, which happens quite a bit. There should be a mechanism in place...what I am working on, where you as a homeowner can go into the Department of Finance and say, "I was misclassified, I need to change that," and maybe we cannot give a refund, but we can definitely give you a tax credit going forward. We need to be right about the amount of money from the taxpayer and the right class. I know the Department of Finance is sweating and upset, but I am upset because I have to answer to these people and say, "I am sorry, you are stuck for a year and half, enjoy it." What happens if you cannot pay that tax bill? Not everyone is rich. In fact, the majority of homeowners here are struggling. I know the Department of Finance is going to have a rough time with this, but we have to make a mechanism that is fair and consistent and if you are overpaying, then you need to be reimbursed in a future tax rate. I know Councilmember DeCosta was ready to jump out of his skin and I had to say, "Relax," and I will explain what I am trying to do, and we are going to figure out a way to do that because we cannot have people overpaying, with the County sitting back and just collects the additional revenue. Not right. Councilmember DeCosta.

Councilmember DeCosta: Thank you for the explanation. I want to ask your permission, Chair, I want to address a comment that was made to me, I think I have the right to do it in discussion. I want to address the comment that was made to be about addressing locals on Kaua'i. May I?

Council Chair Rapozo: Go ahead.

Councilmember DeCosta: The point I made, and I am pretty sure you folks can look back in the record is that this tax break, and it is not for combat veterans...the testifier used "combat veterans," it is for disabled veterans to get that logistic correct. The point I made was that combat veteran who is not from this state, it is an investment opportunity for them to come over now and purchase a property. This tax exemption or this tax incentive will pass on to the spouse, so if it is a married couple, man-man, female-female, or man-female, whoever dies, that tax credit or tax relief goes onto that person, so that person may get a death benefit from insurance. They qualify to buy a home, they come here and buy a home, and they get the qualification of this veteran. I did say I supported veterans. I just wanted to be clear, Council Chair. I am not going to let no one disrespect me and say things that I did not say. Thank you.

Council Chair Rapozo: Thank you. Is there anyone else? Councilmember Kagawa.

Councilmember Kagawa: I want to thank Donna and Heidi for stepping up. I think what you mentioned about the mail, it is common. Now days, we have so much junk mail coming in and sometimes it just gets buried under a pile and you miss it. I think when there is significant change, there needs to be a better way, for example, a direct call, "Hey, do you have any questions about your bill," and the awareness of the date, of your property taxes locking into whatever class you are getting needs to be...regardless if you were in a class, you are still there. Like when we file taxes, we know April 15th, you better make sure everything is all straight, you will have to pay or you will get money back. April 20th, for the State, the same thing. With property taxes, we need to have that awareness and no one really knows, unless you are the person paying the bill in the family, like, I do not, honestly. If it comes directly out of your mortgage, then you check with the bank, and plan if you have to check before date and make sure you understand what class you are in, if you have any questions, call. Everyone at the Department of Finance is helpful. If you do not ask questions, they will not call you. For Ms. Apisa, when you received the big shocking bill, you can to be notified and ask about the jump in bill—I think that is fair. We need a process that if we make changes like that, and certified mail, from experience, is not as effective as it sounds. I had experience with certified mail in the next step in my former job, and I do not think it made much difference from the regular mail, because we sent out both types. I really think it is a waste of a lot of money. If we can take the next step being media spurge or direct call to constituents who are facing the problem is a better way. Thank you.

Council Chair Rapozo: Is there anyone else?

Ms. Apisa: Excuse me, I know this is out of order, but just in response to...

Council Chair Rapozo: Hang on. Normally we do not do testimony after we bring it back to order, but go ahead, I will suspend the rules.

There being no objections, the rules were suspended to take public testimony.

Ms. Apisa: It is response to Councilmember Bulosan. I think personally if I received a letter in the mail without being certified, because that is true, I will pick up a certified letter and say, "What is this all about," but if it had big red letters, "Important tax change," or something, having a special mailing envelope, that would not cost a lot of money, but if I got that in the mail, I would say, "I need to open this." It would be less time-consuming and less costly than a certified letter. I know people who get a notice in the mail, go to the post office, pick up their certified mail, and they do not pick it up. I do not know if there is ever a perfect answer, but I just wanted to give you that answer to that. I just think big red letters, "Important tax notice" would get my attention. Thank you.

Council Chair Rapozo: Thank you. I will call the meeting back to order.

There being no objections, the meeting was called back to order, and proceeded as follows:

Council Chair Rapozo: From my personal experience, I do not know how many "junk" mail I get every day that says, "Important mortgage document," and I freak out, and after opening, it is some solicitation from another mortgage company who wants me to refinance. Certified...the people who do not pick it up, guess what, the County will know that they did not pick it up. That is the difference. If I see a certified mail saying, "Signature Required," I am going to pick it up, and if I do not, the County will have a list of who did not get the memorandum. Compared to what we have now, the amount of people informing the Council that they did not know. Personal responsibility, like what Councilmember Kagawa said, your taxes, you go and tell the federal government that you do not know. They do not care; you get a penalty. Using red might help some. The question is how do we make sure that everyone that is going to be affected was informed and the only way I know of in today's world is by certified mail. Do the math. The number of increases in taxes in revenues, it is very hard to say, "We cannot afford to pay certified mail." Take it out of the increases that we got. Is there any further discussion? Go ahead.

Councilmember DeCosta: I want to make a point at the discussion toward the relator in the room regarding Resident Investor property selling a local or resident of Kaua'i wanting to buy their first home, and if they purchase that house, they will still have Residential Investor. When that person who is selling the home gets a relator onboard and puts it up for market, they do not advertise that it is a two-bedroom home on a large lot, that is a second property or Residential Investor property. There is no way for the new buyer to know that. The relator does not make it apparent to the buyer and neither does the seller, am I correct?

Council Chair Rapozo: No, we are not going to do questions now.

Councilmember DeCosta: A lot of times, there are sad stories and we buy into it. I am trying to be logistically correct with how I think. We have someone trying to make a profit. We have someone trying to sell the house in a year, up to three-hundred-thousand-dollar profit margin, they should be paying taxes because it is an investment property. We do not want to encourage people to buy investment properties. We want to encourage people to buy their first home, and that is the problem we have here. If that person is buying their first home, I want to know why they are not being informed that the relator is selling an investment property and the seller is selling an investment property. Simple as that. Why are the relator and the seller not taking responsibility for telling the new homeowner that they are buying a property that is going to be carried on for these taxes.

Council Chair Rapozo: When they buy a property, the buyer is...and that is the point that she was trying to make. Let us say that you and your wife decide to buy a property that is in Residential Investor or that is in a higher tax rate. If you purpose after the tax cycle for the County, you are stuck in that cycle until the next tax year. When the local resident wants to buy a house...you are purchasing that house at whatever it is and you will be informed at what the tax bill is. If the tax bill is sixteen thousand dollars ($16,000), the buyer...the bank is giving me as much as they will and they will not be going to add in another sixteen thousand dollars ($16,000)...the point of that discussion was there is no opportunity to change that for the new buyer. They are stuck in the category that they purchased the house in, even if they become a homeowner, Owner-Occupant. You and your wife move into this house, you are stuck with that Residential Investor tax bill until the next tax cycle. I think that was the argument.

Councilmember Cowden: I just want to follow-up that it is hard to comprehend and it is certainly spent quite a bit of time with the Department of Finance directly, trying to change that and they have explained to me the detail and why it is so difficult to change it, but that has been my consistent piece for four (4) years, is that when we put pressure on houses whether they are vacation rental or what we used to have as a Residential Investor. Once it goes into high tax category, that tax pressure is not going to return it to "my cousin or yours" that just has a regular job to be able to buy it, because of that pain and that is why even in this last meeting I was saying, "How are we getting the information out to the people in the land industry"...even with all the changes that we are making will make it very hard to be lend. It is already hard to own a home, even debt free, and feel stable that we cannot randomly put out taxes that are a reflection of the market. The inflationary pressure that is in the market, people cannot even brace for it and so lenders will not even have confidence that someone is going to make their payments. We are in a real bind and it is not that the Department of Finance is doing something difficult, we are arguing with the changes that are happening in our national economy, but these questions are important and it is really important to figure out how we can allow a new buyer to move into the right tax category. I understand that problem is at the state, so maybe as we are discussing Bill No. 2901 or Bill No. 2902, that our Department of Finance will be able to help us understand that barrier, so that we can work with our legislative team and we can put it in our Hawai'i State Association of Counties (HSAC) package to help knock down that barrier, because island has this problem of not being able to step across the gap of our real property tax categories. I want us to listen and think about that because maybe our legislative package can help.

Council Chair Rapozo: Thank you. Is there further discussion?

The motion to receive C 2023-179 for the record was then put, and unanimously carried.

Council Chair Rapozo: Next item, please.

CLAIMS:

C 2023-180 Communication (07/17/2023) from the County Clerk, transmitting a claim filed against the County of Kaua'i by Milagros A. Sagucio, for property damage, pursuant to Section 23.06, Charter of the County of Kaua'i.

C 2023-181 Communication (07/18/2023) from the County Clerk, transmitting a claim filed against the County of Kaua'i by Isaac Ornellas, for loss of income and leisure time, pursuant to Section 23.06, Charter of the County of Kaua'i.

C 2023-182 Communication (07/18/2023) from the County Clerk, transmitting a claim filed against the County of Kaua'i by Takitani Agaran Jorgensen & Wildman, LLLP Joseph L. Wildman, Esq., for Shelby Bazil, for personal injury, medical bills, and loss of income, pursuant to Section 23.06, Charter of the County of Kaua'i.

C 2023-183 Communication (07/25/2023) from the County Clerk, transmitting a claim filed against the County of Kaua'i by Enterprise Rent A Car, Damage Recovery Unit, for damages to their vehicle, pursuant to Section 23.06, Charter of the County of Kaua'i.

C 2023-184 Communication (07/26/2023) from the County Clerk, transmitting a claim filed against the County of Kaua'i by Diana Howard, for vehicle damage, pursuant to Section 23.06, Charter of the County of Kaua'i.

C 2023-185 Communication (07/27/2023) from the County Clerk, transmitting a claim filed against the County of Kaua'i by Remillard Huynh & Barbour, a law partnership, representing Lorie Nishikuni natural parent and guardian of Makana Nishikuni, for personal injury and medical bills, pursuant to Section 23.06, Charter of the County of Kaua'i.

C 2023-186 Communication (07/27/2023) from the County Clerk, transmitting a claim filed against the County of Kaua'i by Royden Tanaka, for vehicle damage, pursuant to Section 23.06, Charter of the County of Kaua'i.

Councilmember Kauliʻi moved to refer C 2023-180, C 2023-181, C 2023-182, C 2023-183, C 2023-184, C 2023-185, and C 2023-186 to the Office of the County Attorney for disposition and/or report back to the Council, seconded by Councilmember Kagawa.

Councilmember DeCosta: Council Chair.

Council Chair Rapozo: Go ahead, Councilmember DeCosta.

Councilmember DeCosta: Can I request that an Executive Session agenda item be placed on the next Council Meeting agenda relating to C 2023-181?

Council Chair Rapozo: No problem. Would you like that to show up at the Committee Meeting or the Council Meeting? Next week or in two (2) weeks?

Councilmember DeCosta: I believe I said at the Council Meeting.

Council Chair Rapozo: Council?

Councilmember DeCosta: Yes.

Council Chair Rapozo: Next week is Committee.

Councilmember DeCosta: The 23rd. Whatever agenda is not full, I guess.

Council Chair Rapozo: Next week? Okay. We will have an Executive Session agenda item on C 2023-181 for next week.

Councilmember Cowden: I have a short comment.

Council Chair Rapozo: Go ahead.

Councilmember Cowden: I appreciate your guidance on how to be able to see all these claims ahead of time, or some of them. I want to acknowledge that these are a little bit unique, I was trying to see if these were regarding potholes, because I was going to have a comment on that, but that is not what it is. I appreciate your request and that I think it is part of our responsibility to be really looking at what a lot of these things become.

Council Chair Rapozo: There are a lot of property damages, we just get so many claims now. That is why when we discuss some of these claims, I ask the Human Resources (HR) Division to be present to make sure our drivers are being trained, our operators are certified, because this is a lot for one week—seven (7) claims. It just seems like in this term, we have been receiving a lot of claims.

Councilmember Cowden: For me, the biggest claim was C 2023-185, but I do not know if we need a special session, but that is a sports softball injury.

Council Chair Rapozo: Councilmember DeCosta's situation has been an ongoing situation and he had been trying to remedy, and because of the inability to do so, the claimants decided to file a claim.

Councilmember Cowden: With that, is there any further discussion?

The motion to refer C 2023-180, C 2023-181, C 2023-182, C 2023-183, C 2023-184, C 2023-185, and C 2023-186 to the Office of the County Attorney for disposition and/or report back to the Council was then put, and unanimously carried.

Council Chair Rapozo: Next item, please.

BILLS FOR FIRST READING:

Proposed Draft Bill (No. 2901) – A BILL FOR AN ORDINANCE AMENDING CHAPTER 5A, KAUA'I COUNTY CODE 1987, AS AMENDED, RELATING TO REAL PROPERTY TAX *(RPT Reform Tax Year 2024)*

Councilmember Kuali'i moved for passage of Proposed Draft Bill (No. 2901) on first reading, that it be ordered to print, that a public hearing thereon be scheduled for September 6, 2023, and that it be referred to the Finance & Economic Development Committee, seconded by Councilmember Carvalho.

Council Chair Rapozo: We have four (4) real property tax bills, not because we wanted to make it complicated, but we have tax bills that we are trying to implement for the next tax year, and for whatever reason we are going to find out from the Department of Finance it cannot be, so we are going to set it up for the following tax year. That is just the way this system works. I know this is First Reading and normally we save all of the discussion for the Committee Meeting, but because this is such a complicated Bill, we are going to go through the bills to talk about the amendments. Not in great detail, but just generally speaking, so the public will have an idea of what we are trying to do. Before that, I have a real quick PowerPoint and I want to set the mindset of this body going forward. Back in December of 2022, before this Council went to budget, Dr. Akina from the Grassroot Institute wrote a brilliant article, which I thought...and remember now, this was before this body went to budget. Basically, he said counties should not profit from Hawai'i's housing crisis. No one will dispute the fact we are in a housing crisis. If you folks remember when we got to the budget, when we got to tax rates, I had proposed some tax rates, because as I mentioned earlier today, we had a lot of unanticipated revenue: Transient Accommodations Tax (TAT), General Excise Tax (GET), Real Property Tax, because of the incredible increases in assessments. When I put the resolution out to set out tax rates and provide breaks in almost every single category, I met with the Department of the Finance and the Mayor and they said, "Let us focus the relief on homeowners and then we can work on the relief for others when we do our tax reform." I agreed. I wish I did not, but I did, so homeowners got a little increase in their relief. The understanding was that we would work together with reforming our tax code because it is so complicated. I am going to read some excerpts from this article, which again, I thought was so brilliant. What is certain is that higher home values translate to higher property taxes for Hawai'i's homeowners. Combined with inflation and a weak economy, this is another blow for taxpayers already having a difficult year. For retirees and others on fixed incomes, this would push them out on the streets, and we have seen it. We saw people move off this island or actually go homeless...and it will not affect only homeowners, renters will also likely have to pay more as landlords pass on some or all of their additional required tax payments, unless of course our County lawmakers lower our property tax rates or find ways to trim our spending.

In other words, Hawai'i residents have every right to complain about their property taxes going up, especially since it is an increase built into the system over which they have little or no control. Many of our residents went to sleep one night and woke up in the morning with a tax bill that doubled and, in some cases, even went higher than that, at no fault of their own. For county lawmakers, the higher property valuations will produce windfall tax revenues they did not even have to vote for. Yes, that happened. It is a gift from big government heaven, but not one that they should accept. Can we count on our county lawmakers to offset the higher property tax assessments with tax rate or spending cuts?

The one thing they should not do is allow the higher assessments to translate into a massive tax hike for Hawai'i residents, which we did. This might be a boon for County revenues, but it would be devastating to residents, which it was. We are at a strange place when it comes to state and local budgets versus our own pocketbooks, while the state and counties are raking in revenues, the average Hawai'i family is struggling. Homelessness is ramped. Many residents are leaving the state because they just cannot afford to live here anymore. Counties should not be profiting from the housing crisis and its soaring home values. In the long-term, county officials should embrace policies that will increase Hawai'i's housing stock and help bring down home prices. For now, they should look for ways to give taxpayers a break and keep Hawai'i's cost of living from soaring even higher. We talk about reform...that is what we all said, right? "Hey, folks, wait, hang tight. We are not going to give all the relief this time, we are going to work on this massive tax reform bill." And that is what it is, right? "To put or change into an improved form or condition." What I am saying is this real property tax reform is not just renaming classifications or simply removing exemptions that have not been used. Tax reform is changing the structure of how we tax our residents so that people can keep their homes and livelihoods. This is what these bills aim to do. We do so much or we try so hard to build houses, to get people in homes. But, we do very little to keep them in their homes—we tax them, and then we tax them more and more and more. What have we done? Yes, we give a little bit of tax relief in the last budget. This is our opportunity, which we told the public we would work on, reform, so that we have a much simpler tax bill and one that provides relief to the people who need it. We really need to start working and focusing on keeping our families here and in their homes. I say this over and over, I feel bad because I was here when we voted on the budget, but when we look at the unexpected revenues that came in from real property tax, from GET, from TAT—is that going to always be the case? No. But, right now it is. We need to start taking some action now to protect our homeowners and taxpayers now, and remember, this Council always has the ability to control rates. If the market starts to drop, we adjust rates accordingly, so that it is revenue neutral. This is not a moneymaking...real property tax is not just to see how much we can get, how can we get the most from our people, that is not what real property tax is. You set the budget and you set the rates to accommodate the budget that you believe you are going to need to pay for the cost of government. That was the mindset that I wanted to set on this table before we move forward, because this is going to be a very tedious exercise going through these four (4) bills that we need to pass before October. With that, thank you for that time. Go ahead, Councilmember Kagawa.

Councilmember Kagawa: Are we going to implement the associated cuts to go with whatever loss of revenue these bills have? We did that in the budget, right? We said, "If you have a cut to revenue, then you have a cut to expense."

Council Chair Rapozo: Right. Well, this is for next year.

Councilmember Kagawa: Okay.

Council Chair Rapozo: This is going forward. So, we will know what we will have to work with next year, and understanding that these exemptions...when a house sells, it resets to market. That, again, is an unexpected increase in revenue, because you are basing your budget on what your current assessments are or your current tax revenue is, and that is how you develop your budget. When we get the budget from the mayor, obviously if at that point, we want to cut, then yes, if we want to add things to the budget, then yes, we will have to cut, or we raise taxes. Those are the only two (2) options we have. These current proposals do not impact the budget today, this is not for the existing budget. Whatever we do today will impact the tax rolls for next year.

Councilmember Kagawa: Alright.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: Two (2) things, and only because I am an overthinker. I wanted to touch basis with what Councilmember Kagawa said and what you said in your presentation, because I believe that the people watching whether they hear it today, they need to know that. I took a picture of that last screen and you said, "Residents so that people can keep their homes and their livelihoods," so the way I look at this, and the way we deliver our message is crucial. Everyone wants to jump on this bandwagon. It is a good bandwagon, but do we not have something in place for residential homeowners called a three percent (3%) and did we not as a group, and I think it was you Council Chair who introduced a lower tax rate, which gave them tax relief. We did that prior to us introducing these bills. Am I correct?

Council Chair Rapozo: Correct.

Councilmember DeCosta: Okay. To Councilmember Kagawa's concern about when these people sell their home. I have three (3) homes on my property. I will not sell my homes. I am going to give my homes to my children. Many...and I want to be politically correct, I am not going to say "local," but many residents on Kaua'i who have extra properties, when their kids come down, they give or gift them their home. Councilmember Kagawa, you have two (2) daughters, would you sell your daughter a market price home?

Councilmember Kagawa: Depends if I needed the money. No, I am just kidding.

Councilmember DeCosta: Right, you would sell your two (2) daughters at market price.

Councilmember Kagawa: No, I am just kidding.

Councilmember DeCosta: The point I am trying to make is that the people that are selling these homes are selling it for a market margin. The reason why it does not reset back to the original assessed value that kept the three percent (3%) over the years is because, "Why should they get a break on that tax when it is an investment property being sold." There is money transferring and people are making a revenue base. People on Kaua'i, we have children, I look around and everyone has children, I do not think any of us would say we will sell our children a market value home. I am just letting the public know that when you hear these things on the Council floor, we want to help families stay in their home, like what the Chair had up here, but also that people are doing investment sales need to pay their investment taxes.

Council Chair Rapozo: Go ahead.

Councilmember Cowden: I have a little bit of a follow-up comment. I appreciate what you put here and I appreciate the letter that Grassroot Institute put out, because it was absolutely on point. We cannot just be maximizing the money as we have had this gross inflationary pressure across the nation. One thing that we have to look at a little bit is when that next generation buys their first home and it is even sometimes where people cannot afford to buy their first home until they are in their forties, so it does not necessarily mean that they are twenty. If you are not lucky enough to have a dad who owns three (3) houses, and you have to make a purchase, I just think it is important for us to recognize that twenty-five-year-old, and that person would be very lucky to buy at that age, but if they are buying their first home, they are going to be...unless they are buying something from the County, buying at market rate. Not everyone who buys something current is rich. My son bought a house for almost eight hundred thousand dollars ($800,000), I could not even imagine buying something for eight hundred thousand dollars ($800,000)—how difficult is that? Lucky, he got in the right interest rate. It is so difficult for our next generation and as we look around and we see that we do not have people to do the most basic of jobs and to man windows that we absolutely need "manned" in the county or private sector, it is because we do not have enough young people here. We need to figure out somehow our next generation of working buyers needs to be able to somehow make their way into things.

Council Chair Rapozo: Let us do this. Let me go through the sections, I passed out a summary...

Councilmember Kuali'i: I have one (1) quick comment.

(Councilmember Kagawa was noted as not present.)

Council Chair Rapozo: Bill No. 2901, which would be for tax year 2024, Section 1, "Increase Home Exemption from $160,000 to $180,000." It is a small increase, but nonetheless it will help. Section 2, "Increase Age Exemption (60-69) from $180,000 to $200,000. Increase Age Exemption (70+) from $200,000 to $220,000." We are basically increasing exemptions that we need to do because the assessments are out of this world. Section 3, "Amend 'Historic Residential Real Property Dedicated for Preservation, Exemption' to clarify that the exemption is allowed for 'residential' property with a home exemption, not transient vacation rentals (TVRs) or residential properties owned by a nonprofit organization," and they can always apply under the Charitable exemption under our code. Sections 4, 5, 6, 7, and 8 just deletes the exemptions that we have not used here. For example, Leprosy, Manufacture of Pulp and Paper, Air Pollution Control Facility, and so forth. Section 9 is a technical edit using the term taxpayer instead of owner. Section 10, "Removes the 'floor' from the 3% assessment cap for home exemption and long-term affordable rental properties." What happens is if your property goes up, it caps it at three. If the market drops and your property drops below three percent (3%), we cap you at three percent (3%), so this removes the cap. You will pay on the true assessment of your property. This is a big change that is fair. Section 11, "Adds a new 20% assessment cap for all properties that are not eligible for the 3% cap provided by the home exemption or LTL." Again, we have seen...and I do not think this will impact that many people. It is just some of these properties, assessments have gone double, more than doubled and we are taxing them on it. It is based on, as I said earlier, they did not improve their property. It is because someone in the neighborhood sold the house for some multi-million-dollar price and then they unfortunately get hit with an assessment from a few thousand to fourteen thousand dollars ($14,000). My proposal is that, and the Department of Finance does not like this one, but I believe twenty percent (20%) is a fair cap. We still will generate additional revenue from that parcel and yet not put that homeowner or taxpayer at a risk of losing their property. Section 12 is a Severability clause. Section 13 is the Ramseyer and codification instructions. Section 14, "Existing recipients are grandfathered for the duration of their exemption/program." Section 15 is set this ordinance in place for the tax year beginning July 1, 2024. That is Bill No. 2901. Is there any discussion before we open it up for public testimony?

Councilmember Kuali'i: My discussion from your earlier comments were basically...I think the most important thing you said at the end was, "We can always set rates to make revenue neutral." With Bill No. 2900, when we got the ability, because it is our new tool now, right? We have the ability to tier every category for real property taxes, which meant now we can have different rates to adjust and react to super high increases in the valley. I think this Council has never acted during budget to change the rates to account for the huge increases in appraisal values. That is what we can do now in a more surgical way because Bill No. 2900 was passed, so it is there already. Are we not trusting ourselves? Are we saying, "Because the future Council may not do its job and change the rates; accordingly, decrease them if they need to be decreased," so we are not taking this ridiculous amount of revenue? What the person talked about, Mr. Akina, I think it is there already. When you put all of this until I see the twenty percent (20%) assessment cap. That is actually for... "by all properties," you mean all tax categories?

Council Chair Rapozo: Correct. The tiers are a good thing. The threshold and tiers with Bill No. 2900 gave us the authority to do is good...

(Councilmember Kagawa was noted as present.)

Council Chair Rapozo: ...but you can only apply the rate to the class. There are outliers out there that are struggling. Their assessment went extremely high. I do not envision...

Councilmember Kuali'i: Can you explain the thing about outliers?

Council Chair Rapozo: You have properties out there that because of an assessment that through no fault of their own...I am talking about assessments that went from one million two hundred thousand dollars ($1,200,000) to two million dollars four hundred thousand dollars ($2,400,000), more than doubled, their tax rate doubled, their tax bill doubled. We would be able to adjust the tier, they are going to be paying a higher rate with the tiers, because if they go over the threshold, they are going to get a higher rate.

Councilmember Kuali'i: But not so high that you...you do not want that drastic high, so you are trying to eliminate that drastic high. It still could be an increase...

Council Chair Rapozo: If I was a for profit organization, I want that.

Councilmember Kuali'i: It is an outlier, you said.

Council Chair Rapozo: Well, there are a few outliers, she just explained one of them and I was not aware of that one.

Councilmember Kuali'i: Should we change our entire tax system based on outliers?

Council Chair Rapozo: We are not changing the tax system, we are setting...

Councilmember Kuali'i: A twenty percent (20%) cap is, though, right?

Council Chair Rapozo: It is reform. Now, we are saying we are going to have an acceptable...most properties and the Department of Finance can correct me if I am wrong, will never touch the twenty percent (20%), it is not going to impact anyone that...this is going to help the people in commercial properties that get this ridiculous increase. Councilmember DeCosta had a concern about the commercial properties, there is not too much Walmart and K-Marts that sell to affect the comparable that will change the assessments by a tremendous amount. The ones that are getting hit are the ones on the North Shore, in Kōloa, in Kalāheo where if one house sales, just skews the entire assessment for the neighborhood. In some cases, well over twenty percent (20%). All I am suggesting is...number 1, that is not fair. If you renovate your home, then you are going to get a new assessment based on the new renovations and you will reset. You are not going to be capped, you are going to have a new base. These are for the people that are just living in their home or operating their little business and trying to make a living, have a budget based on...and this is what got me, there was one person who has a little and should be in a Commercial Home Use class, but she is in Commercial. They base their budget on the taxes that they expect to pay. If your tax bill goes up ten percent (10%), twelve percent (12%), you put that in your budget. When your tax goes up a higher percent, you are done. You do not have no budget for your property tax. That is what I am trying to prevent. I am just trying to prevent, and not just businesses, but homeowners that unfortunately assessment jumps up double. You cannot tell me that this County cannot survive on those properties...that we cannot survive on a twenty percent (20%) bump off of that property. To even think that we would just be okay with taking in one hundred percent (100%) more...did their services increase? No. They are living the same life they did, but you are going to pay more because someone else in your neighborhood sold. I do not know how we can even think it is fair. I cannot imagine. Twenty percent (20%) to me, honestly, my initial instinct was to put ten percent (10%), but that might be too generous and might have a fiscal impact. I do not think the numbers are there to create...and again, keep in mind that the tax assessments overall, islandwide, creates a very large influx of revenue and more than we expect, depending on the market. Now, if the market should shift and the market drops, then the twenty percent (20%) is irrelevant, but it will be up to the seven (7) people here to adjust the tax rate to make sure we can pay the bills. That is how it works. Councilmember DeCosta.

Councilmember DeCosta: Thank you for that clarification. With your last statement, it worries a person like me. It worries me. I have ten (10) acres my wife and I own in Ōma‘o, and three (3) houses. It is assessed at a very, very high price. I had a cap on that property for eighteen (18) years that I own it. You are going to remove that cap.

Council Chair Rapozo: I am not touching your cap.

Councilmember DeCosta: It says here, "Adds a new 20% assessment cap for all properties that are not eligible for the 3% cap."

Council Chair Rapozo: Right.

Councilmember DeCosta: I will still have my three percent (3%) cap, but in the first Section 10, it says, "Removes the 'floor' from the 3% assessment cap," that means we will no longer have a three percent (3%) cap on our property?

Councilmember Bulosan: That is just the floor.

Council Chair Rapozo: No. Right now, we are talking about apples and oranges, because your three percent (3%) is your Homeowner.

Councilmember DeCosta: Okay.

Council Chair Rapozo: It has nothing to do with twenty percent (20%), the twenty percent (20%) is for everyone else...

Councilmember DeCosta: All of our homeowners...I am doing this for the people listening. If it is hard for someone like me with a college education to understand this, I can only imagine for the others listening. So, we are not going to touch the three percent (3%) cap, and the residential homeowners are fine with the tax relief that we have in place. We are going to set a twenty percent (20%) for all other categories, Commercial and other properties that escalate, right?

Council Chair Rapozo: Correct.

Councilmember DeCosta: And you said, Council Chair, that Walmart and K-Marts do not sell, but what about Hyatt, Sheraton, and Timbers...I am just going to throw this out here and I do not care, what about the Zuckerberg's or the (inaudible) selling large pieces of property and now they make a twenty-million-dollar to forty-million-dollar profit? Are they going to be protected by the twenty percent (20%)? Can someone answer my question right now?

Council Chair Rapozo: No, when they sell their property, the assessment resets.

Councilmember DeCosta: Okay.

Council Chair Rapozo: The new buyer gets a new assessment, so the twenty percent (20%) does not...

Councilmember DeCosta: So, there is a property in place right now that Zuckerberg is buying. When he buys that property, he is going to save that twenty percent (20%) cap, he will qualify for this.

Council Chair Rapozo: No. This is nothing to do about selling property. This is for people to hang on to their property.

Councilmember DeCosta: Correct. Council Chair, I am kind of smart. I am telling you that when you sell this property, the new owner, if it is Zuckerberg, he will get a twenty percent (20%) cap, because we cannot discriminate between Zuckerberg and a homeowner buying an eight-hundred-thousand-dollar property. We cannot set rates for individuals. I am asking right now...and maybe I have to ask the Department of Finance, will large wealthy landowners benefit from this twenty percent (20%)? That is all I want to know. Simple.

Council Chair Rapozo: First, this bill is not written for any one person. This bill is a philosophical amendment that, for me, I believe that twenty percent (20%) should be sufficient and to keep people in their properties. Zuckerberg, DeCosta, or whoever, sells their property, that new owner will get a new assessment and will be taxed on the new assessment. Going forward, their assessment cannot go higher than twenty percent (20%) for tax purposes. What are the chances of that property going up beyond twenty percent (20%) and if it does go beyond twenty percent (20%), then yes, they will be capped at twenty percent (20%), but I am not worried about them. Zuckerberg and the rich can people whatever bills we send them. My concern are the ones...these are real life stories that I had been hearing, are from people that will have to leave because they cannot afford the taxes. That is who I am doing this for. The rich are rich. It is irrelevant because I am trying to protect the people that are living here, working here, and want to stay here. That is all this does.

Councilmember Cowden: I want to start with something that might help answer your question. If a large purchase happens and it is very expensive, that twenty percent (20%) is going to help the next-door neighbor of that sale. It is not going to help the buyer. I am just going to make up a number, someone buys a piece of property for fifty million dollars ($50,000,000), their property tax is going to be assessed at fifty million dollars ($50,000,000)...

Councilmember DeCosta: Comparable property, right?

Councilmember Cowden: No, the person that just bought it...like the way this would go, the next time the market resets, so fifty million dollars ($50,000,000), so the next-door neighbor who has owned that for generations or twenty (20) years, their property is not going to be reassessed with a reflection of that fifty million dollars ($50,000,000). Their next-door neighbor cannot go up more than twenty percent (20%), because what we are seeing, and I have given that example of a house that was purchased for nine hundred thousand dollars ($900,000) and now is assessed at thirty-three million dollars ($33,000,000), because a house on one side of the other each sold a lot. This would save that middle house cannot go up more than twenty percent (20%) rather than inflating. In fact, if that property sold, they probably could sell it for thirty-three million dollars ($33,000,000) or more. The twenty percent (20%) protects the neighbors, not the buyer. Is that correct?

Council Chair Rapozo: I will round up the numbers, just because I am not as good as you in math. One day this family's house is appraised at one million dollars ($1,000,000). They are being taxed at one million dollars ($1,000,000). The next day, thanks to someone else buying an expensive property, this family's property now gets assessed at two million dollars ($2,000,000). This is real world. It went over doubled. Currently, this family is going to get taxed on two million dollars ($2,000,000). With my amendment in here, they will only be taxed at one million two hundred thousand dollars ($1,200,000). In other words, their increased in taxes will be based on the two-hundred-thousand-dollar increase, you times that by the tax rate, it is something that people can adjust to. Not when it goes up two million dollars ($2,000,000), because now they are being taxed on an additional million dollars ($1,000,000), you times that by the tax rate and that is insane. That took the taxes from six thousand dollars ($6,000) to fourteen thousand dollars ($14,000). That is a real-life situation. Now, I would die. If I received the tax bill from Real Property Tax today and it said that my taxes are now fourteen thousand dollars ($14,000), what am I to do? Will I make a payment plan? It just causes additional stress, additional anxiety. We are trying to help people. All I am suggesting is...and you are telling me that the twenty percent (20%) and whatever the percent is this Council will have to...maybe we will not even pass this, but we have the opportunity to change that percentage if you folks are uncomfortable. I just think that twenty percent (20%) is fair and that will meet the financial needs of this County. Again, we are not talking about a ton of properties that assessments will go up that high.

Councilmember DeCosta: I wanted to make sure that everyone understands, it is comparable properties. If it is one hundred (100) acres that sell next door to a one-acre property, that one-acre is not affected by the one hundred (100) acres sale. It is a comparable property. "Comp" properties mean properties are the same. There is a relator in the house, so I do not know if you can nod to me, but what I am looking at, listen to me what I am looking at, you have thousand-acre pieces out in Kīlauea, five-hundred-acre pieces. These are all large landowners, you have Zuckerberg, Lucas Estate, Kahili Jurassic Park Ranch. If any of them buys or sells and that comparable property is Kahili Jurassic Park, you folks, we just protected them. Now, they are only going to pay on twenty percent (20%) of their assessed value. They are not going to pay on their full assessed value, which they should.

Council Chair Rapozo: Wait, hold on. That is not what we are saying. They are not paying twenty percent (20%) of the assessed value. I am saying, they will not pay more than twenty (20%) of an increased assessment. They are going to pay one hundred percent (100%) of their assessment. When they get the following tax year, if their assessment jumped up thirty percent (30%), they are only going to be taxed on that additional twenty percent (20%), in addition to their tax.

Councilmember DeCosta: I understand. I would like to ask the Department of Finance if they can answer me this question, because I asked you folks three (3) times, will landowners like the North Shore large group benefit from this twenty percent (20%)? That is all I want to know. It seems like we are saying they are not going to benefit, we will help a few of our people that has that one hundred percent (100%), but again, that unintended consequences worry me, because I do not want to see our rich landowners benefit.

Council Chair Rapozo: Do you know how much rich landowners are paying for their properties out there in taxes?

Councilmember DeCosta: They should pay more.

Council Chair Rapozo: Do you know how much they are paying?

Councilmember DeCosta: I do not work in the Department of Finance, but they can tell us.

Council Chair Rapozo: One hundred fifty dollars ($150), three hundred dollars ($300).

Councilmember DeCosta: Then we have a problem here.

Council Chair Rapozo: We are going to work on that problem, but my point is, this is not about them. This is about the people that are being threatened to lose their properties. We can say, "Sorry, we do not want to help you folks, because we do not want to see these rich people receiving benefits." That is one approach, I guess, but for me, everyone will be subject to this benefit. The only people that their assessments artificially increase beyond twenty percent (20%) is all I am saying. Councilmember Cowden.

Councilmember Cowden: I want to make a couple comments. On Section 10, I am very supportive of this and I think that this will, though, have potentially impacts if we hit another drop, but if we hit a big drop in the markets, like already sales are changing because of the interest rates, but I am willing and supportive of taking the floor out. I think for most people and I am looking at real property tax, when I am talking about that, because my house is not at market rate, my assessment is held back. When there is a drop in the market, maybe it drops two hundred thousand dollars ($200,000), but I am well below that two hundred thousand dollars ($200,000), so I am not going to see a drop until it drops enough that it is going to reflect that fifteen (15) to twenty (20) years that I had a cap. I do not think we had the cap that long, but I had it since it started. I am looking at the Department of Finance saying most of these houses, you are not going to see a dip. It is going to have to be substantial before there is a dip. I am very supportive of Section 10. Section 11, which is the twenty percent (20%), I am so supportive of it, because as I reacted before of where it does not take into account the low lying areas, I had the market analysis for Hanalei, for where you see how radically prices are jumping around, so it pressures all the neighbors. This helps, not pressure those neighbors. They are still going to get a lot. If their home goes from one million dollars ($1,000,000)...if it doubles, it will take five (5) years for their assessment to reflect that doubling, a little less than five (5) years. I am supportive of that. I want to say, and this time I am talking to the Real Property Tax Division, when we are given a budget, that budget is already reflecting the potential, so we are given a budget of the potential. They create a budget for us that looks at all this extra money that we are getting. It anticipates the inflation in the market. When we talked about our highest here, needing to absorb that sharp unintended increase to have revenue neutral, I am hoping that what we are really looking at is what our costs absolutely are, because we have service decreases. I will not say which department, but I received a picture yesterday from a really critical department that only has sixteen (16) hours of window time in a week. That is a decrease in service. That is not even the same service. We are not even necessarily getting the same things, so I am one hundred percent (100%) in support of this new twenty percent (20%) assessment cap. When we are looking at these high purchases one next to another, I will tell you Councilmember DeCosta, most of them are hiring former key people in the County and they do not even pay the tax they should. When Council Chair said they get one hundred fifty dollars ($150) a year on a fifty-million-dollar purchase, that is happening. This twenty percent (20%) assessment cap is protecting neighbors.

Council Chair Rapozo: I totally went beyond the caption break. You will have the floor when we are back to order.

There being no objections, the Council recessed at 10:43 a.m.

The Council Meeting was called back to order at 10:59 a.m., and proceeded as follows:

(Councilmember Kagawa was noted as not present.)

Council Chair Rapozo: Councilmember Cowden, you had the floor.

Councilmember Cowden: I was making some comments about the importance of when the Department of Finance and the Administration get the anticipated values, that they do not maybe give us a budget that is already maximizing the potential of the revenue. Maybe to be planning for a little bit of flexibility, probably you do, but it does not come to us that way. I want to also acknowledge that very often we have brand new councilmembers, three (3) months into it that are making these decisions and they do not have the background. I want to make a comment to the Real Property Tax Division that I think this twenty percent (20%) assessment cap will actually be great for your department because it will reduce the burden of all these board of review items. Mostly people are going to be somewhere close in the range and I know and my heart goes out to the Real Property Division. When all these people come in with these crises, and you folks come out like the bad person, or at least you are the frontline of taking these hits, so I think this twenty percent (20%) will be good on that. I just have a comment about bond rating, market vulnerabilities...I am sure what it looks like for the Administration, the more it looks like we are getting, the better the bond rating and the more capacity to do it. But the lend ability to the potential buyers, I think really starts to fail when there is so much flexibility in how they can be taxed. A smart lender is going to be very cautious, that who knows if there is a taxation doubling, because that makes a big difference in what people can spend. I just want to make a slight comment that I do not know if anyone noticed that PayPal released their own crypto currency this week, they have something called the stable coin. There are all these indicators...

Council Chair Rapozo: Bring it back.

Councilmember Cowden: ...that we have market vulnerabilities.

Council Chair Rapozo: Bring it back to the real property tax bill.

Councilmember Cowden: So property taxes, who knows where we are going to be on any given year right now, so we have to be cautious when we make the budget and we cannot plan on just squeezing everything we need out of any particular layer of our community. I am just going to stop there, but I want to say that I am basically happy.

Council Chair Rapozo: The discussions should surround...

Councilmember Cowden: I am.

Council Chair Rapozo: ...the bill that is...

Councilmember Cowden: It is.

Council Chair Rapozo: Okay.

Councilmember Cowden: Other than the crypto.

Council Chair Rapozo: I am going to call the Department of Finance up for their...

Councilmember Cowden: I am saying I like Section 11, and Section 10.

Council Chair Rapozo: Are there any questions regarding what I just talked about, Section 1 through Section 15? Councilmember DeCosta.

Councilmember DeCosta: Section 10 and Section 11. I really want to address that comment that Councilmember Cowden just made on the floor about our inexperienced Councilmember.

Councilmember Cowden: I was talking about me when I was.

Councilmember DeCosta: Well, it did not seem that way and I will have to advocate for our newest Councilmember, because I am working with him on a bill and he is as sharp as the sharpest tool in any shed. I took offense to that.

Councilmember Cowden: Okay...

Councilmember DeCosta: We do not categorize people.

Councilmember Cowden: I just need to correct that though. I am just looking when we make policy and we are looking towards the future, it is not about now. When we are looking to the future and we have all these levers available to move and adjust how our taxes go, I am meaning anyone at any time, someone is always going to be a beginner. It is really important that we are conscious how we can adjust.

Council Chair Rapozo: This is new territory for all of us, including myself, but let me just say this, Councilmember DeCosta, before I get back to you. Traditionally, we have been given the levers by the Administration.

Councilmember Cowden: Correct.

Council Chair Rapozo: I am saying this is an opportunity for this Council to may be add some levers and maybe add some new things that...that is what reform is. Now, we can actually do what is right for our constituents and not necessarily what is in the vision of the County, but really for our constituents; making sure they are fairly taxed and we provide adequate services to them. This is an opportunity...I have been on this Council for many years and this is the first time we have actually taken apart the Tax Code, so it is an amazing opportunity. Councilmember DeCosta.

Councilmember DeCosta: Back to Section 10. I need to read this, "Removes the 'floor' from the 3% assessment cap for home exemption and long-term affordable rental (LTL) properties, which would allow their assessed values to be reduced by more than 3% if their market value in fact decreased by that amount." What will happen if that market value drops? Would we have to increase our rates now, because the rate that we dropped it to is two dollars fifty-eight cents ($2.58). If for some reason the market values drop and we have to recover that assessment value for our County to run to provide services that we need, we would have to raise our rates.

Council Chair Rapozo: Correct.

Councilmember DeCosta: And then all of a sudden...what if we are not here? What if we are not that Council that is that conscientious? There have been councils who are not as conscientious. What if there was another chair that was not Mel Rapozo? What would happen then? Would we raise it to four dollars ($4), five dollars ($5), six dollars ($6)? Think about it. Right now we have a three percent (3%) assessment cap in place, we have our low-income rental agreement within the County that is working, and I believe that Section 10 worries me. Section 11, I have a few more questions for...

Council Chair Rapozo: Can I address Section 10?

Councilmember DeCosta: Go ahead.

Council Chair Rapozo: If for some reason the market was to drop and it went below the three percent (3%), yes, the Council at that point will have no choice, but to increase the rates. But increase the rates to keep the level of revenue the same, so basically a revenue neutral increase. While the tax rate may go up, because of the lower assessment, because the drop, their tax bill would be the same.

Councilmember DeCosta: Chair? But you are saying they are going to make it revenue neutral. With all the problems that we have facing Kaua'i, landfill, cesspool conversion, infrastructure, the County in the future might say, "It is time to tackle these." What is that Council going to say, "Let us go six dollars and seventy cents ($6.70) for the property tax, because we need some revenue to tackle our problems." I am just saying they trust us because this is who we have, but in the future that cap is gone, that cap does not protect anyone. If I am not making sense, I want someone to tell me I am not making sense.

Council Chair Rapozo: The removal of the floor is to the benefit of the taxpayer, that is the difference. Based on the discussion I had with the Department of Finance, this specific section was actually proposed by them, in a discussion that we had. They asked about what we thought about removing the floor. Unless they have changed their position, this is to the advantage to the taxpayer. What the councils in the future do, if they raise the taxes to six dollars ($6), I can guarantee they will not be councilmembers long, and the public would only suffer for the remainder of their term. Honestly, they would all be gone. We can only do what we can do today, because we do not know what the market condition will be in two (2) years.

Councilmember DeCosta: Section 11. Are we going to have a chance to call up the Department of Finance, so we can talk to them about the different sections, right?

(Councilmember Kagawa was noted as present.)

Council Chair Rapozo: Correct.

Councilmember DeCosta: I see Steve Hunt nodding his head, so he may disagree with Section 10, but that is his job to convince me, and my job as a Councilmember is to be absorbent and make a decision on the floor. Not to come here with a pre-decision at-hand. I would like to be convinced, that means I am doing my job and I am open to listening. Section 11 says, "Adds a new twenty percent (20%) assessment cap for all properties that are not eligible for a three percent (3%) cap." "Not eligible for three percent (3%)," so these are not homeowners, because homeowners have a three percent (3%) cap, which means everyone that lives on their property and who are property owners have that 3% cap and they are protected. We are creating a new category to help a certain group of property taxpayers. You mentioned that one (1) person in Hāʻena or Hanalei, who had that increase, but they were renters, they were not the property owner. Again, I made that point on the floor and I want to make it again, that twenty percent (20%) assessment cap, there is a potential or protecting the large landowners that sell between themselves as investment properties that now it will reset on the new buyer who buys the five hundred (500) acres, but the adjacent piece of five hundred (500) acres next to that person, he or she will be protected by only paying twenty percent (20%) of what the assessed value went up.

Council Chair Rapozo: No, Councilmember DeCosta, it is not twenty percent (20%) of the assessed value...do you have a whiteboard over here? It is not twenty percent (20%) of the assessed value. It is if the large landowner sells a property for thirty million dollars ($30,000,000), the adjacent property owners assessment, let us just say was ten million dollars ($10,000,000), and because of the sale of the thirty-million-dollar property, and I do not know assessments, I am not an appraiser, but let us just say the value of the neighboring property, and this would also work in the a residential neighborhood, where you have residential people, but let us say the thirty-million-dollar sale impacted the adjacent property and his assessment went from...let us say ten million dollars ($10,000,000) to twenty million dollars ($20,000,000). He is going to be taxed on ten million dollars ($10,000,000), but instead of being taxed on the twenty million dollars ($20,000,000)...

Councilmember DeCosta: I understand.

Council Chair Rapozo: ...he cannot get taxed more than twenty percent (20%)...

Councilmember DeCosta: Of the growth?

Council Chair Rapozo: Yes, of the difference.

Councilmember DeCosta: Ten-million-dollar property next to the thirty-million-dollar property, give me the last name of that person, because I do not know one of them. I am not friends with them, I do not know them, and that is the category we are creating for the rich. That is the category we are creating for the rich, that thirty-million-dollar property that just sold in Kīlauea for thousand acres and the next-door neighbor who has comparable property, and let us say his property was ten million dollars ($10,000,000) and now it goes up to twenty million dollars ($20,000,000), that wealthy landowner is going to benefit, and that is all I am saying. If you can tell me they will not, great, but if you tell me they will, then I will have a problem with Section 11. I need a twenty percent (20%) mark up, I was not that unclear. I want that question answered by the Department of Finance.

Council Chair Rapozo: I can answer that question. They are going to benefit.

Councilmember DeCosta: Okay, thank you.

Council Chair Rapozo: But that is not who I am trying to...that is not about them, it is about the residents, it is about the taxpayers.

Councilmember DeCosta: The residents have the three percent (3%).

Council Chair Rapozo: They do not. If it is a Residential and they are not living in the home. It could be your second home, it could be Councilmember Kagawa's second home, I do not have a second home, but those people right now are not protected unless they are in the long-term rental program.

Councilmember DeCosta: Why would we not want to push the long-term rental program? Why would we not want people put their home...the higher taxes is what we want to do to them so they put their home in the long-term rental, so our people can afford to rent, because people cannot rent right now. I do not know. Maybe I do not understand or maybe I am singing the wrong tune, but I think I am making sense, I really do. I think I am making sense right now.

Councilmember Cowden: Can I make a comment as a Kīlauea resident?

Council Chair Rapozo: Yes.

Councilmember Cowden: We have market rate rentals that are also deeply impacted, so if a property adjacent to a market rate rental, they do not get that twenty percent (20%), it might force that market rate rental really high and I just want to make a comment about the people, our people, and we want to make sure our taxes are right. I want to acknowledge that there are people that we are targeting here, that is also being targeted, I am not targeting them, but in this conversation that can be very solution oriented in our community as well. Just in case they are listening or the lawyers are listening, these are people that I share the same coffee shop with. I just want to acknowledge that a lot of times there are very good actions that happen as a result of people that I do not want to be punitive in how we do our taxation. We need to tax the people who can pay, but to punish and some of these lands are owned for generations and they do not have the kind of money that the new purchases represent. I do not want to punish people. I want us to pay our bills and pay where we can without punishment. I want to say to my neighbors, thank you for what you do, that is helpful. The goal is not to punish anyone.

Council Chair Rapozo: Okay. I think this might be a good time to bring up the Department of Finance. Is there anyone in the audience wishing to testify? Are there registered speakers? We will suspend the rules.

There being no objections, the rules were suspended to take public testimony.

MIKE CURTIS: My name is Mike Curtis. I want to start by saying that I respect the integrity and the intent of each of the councilmembers here, before I say, the classic joke is, "I am from the government and I am here to help." Bull shit. You folks are playing a shell game. Assessments are one hundred percent (100%) market value. Why are you playing with assessments because you got rates, but what you are really affecting is the tax payment. If you could limit my tax payment to an increase of three percent (3%), you would not have to worry about my assessment, and that is what you are trying to do for property owners. You are playing a game with assessment and putting it on real property and the market. I guarantee the market is going to go down over the next five (5) years. I have been in the market long enough for cycles. We have a big cycle coming and we got a big drop coming, you are going to have to prepare for. If government helps, it enables my motivation to better myself for my community. That is enablement. That is helping. Everything else is regulation and restricting. You are restricting my right to own a property, my use of the property by taxing it. That is elimination in one of my bundles of rights. You regulate it by zoning and you limit my use of it, that is all reasonable, but when you talk about assessments and the bottom line is my tax bill, put it on a tax bill. Say that my thousand-dollar tax bill last year can only increase three percent (3%). That is simple math and manageable for Real Property and for the Department of Finance, but when you get into this convolution of assessments and you are going to adjust the assessment, the next step is rates, you folks control the rates. And what you are really trying to do is not price me out of the market by taxing me out of my home. So, limit my tax payment by three percent (3%). Forget the bologna about assessments and things like that, the market is going to set the assessment rate as one hundred percent (100%) market and the sale next door is going to affect my assessed rate. But the tax bill is what you folks are trying to help me with, thank you very much, but if government could stay out of my life, I would be a lot happier. But you folks are trying to affect the tax bill that I pay and write my check for. Put your three percent (3%) and twenty percent (20%) there. Forget assessments. Assessments are one hundred percent (100%) market value and you are going to be chasing that...just like you are trying to avoid a hurricane. I guarantee the market is going down and I guarantee we are going to have another hurricane. Thank you very much.

Council Chair Rapozo: Thank you. Is there anyone else?

Ms. Schemp: Heidi Schemp. I made a couple notes. One thing on your handout that was not on there when I was at the meeting before was the Historic Commercial properties, remember historic houses received an exemption, but Historic Commercial did not, and I really feel like keeping the character of our towns and our small businesses thriving, we might want to consider something about that. The other thing I wanted to bring up was by changing the price so that people do not get stuck in a property tax longer in that class than they should, I know it is horrible for real property tax to have to switch people mid-year and I know it is a budget issue, because you folks have already planned out exactly how much money you are going to be taking in, but I will confess that I am one of probably the only people that watched all of your budget meetings this past year online. Councilmember Kuali'i challenged every single department if they were going to fill that job, and I am pretty sure they have not because it would be impossible and we would be fully staffed right now, had to fill those jobs. You cannot possibly be using all of the money that you budgeting for, right? You have a job opening right now, because you have only so many window hours and all these things, so they are taking the money and you are using it for something else, office chairs or something else, to use that money because they budgeted that money, so I want to call out and say you should be able to adjust also the side of homeowners and people that live here, if you can adjust over there by not filling those jobs and maybe those two (2) can work together. "The peg can fill the *puka*." I have more to say, but I lost it.

Council Chair Rapozo: Is there anyone else? If not, we will get the Department of Finance up. To your comment, though, some will say that the sky is falling and we are going to lose money, and the county will go broke, I will tell you that at the end of the year, there is money left over for positions, is one of them, but also for other things that do not get expended. With that, thank you, Department of Finance for being here. We are on Bill No. 2901.

STEVE HUNT, Executive Assistant to the Mayor: For the record, Steve Hunt, Executive Assistant to the Mayor. Where to begin? Can I first start with the PowerPoint that you presented by Dr. Akina just to make some comments on that? Much like a lot of the state dialogue, I believe the comments in that section were mostly directed at City & County of Honolulu. It is definitely Oʻahu centric. You have to understand that City & County of Honolulu does not have an assessment cap, they do not have a Homeowners category, and the exemptions that they provide are actually fairly meager, so the relief and the runup in assessments do affect residents much more for City & County of Honolulu than it would for Kauaʻi or Hawaiʻi Island, for that matter, because we do have assessment caps to protect us.

Council Chair Rapozo: His article did not mention assessments. His article said one of two things, cut taxes or cut spending. The last slide was my addition. If you read the entire article, while he focused on City & County of Honolulu, the housing crisis applies to all islands. The unbelievable inflation and assessment increases applied to all islands, but he did not reference assessments.

Mr. Hunt: Correct, but what we did see was "do not let the runup in value essentially become a windfall in taxes," right?

Council Chair Rapozo: Correct.

Mr. Hunt: He does say residents in that and I just want to make sure we are aware here that our residents, at least those who are owner-occupied, not necessarily renters, but often renters do not pay property taxes, they just pay their rent and that is a portion of it. But, for our residents, we do have safeguards, that three percent (3%) cap, so even though market values certainly ran up, assessed values did not, they were protected by the three percent (3%) cap. This action by the body of lowering the tax rate to two dollars fifty-nine cents ($2.59) for that category, in a reality for the long-term residents, rolled back their property tax payments to something in between what they paid four (4) and five (5) years ago in property taxes. Because our taxes, again, capped at three percent (3%) and the rates had not changed, so essentially it was a three percent (3%) tax increase compounded, so it is not quite five (5) years, but that was more or less what happened to our long-term residents. Now, the category as a whole did increase more than three percent (3%) because of the resets, new buyers coming in. Individual buyers that had been in for a long time did not have those run up in taxes, I just wanted to make it clear because that article was focusing on residents and that did not happen here, even though market values did increase; assessed values did not.

Council Chair Rapozo: Okay. For homeowners?

Mr. Hunt: For homeowners, yes. And LTLs and Commercialized Home Use, so those categories, that was the case. For the Proposed Bill (No. 2901), Section 1 and Section 2, the Administration is supportive of the increase in these exemption amounts. For the deleted sections, Section 4, Section 5, Section 6, Section 7, and Section 8, the technical edit and the removal in Section 10, of the floor, the Administration is supportive of these changes. Just to clarify in Section 10, I think you already done it, but I want to reiterate that this is allowing properties that are under the cap, especially those that maybe bought close to peak of market. When the downturn does come, as Mike Curtis mentioned, it likely is coming in the next five (5) years, that those properties will be allowed to float back down to their market value in the event that the three percent (3%) floor prevents it and creates an assessment that is higher than the market value. This will allow the reset on the lower end to come back. Now, of course, the three percent (3%) ceiling does kick back in on the recovery, so it will be somewhat of an equalization—those that have been long-term residents that have the cap, and they still go up in a down market, because their assessment is still maybe below that even the revalue, but those that bought at peak will be able to come down and they will be somewhat of an equalization, so that there is not so much disparity between those who got in a long time ago and those going forward when that reset occurs. That is one of the reasons why we are supporting this. Section 11, the twenty percent (20%) cap...

Council Chair Rapozo: Steve, did you mention Section 3?

Mr. Hunt: No. I skipped Section 3. It was not a proposal by us and I do not think we are taking a position on this one.

Council Chair Rapozo: Okay.

Mr. Hunt: Section 11, the twenty percent (20%) assessment cap for all properties outside of those qualifying for the three percent (3%) cap. This is one that the Administration strongly opposes. We are not in favor of this. Some of the reasons I will give is although twenty percent (20%) is a large proposed guardrail/safeguard, the fact that we are having a cap on all properties and potentially future council bodies lowering that, this is essentially the "foot in the door" that we are very concerned about and I think our credit rating agencies will be concerned about this as well. With potentially some very large bond issuances, if we had a negative rating because of this cap or even a negative outlook, the cost of our borrowing will likely increase, which means the cost to our taxpayers is going to increase. The twenty percent (20%) cap, I would not call it a protection for residents, it is a protection for investors, because these are properties that are not owner-occupied, and again, I will say that most properties that are rentals where there maybe residents that the owner of the property could be protected, typically do not pass on property taxes as part of the rent. Now, it does happen to commercial properties, they call it common area maintenance (CAM), property taxes do get passed on, but you may not even see that as a savings. If it is a savings to the owner, the tenant may view it as an opportunity to get more profit or increase the amount that they charge for their basic rent, so not necessarily a protection.

Council Chair Rapozo: But Steve, that is pure speculation, right?

Mr. Hunt: All is speculation. We have not implemented it yet. I am just mentioning the concerns we have.

Council Chair Rapozo: I understand.

Mr. Hunt: Also, I am going to speculate, too, that the impact of the twenty percent (20%) cap, like Councilmember DeCosta mentioned is probably going to be protecting the wealthiest and the most valuable properties because they are typically the most volatile in terms of changes to property values. Therefore, our high-end hotels, our high-end investor properties, are probably going to be the greatest beneficiaries from a dollar standpoint from having this cap. Let us talk about fairness and equity. For most properties, we are talking about windfalls, but in reality, what we do is we set the budget. We do not estimate the revenue first and then build the budget to the revenue. We set the budget first and then we see what we need on the revenue side in terms of, "Do we need to increase tax rates, can we afford to decrease tax rates"? This year we were in a position where we could afford to decrease some tax rates. Again, in action, I think that is the way it should be done. What ad valorem market value does is it creates the distribution of taxes, so someone who is paying one hundred percent (100%) market value versus an area that has not had a lot of sales and all of a sudden, we do have indications that the market value was not accurate and there is going to be an adjustment and maybe it is a large adjustment. Now they are protected, so they are not paying...what we would say "fair share" relative to someone who lives in a market area where there is constant market activity and is always close to that one hundred percent (100%) market to market threshold. From an equity and fairness standpoint, we think the twenty percent (20%) cap creates more inequity than it would equity. I think it also discourages properties that we were talking about...or our affordable housing crisis right now. I think if a property gets reset because of subdivision, it gets reset because of subdivision, it discourages people to do subdivision, it encourages land banking, "I am going to keep this property intact, because if I do subdivide, I am going to have resets on my property." We have to consider that too. It actually is a discourage for investment, "I do not want to pay additional taxes or have resets." I am going to speak on behalf of Mike at this point and his staff, but the work distribution to administer this cap, you maybe correct it in a large scheme of things, the twenty percent (20%) cap may only protect a handful of properties, but it has to be applied to probably twenty thousand (20,000) properties to see if it actually has an impact, and those above that threshold. Every year, the set of twenty thousand (20,000) properties needs to be looked at for what we are going to call "non-capped changes." Therefore, you do an addition to your home or you build a new warehouse on vacant land. That new construction, that portion is not capped, so now you are carrying two (2) books, I got a capped land value, but a non-capped improvement value, and I have to add them two (2) together and look at the changes over time for all these new properties. We do it for the Homeowner class and the Commercialized Home Use when we see those changes, and even in the LTLs if there are changes. It is a very cumbersome task, somewhat manual. You can set flags to say, "where the changes have occurred," but the appraisers have to go individually to look at those changes to see what is supposed to be non-capped portions to make adjustments. I can tell you there are three (3) or four (4) individuals that spend a whole lot of overtime towards the end of the assessment year to come up for the new assessment year to see where those non-capped values lie. This is sort of *déjà vu* all over for me, too, and I will leave this with Council Services as well, but in 2022, Bill No. 156 was proposed by Hawai'i Island and it was a fifteen percent (15%) cap across the board for all non-owner-occupied, similar the non-three percent (3%) cap. I have the minutes from the meetings as well, so you can read. I really have not been able to dissect and get into all of this yet only because this came out of left field, we did not have a lot of time, it was not part of some of the discussions we had in other segments, so we are hoping that it will be deferred, only because we want to look at this and say, "We really have not had the opportunity to look at the pros and cons." Initially, it is just very difficult because I think it puts us in a bind. It is not so much the twenty percent (20%), it is the policy itself and the fact that it could be amended downward and potentially end up being a reflection in our bond rating. I do have a letter that...much like when we seek advice from Counsel for legal issues or from our Certified Public Accountants (CPAs) on financial issues, when Bill No. 156 was proposed, we actually went out to the International Association of Assessing Officers and their policy office, and actually asked them advice on caps and freezes, what their opinion was. I do have a letter that I will leave with you as well.

Council Chair Rapozo: Okay.

Mr. Hunt: Section 11 is something that the mayor is going to opposed very strongly.

Council Chair Rapozo: That is his right and that is his option. Let me address a few things, first, if we use that rationale or that thinking that future councils may change it, then we should not probably do any amendments, because future councils could change the three percent (3%), future councils could change the one-hundred-eighty-thousand-dollar exemption. Again, we are speculating. Councilmember DeCosta did that earlier, "What if the next council"...what if...I am not here to look at reasons why we should not do it. I am looking at reasons why we should. The comment about "for investors," and correct me if I am wrong. Did any councilmember receive complaints from investors about the property tax increases? The people I received calls from are people like me that are struggling that are having a rough time paying taxes, and then the tax jump. I received no complaints and that was my comment earlier. These folks will pay the bill. They have the money. This is not for them. To categorize this as "this is only going to help the rich," is not fair. This is going to help the lady or the property that Heidi talked about, the lady that called me and said, "They will have to shut down," and others that are devasted with the increase of property taxes. Equity and fairness, how can you say this does not provide equity and fairness? I do not know how we can say it is fair that we doubled someone's taxes. Double your taxes because someone in your neighborhood bought an expensive property. How can you say that is fair? That because of that, your property taxes will double. I do not see the fairness in that. I sat through circuit breaker, Mr. Curtis, you mentioned the three percent (3%) of your tax bill. We did that with circuit breaker. That created an issue with bond rating. I have been in discussions with Brian Hirai, our bond counsel, for many years. We had this discussion and the reason why the bond ratings get affected is when the county has no longer control of revenue generation. That is when we get into problems with our bond counsel, and they say, "Your bond rating will change because you do not have the ability to raise revenue and you cannot pay your debt service." That is the problem. In this scenario, we do have the ability. Steve, you know that right?

Mr. Hunt: I know that.

Council Chair Rapozo: We set the rates. The rates made no difference in the circuit breaker, as of Mr. Curtis was talking about. Even if the Council wanted to change the rate, it would not impact the tax bill because that was capped at three percent (3%), so sit here and say, "We will have a discussion with Mr. Hirai from our bond counsel, we will send something out," but this Council controls the rates. If for some reason these few properties that qualify for a twenty percent (20%) cap is going to impact the county and our payments to bond service, that much than the Council can raise the rate to accommodate the law. I do not believe that it is going to have a significant impact on the bond rating as you are saying, but we will get that clarified. In my mind, it does not, because debt service is a set amount we pay. I have been through this with former Mayor Carvalho, I went to San Francisco and met with the bond counsel and with people who sell bonds, it was an educational experience for me. One of the key components is, what is the county's ability to pay? When you have a cap on tax bills, you do not have that flexibility. We are not talking about that. We are talking about a cap on assessment and we do not give up the right or the option to increase rates. The revenue generation for the county, we do not lose that, but we can get a better clarification from our bond counsel. Councilmember DeCosta.

Councilmember DeCosta: We are in question mode, so I can address questions to the Department of Finance?

Council Chair Rapozo: Correct.

Councilmember DeCosta: How do our credit rating agencies view assessment caps?

Mr. Hunt: Generally speaking, assessment caps are viewed negatively by rating agencies.

(Councilmember Kagawa was noted as not present.)

Councilmember DeCosta: How many properties would benefit from this twenty percent (20%) that we would apply? Because over and over I heard, and I know that our three percent (3%) property tax cap and the low interest property tax rate of two dollars and fifteen cents ($2.15) that our Council Chair proposed, takes care of the owner-occupied category, residents on Kaua'i who own their property and live on the property. This twenty percent (20%) is going to take care of other categories. What properties will benefit from this twenty percent (20%)?

Mr. Hunt: It is difficult to put a number without...we do not even know, because we are talking in the future, whether this becomes a 2024 or 2025 initiative. I think 2024, just from a programmatic standpoint that we have not even got an estimate on the cost to implement what this would be from Tyler and getting it on their schedule to do, I think it is an absolute "no go" for 2024, just because we are having to implement the tiers, which took a number of months. We had to be ahead of the game on that. In terms of the number of properties, we would have to run that cap on. In rough numbers, we have about thirty-four thousand (34,000) taxable properties and between the Homestead and LTL, Commercialized Home Use combination, I am guessing there is about fourteen thousand (14,000) there, so roughly about twenty thousand (20,000) properties would have to be calculated to see if they hit that twenty percent (20%) cap. How many of those twenty thousand (20,000) would actually benefit would be depending on what the market values and the assessed values were for that year.

Councilmember DeCosta: With that being said, there were two (2) instances mentioned on this floor. One by our Chair, who said there was this commercial use property on the North Shore that their taxes went up, and I want to make sure that people can be helped. Is there a way, and this is a yes or no, I do not want you to elaborate and talk my ear off, just answer yes or no—is there a way to help this family out on the North Shore without passing this twenty percent (20%) thing?

Mr. Hunt: I believe Mike is aware of that property. I am not specific...I believe it is a commercial and a residential on the same property, is that correct, Mike?

MIKE HUBBARD, Real Property Tax Manager: I believe so.

Councilmember DeCosta: Is there a way we can help that family without putting this twenty percent (20%) in place?

Mr. Hubbard: We cannot help them for 2020 reassessment.

Councilmember DeCosta: That is not what I am saying. I am talking future—can we help them?

Mr. Hubbard: For the future, yes.

Councilmember DeCosta: Okay. The last meeting, there was Chipper Wichman in here and he mentioned his property, that escalated. Is there a mechanism in our county that we can help...a simple yes or no, that we can help Chipper Wichman and his family with that large assessed and payments?

Mr. Hubbard: For the record, Tax Manager Mike Hubbard. Yes.

Councilmember DeCosta: So, what? Do you see why we are implementing another category of twenty percent (20%), without those two (2) families. One is Chair's who sent him an email, and the other one is Chipper, who is my friend, so we are going to help those two (2) families. There is a mechanism in the county. Do you see any benefit from implementing this twenty percent (20%) category?

Mr. Hunt: Depends on what you define as "benefit." There are certainly taxpayer benefits from having a guardrail like the twenty percent (20%) cap, but as I mentioned earlier there is an equity issue and a fairness issue, not so much to that individual that may have the increase of twenty percent (20%), but in relation to other parcels that are paying at one hundred percent (100%) market value, that did not run up.

Councilmember DeCosta: Do you know any other counties that have proposed assessment caps on non-owner-occupied properties and what would be the outcome of that?

Mr. Hunt: I believe California under Proposition 13; they do apply caps to other properties outside of owner-occupied. Especially the outcome in terms of commercial properties and resort type properties has been a realignment of the total taxes and the reason is because there are fewer transactions of commercial properties. If a commercial property is part of a corporation, often rather than selling the real property and initiating a reset, they will sell the stock in the company and the real estate becomes part of the transaction, so they avoid a reset to new higher values. What has happened over time, is the residential properties, which transact more frequently have become the majority of the taxes paid for the State of California.

Councilmember DeCosta: What type of properties are most likely to benefit from this proposed cap?

Mr. Hunt: I believe in real dollars, you are talking estate-type properties, you are talking very large resort properties, properties that are typically leading the market and they tend to be high-end valuable properties.

Councilmember DeCosta: Thank you.

Council Chair Rapozo: Are there any other questions for the Department of Finance? Councilmember Cowden.

Councilmember Cowden: Thank you for all the work that you folks have done on this. You are talking about the bond rating information. Can you send me some information on that ahead of the next meeting, so I have a chance to really look at it and knowing the level of questions that I usually have, if you have the time, I would not mind a meeting, so that I get it and do not have to work it out real hard in a committee meeting.

Mr. Hunt: Sure. We do not have anything. Like I said, we are not prepared for Section 11, it came out of left field to us, so we did not have the opportunity to reach out to anyone yet.

Councilmember Cowden: Alright.

Mr. Hunt: We do not know. We are sort of speculating the impact. To give Chair some credit, the revenue side of this can be made up by tax rate changes, so we do not know the proposal of an assessment cap itself as a policy whether it will or will not have an impact on the rating. We do not know yet.

Councilmember Cowden: Okay, so I appreciate that you had a letter that was indicating from what you experienced on Hawaiʻi Island. Can we have a letter from Mortgage Loan Ability, because I hear what you are saying it might put the county in a bind when we are borrowing money. I am worried that we are going to be putting people who are trying to make a purchase in a bind from being able to even get a mortgage, and again, I am mostly thinking about the people who are our working public here, because that is who goes to the lender. Most of these purchases that are coming from outside of the island are coming with cash, or many of them are. Maybe in my area, they are cash, but it is like anywhere I look, local residents are mostly having to borrow and people coming in are able to buy with cash. When you are talking about the bond rating, that is important for us to think about for the county, but I think the mortgage lend ability is important to be thinking about our citizens.

Mr. Hunt: To clarify, I am trying to understand what you are looking for in terms of the mortgage ability, only because the twenty percent (20%) would not be affected because you are talking about a reset if it is a buy.

Councilmember Cowden: I am not talking about the twenty percent (20%) right now.

Mr. Hunt: Okay.

Councilmember Cowden: I am talking about just the fact that we have so much variability in our property taxes when the inflationary pressure is strong, so when we are talking about the other twenty thousand (20,000) are not homeowner or commercial, or LTL, those are often market rate rentals and businesses, and so what I am seeing particularly with the houseless or people moving to parks, is when the taxes went up on the house, because a mistake. It goes up two thousand dollars ($2,000) per month, they have to toss their tenants, because the tenants cannot pay. I am wanting to know, when we see where there are people...if people make a mistake in filing their taxes and they do not understand the sophistication of what we have, they might encounter something that they can no longer pay. Therefore, having been a lender, I have been a subprime lender, I would think for a bank, they are going to look at someone and think you are barely going to make it. What if the county has a different mindset and the market has a different mindset, how are you going to pay? Why would they lend them the money?

Mr. Hunt: This sounds a lot like the Residential Investor issue, which is going away with the removal of that class and the rates.

Councilmember Cowden: No, it is not.

Mr. Hunt: Okay.

Councilmember Cowden: It is the renter. It is the market rate renter. The person who pays now, they pay three thousand dollars ($3,000) to four thousand dollars ($4,000) per month, I will send that to you in writing, so it is clear. I do not want to take too much time on it. If we talk about this twenty percent (20%) cap, you are going to have a really hard time dislodging my support for that, because that is what gives that protection that I have been asking for, for these shoreline communities and in places...I know the entire island is beautiful, but I think there are certain areas that are really incredibly beautiful—it might be that I live in them, but the market certainly seems to share that there are people who invest that think those are incredibly beautiful. We are going to get rid of our community if we do not do something like this twenty percent (20%) cap. We are the outliers.

Council Chair Rapozo: Councilmember Cowden, you need to get a question in there.

Councilmember Cowden: I have one.

Council Chair Rapozo: Yes, please get to it...

Councilmember Cowden: Okay. You did not even ask a question. Okay, I am sorry, you are the chair.

Councilmember DeCosta: Oh, wait.

Council Chair Rapozo: Stop.

Councilmember DeCosta: She does not have the right to talk like that.

Councilmember Cowden: You talk to me like that.

(Councilmember DeCosta was noted as not present.)

Council Chair Rapozo: I have been very flexible and lenient...

(Councilmember DeCosta was noted as present.)

Council Chair Rapozo: Sometimes need to be allowed to frame a question.

Councilmember Cowden: I think I am.

Council Chair Rapozo: But you are not. You are telling him, "You are not going to have my support." That is not framing a question.

Councilmember Cowden: Okay. Thank you. I understand that piece. I need to be spoken to, to where I really get that this is a problem, because I see it as a solution to that anomaly that we can address by using zip codes. I see it as exactly what I have been asking for, how do we make it fair when people are in these volatile markets? I am just sharing that, so when I ask for information and a meeting, I need some dialogue where we do not have to spend an hour on the floor. Can we do that? Is there time for that? Can I ask for that?

Council Chair Rapozo: What are you asking for? I heard you ask for a...he said he does not have any documentation because it is too new, and let me just say, I apologize for the lateness, but I received a phone call last week that just...and I had enough and heard too much from people that have been affected by this ridiculous increase assessments. I apologize for not coming to you sooner. Obviously, if I had thought about it sooner, I would have met with you.

Councilmember Cowden: Repeatedly every meeting I bring up that anomaly that I am told our community is an outlier, feels like my community, so this addresses that. I need help feeling better about this. Is that wrong?

Council Chair Rapozo: I am still waiting for the question.

Councilmember Cowden: Help me feel better about it.

Council Chair Rapozo: If you are not asking a question, we are going to dock your time for all members, including myself. If I start talking, you start the time, because we have eight (8) minutes afterwards to talk.

Councilmember Cowden: Forget it. I do not have the time on the floor to ask it. I am asking for...help me understand it.

Council Chair Rapozo: We want questions regarding Section 1 through Section 15. We still have three (3) more bills to go through and this is first reading. I wanted to give everyone an opportunity to understand the amendments and to give the Administration opportunity to address the amendments. We will have the dialogue in committee. Today, is really just to explain what this is all about and hear from the Administration.

Councilmember Cowden: Okay.

Council Chair Rapozo: Councilmember Bulosan.

Councilmember Bulosan: Thank you for being here. Did you have any comments regarding Sections 12, 13, 14, and 15? I think you did not share any thoughts on those.

Mr. Hunt: On Section 15, I do have a concern and it mostly has to do with some of these being unimplementable by that date. Particularly, the removal of the three percent (3%) floor. We have already spoken with our vender Tyler about doing that and cannot be done. Obviously, Section 11 would also not be able to be done by the 2024 assessment year. Those are programming changes, those are not something we can do on our own, but they are also taken up in the following bill, which we will discuss. My only comment is I would like those to be considered as part of the 2025 whether they pass or not.

Council Chair Rapozo: Just for clarification, your comments on Section 10 for the 2024 bill, I would assume, transfers to the 2025 bill.

Mr. Hunt: Correct.

Council Chair Rapozo: So, we do not have to rehash that when we get to that bill.

Councilmember Cowden: I remembered my question.

Council Chair Rapozo: Hold on. We have Councilmember Kuali'i.

Councilmember Kuali'i: My question is general and will apply to all the bills. You mentioned twenty thousand (20,000) properties.

Mr. Hunt: Roughly.

Councilmember Kuali'i: Is that including the Homestead class?

Mr. Hunt: No.

Councilmember Kuali'i: Twenty thousand (20,000) non-Homestead class?

Mr. Hunt: Mike can correct me if I am wrong, but roughly there are about thirty-four thousand (34,000) taxable parcels on the island.

Councilmember Kuali'i: Okay. Have you done over the years any kind of analysis, so we can see data on the change of appraisals over time and then the change in the tax bills over time? I am not saying you should necessarily do it for all properties, but if you did a reasonable sampling, then that could give us a good picture of what the average is, what the median is, what the high is, what the low is, what that difference is. In the long-run, I want to make my decisions based on data. If the data shows that we have a problem, which we all think we do from the stories we hear from people, then what is your solutions to that? Maybe if it is just outliers and just a few, then do you have a mechanism to deal with them separately? Do you have such a reporting data?

Mr. Hunt: I believe we have done in some of our Real Property 101 presentations, we have provided historical changes and assessments and historical averages and means both on property taxes and assessed values. We have seen the points where you have the market value versus the assessed in the difference for those under the cap, and we have provided that in the past. The only thing I would caution on using in some of those is the three percent (3%), while it is consistent across all the properties in the category, the start times are not. So, when you get a property that maybe was not in the cap that comes into the cap, or you get a reset that was a property that had a low assessment but a high market value and sells at market, and the new owner comes into that class with the new cap, that is what differentiates, that is why the property class as a whole has not gone up by three percent (3%). It has gone up by substantially more than three percent (3%) over time, because of the resets and the new entries into the class, but if you were historically to go back and just follow one taxpayer through the start of the cap to where they are today, all you are going to see is a three percent (3%) increase compounded increase, because the tax rates have stayed the same for that category as well, for Homestead.

Councilmember Kuali'i: That is all good information on the tax category, but the twenty thousand (20,000) that is not capped, the proposal is saying that it should be a twenty percent (20%) cap. What is the data on that?

Mr. Hunt: I do not remember if we provided the tax data, I think we have, but if not, we can try to abstract that for you as well.

Councilmember Kuali'i: Because in both instances, I want to see the appraisal change over time and then the tax bills or payment change over time, and then looking at average median high and low. I think that would be helpful.

Council Chair Rapozo: I have a follow-up. You mentioned when you look at the program of the cap, although we have a three percent (3%) cap, when you look at the increase, it is significantly higher. I would say quite a bit higher because of the resets, the sales, the late entries.

Mr. Hunt: Correct.

Council Chair Rapozo: Would you agree that would be the same scenario if we had a twenty percent (20%) cap? That we are not looking at a twenty percent (20%) cap because of the resets and the sales, that we would see the same scenario play out on the three percent (3%) group.

Mr. Hunt: Yes, there would likely be...

Council Chair Rapozo: Same factor, same impact as far as the revenue. It becomes a lot higher because people are entering into the program at different times.

Mr. Hunt: Right, you would have the majority of the twenty thousand (20,000) would be in that cap and then you would have the annual sales that would come out of the cap that would adjust, that would not be subject to that.

Council Chair Rapozo: Down the line would be much higher?

Mr. Hunt: Correct, and you also have likely the majority of properties not pushing up against the twenty percent (20%), that the appreciation is probably more modest annually that you are not all hitting the cap. What happens is when you hit mature neighborhoods that do not have a lot of sales activity and then you start getting sales activity and then you realize that your assessment to the new market value, those ratios were way off and those are the ones that you have these resets for.

Council Chair Rapozo: Got it.

Mr. Hunt: Another way to look at it is those properties were likely underassessed because there was lack of data for sometimes decades.

Council Chair Rapozo: I heard that when we spoke the other day...are you saying the way we assess properties, that we have properties out there that are under assessed for decades? Our system should address all properties, right?

Mr. Hunt: To the extent we have data, and that is the challenge. Appraisal by definition is an opinion of value, so you have professionals that look at data and they make an opinion of value. When you do not have data, it is kind of hard to press the limits and I will use the example of the Hā'ena properties. Got a lot of transactions on the oceanfront side, but not *mauka*. *Mauka* had some tremendous views on particular ones, but do you really make the leap of faith and say, "I am going to use the oceanfront sales to value the *mauka* one?" Until you get the sale, then you realize we might have been low for a long time because it looks like there is a market for it.

Council Chair Rapozo: I just do not want the public to think...we just had a wonderful presentation from you.

Mr. Hunt: Yes.

Council Chair Rapozo: With the way you assess and how wonderful that system is, which you sold me.

Mr. Hunt: Yes, the ratios are very good.

Council Chair Rapozo: And now I am hearing we may not have assessed all the properties accurately and they have been under paying.

Mr. Hunt: They are called outliers and we have them on both sides. We have the ones who we have over assessed, the ones we hear from, and get the appeal process going, and then we have outliers on the underside and we never hear from.

Council Chair Rapozo: Yes. Councilmember Cowden.

Councilmember Cowden: It seems to me that there should be a simple evaluation algorithm that says...to have it spit out a report of everything that is over twenty percent (20%). How hard is that? It does not seem like it would be very hard in the program.

Mr. Hunt: It is an actual...it is not a program, it is actually a query that would be written by...in fact, she is here, Megan. She would actually write a query to abstract that data and say, "Okay, what was the assessed value in 2022 and what is the assessed value in 2023," compare the two (2), we will get a ratio, and find all the ratios that are greater than a certain percentage and then we can identify those to show these are the ones that have increased greater than *x* percent.

Councilmember Cowden: So, you are saying this has to go property by property by property? Can you have it go through a query that will grab this entire block, maybe it has to think about it for fifteen minutes, but do you have an algorithm piece that you can ask a query to be able to just flip through it and look at...

Mr. Hunt: There is no artificial intelligence that would be involved in our system that could grab that based on...you would actually have to program what you are asking for and in this case, it would be the assessed value from the two (2) years, and you would get it property by property and you would do a comparison. You write the formula and then you would mass copy it and you would create filters, much like you would do a pivot table and you can narrow it down to see who was greater than...you can even set a percentage and see what the counts were. It can be done, I am just saying it is not something you just push the button and it is done, it has to be created.

Councilmember Cowden: Does the Department of Finance now utilize some sort of variance report to anticipate the revenues that you are going to be getting or where there is change in revenue, I think that would be a routine and effort.

Mr. Hunt: The annual certification process is where we actually estimate the revenue, so we actually go through...

Councilmember Cowden: Just once a year.

Mr. Hunt: Once a year...and we do periodic checks to look at, what we call "sales assessment ratios," so we look at the sales for the year, we sort of do our trending, and say based on the last six (6) months, is it tailing off, is it increasing, and we make a projection to the data value, and that data value then...say a sale occurred early in the assessment cycle, but then you have a couple sales in August/September and it looks like there has been a ten percent (10%) or twenty percent (20%) appreciation since the original sale you occurred, right. So, now you are adjusting those early sales up to meet the current market and you are doing the same now with all the sales database that you are using now to value all the other properties that are part of the assessment.

Councilmember Cowden: Can you briefly explain why we cannot change a real property tax class in the middle of the year? We spent an hour with learning that and I rolled over and said, "We cannot." Councilmember DeCosta asked a good question. It defies common sense that we cannot change the category when a home sells, so there are two (2) through four (4) steps, I remember the Bureau of Conveyances is one of them. Why can we not change in the year?

Mr. Hunt: You are talking about a reclassification or the exemption, because there is the exemption filing deadline and there is a reclassification.

Councilmember Cowden: He explained this to me, a house sells in April, it was Residential Investor and now it is going to be Homestead, why can we not do it?

Mr. Hubbard: We cannot do it because the ordinance has our data value on October 1st and that is when we send our certification to make the following budget, so any change to the certification is a problem. Our data value for use, which is tax classification and assessment.

Councilmember Cowden: Can we not just change that certification date? Can we do something where we certify more than once a year?

Mr. Hubbard: If you are willing to change the budget process.

Councilmember Cowden: Okay. It does not make sense, but...

Council Chair Rapozo: I got you, Councilmember DeCosta, but I have a follow-up. You are saying you cannot do it because of the ordinance? We can change the ordinance.

Councilmember Cowden: Yes, that is what I am asking.

Council Chair Rapozo: As far as this process where someone can come in and acquire the house after that certification and they should be in Homeowner or Owner-Occupant. Unfortunately in our current system that have to pay that tax all the way through the next season—how do we fix that? If it is an ordinance change, we will do it right here in this process.

Mr. Hunt: The County of Kaua'i has a midyear exemption application and you do not actually get the exemption per se, but you get the tax rate change. It takes, I want to say in the neighborhood of six (6) to eight (8) weeks of staff time specifically the entire staff dedicated to processing these, because they are all what is called "P-38 Amended Notices" that you have to give notice, you have to put out these publications of all the ones being changed, and they actually have to put in their annual budget, a line item that identifies the revenue loss. They have a line item in the budget and I think it is in the neighborhood of two million dollars ($2,000,000) the last time I checked, that says, "This is how much we are likely going to give back in property taxes for these midyear adjustments."

Council Chair Rapozo: Okay, because that is not on...what we will do is before Committee, we will try to research that and figure out if there is a possibility that we can get that done. We need to get that done. I was always told it was the software, the vender, etcetera. If it is a process that we can adopt, then I would love to have it in this bill and we can do it as an amendment in Committee. I am not sure we would be able to do it for 2024, but definitely something we should aim for 2025.

Mr. Hunt: I would advice the Tax Administrator from Hawai'i Island, because I do not have a real specific idea of the hours, all I know is a substantial amount of time in overtime and the staff that they currently have is a lot larger than ours. I just know that it is substantial time spent and I do not know if physically that the staff that they have, whether that would be possible. From a budgetary and staffing standpoint, just making sure the resources are there before you pass something that cannot physically be administered.

Council Chair Rapozo: Well, you know, we go back to the fairness and equity comment. We will have that discussion at a later time. Maybe staff can reach out to Hawai'i Island and find out how they do it. We are constantly being told why we cannot do things, and I understand staffing is an issue, I do, it is everywhere, but I am having a hard time justifying to taxpayers and saying sorry, they missed the deadline, so eat it for the next eighteen (18) months. I understand your office is working as hard as they can, but we need to figure out a way to fix it. Councilmember DeCosta talks about solution-based, we need to figure out how we do it.

Councilmember DeCosta: Do you have the staff and you answered it already. If we were to give you more staff, it will cost more money out of our budget, correct?

Mr. Hunt: Yes, it would be both staff and depending on the changes being proposed through multiple of these, we are actually going to have to likely do a money bill in the fiscal year 2024 for some of these things that we would implement in 2025, because these are not free things. This is programming. Just the tiers alone, we budgeted one hundred fifty thousand dollars ($150,000) and we committed at least about one hundred thirty-three thousand dollars ($133,000) of that one hundred fifty thousand dollars ($150,000). It is time and materials-based to get these changes done.

Council Chair Rapozo: Councilmember Carvalho.

Councilmember Carvalho: Based on the bond, you folks mentioned bond and borrowing power, fairness and equity, the twenty percent (20%). I just wanted to clarify how that affects the twenty percent (20%) with the bond and borrowing power, that type of portion of it. Knowing we went there and then now where does that put this, should this go through?

Mr. Hunt: I honestly do not know how the bond rating agencies will view this. We are both speculating. He is speculating the twenty percent (20%) is sufficient enough and the ability to change rates is sufficient enough that it would not impact. I know that in general, the view caps, whether tax cap or assessment cap negatively. That is something we would have to fair it out with our bond raters to find out if there is going to be a material, if it is going to be twenty-five (25), fifty (50), one hundred (100) basis point change to our potential new debt issuances by having a cap, we do not know. We really do not.

Council Chair Rapozo: Steve, did the three percent (3%) cap affect our bond rating?

Mr. Hunt: We had two (2) three percent (3%) caps. We had a tax cap and then we had an assessment cap.

Council Chair Rapozo: The assessment cap.

Mr. Hunt: The assessment cap...I think coming off the tax cap and going to assessment cap may have either been neutral or positive, I do not know.

Council Chair Rapozo: I am sure it was positive because...

Mr. Hunt: I do not know. A lot of things go into the rating as well...your reserves, your sources of revenue, etcetera, it is a factor, but it is not necessarily an "end all, be all."

Council Chair Rapozo: Based on my recollection that I have when we had gone to San Francisco, because I was curious, that was my first time I ever went to a bond issuance. We did not have transient accommodation tax (TAT), we did not have general excise tax (GET), we did not have all of these wonderful sources of revenue. I guess it is premature for both of us to speculate, but that is something that staff...I would love to meet with our bond counsel and have that discussion to find out, in the current fiscal environment for the County of Kaua'i, not what is happening in the country, how would this impact our bond rating. We will figure that one out. Are there any further questions for the Department of Finance?

Councilmember DeCosta: Your comment about comp properties in an area that have not sold for a long time and suddenly sell in the people in the neighborhood were paying below market value troubles me. How do you see that being unfair to those long time residents who live in their house ten (10), twenty (20), thirty (30) years and in a community that does not turn houses over as an investment, how do you see it unfair when one (1) house sells and everyone has to get a reset? They have not been paying their fair share in taxes. These are family members who lived on Kaua'i, who is a grandpa and grandmas, and mom and dads of our island—I am one of them. I live in Ōma'o. There is no comp property selling next to me. How do you see that being unfair?

Mr. Hunt: The good news is that if you are Owner-Occupant, whether it was a good, bad, neutral assessment when you got in, that became the basis for your three percent (3%) cap, not an issue. Therefore, whoever sells next to you, it may impact your market value, but it does not impact your assessment. You are still under the cap, no problem. It is the properties that people buy or own as investment properties and I think philosophically we may differ on what you define as an investment, but if you have a family property that is not being used, not part of the LTL, not being used as your primary residence, but maybe it is a weekend home or second home for the family, that would be impacted. You are also going to have true investors that just buy properties and hold them, they would be benefiting from a twenty percent (20%) cap, because in areas where the values are going up more than twenty percent (20%) from a few sales that occur, they are going to be sheltered from that appreciation. Again, there are two (2) sides to the fairness, it is a fairness to the individual taxpayer that maybe does not feel that the sale next to them, even though it is an investment property, the sale next to them should trigger their reassessment at the higher level. On the other side of the coin, all those other properties that are in areas where there are frequent sales and are contemporary with their market values, we are paying at one hundred percent (100%). Why should someone benefit by not paying their one hundred percent

(100%) on a property they do not live in. That is philosophical. I am not going to debate that.

Councilmember DeCosta: Those families that have been in that home for a couple of decades, having that three percent (3%) cap, and not being affected by the residential property that was sold at a higher level, why would we want to remove that cap in Section 10?

Mr. Hunt: Okay. Section 10 is only the floor. It is not the ceiling. They have the protection of the three percent (3%) going forward. If someone who bought in the last couple of years that maybe close to the peak of the market and we get a dip in the market, and a property that paid one million dollars ($1,000,000) for that five (5) years ago was five hundred thousand dollars ($500,000) value, but they bought it at one million dollars ($1,000,000), they can only go down three percent (3%) from that one million dollars ($1,000,000) that they were reassessed at. What happens if the market value drops seven hundred thousand dollars ($700,000) next year? They can only go down three percent (3%) of the million dollars ($1,000,000), which is thirty thousand dollars ($30,000) off, so they are going to go down nine hundred seventy thousand dollars ($970,000) when the market value is seven.

Councilmember DeCosta: Therefore, the floor in Section 10 would protect these new buyers and it would drop them down to the new assessed value of the market that dropped?

Mr. Hunt: Correct, by removing the floor it takes away the guardrail to say, "You cannot go below the floor." If the market value goes below the floor, you can go to the new market value.

Councilmember DeCosta: Now I understand Section 10 and I am okay with Section 10.

Councilmember Cowden: I appreciate that you have the comparative experience with Hawai'i Island. Is their property turnover their sales per capita on par with the County of Kaua'i? Do they have a more rapid market, a slower market, or about the same?

Mr. Hunt: It is same, but different. The west and the east are two (2) different markets. You have a slower, lower priced market in the east, and if I can speak to the fifteen percent (15%) proposed floor that was part of Bill No. 156, it was triggered by the pandemic. You had downtown Hilo commercial, mostly "mom and pop" stores, no sales for decades, whereas Kona, you have a lot of turnovers in commercial. They were at market value or close to market value, they were keeping pace. All of a sudden some of these "mom and pop," because of the pandemic, closed. They were owner-occupiers of the business, so they owned the real estate and the business. They put up the real estate and there was very strong demand for it and appreciation was fairly massive. In general, the commercial market in Hilo went up seventy percent (70%) in one year.

Councilmember Cowden: That is helpful for me, because I know your experience there is influencing your perspective on what our choices are here, so I just wanted to compare it.

Council Chair Rapozo: Are there any further questions for Bill No. 2901? Thank you very much.

There being no objections, the meeting was called back to order, and proceeded as follows:

Council Chair Rapozo: Is there any discussion on Bill No. 2901?

Councilmember DeCosta: I am fine with all the sections. I am actually feeling really good inside that the two (2) scenarios that we brought to our attention, one (1) to the Council Chair located in Hāʻena, I believe it was a Commercial/Residential property, that is not owned by a Kauaʻi resident, but owned by an Oʻahu resident. The Wichman family who got one hundred percent (100%) increase in their taxes. I am feeling good inside that I approached the Department of Finance with one answer question yes or no, is there a mechanism in our county to help those two (2) families, and the answer was yes. I also had a sidebar with Councilmember Carvalho and I asked him, "Tell me about Steve Hunt." I know Steve Hunt as a friend, our boys played soccer, but "how good is Steve Hunt at his job"? Right next to me, Councilmember Carvalho gave me the thumbs up. So, our County has to be in a good place with Steve Hunt, Mike Hubbard, and Reiko at the helm. I am just troubled...I feel good about Section 10, I am going to support Section 10, I am troubled by Section 11, because to me it seems to address those two (2) families, the one in Hāʻena and the Wichman family, but our county said they have a mechanism to help those two (2) families. I am really worried that the unintended consequence for this twenty percent (20%) assessment cap will benefit some of our large investors who buy large properties for huge amounts of money and when they sell it, the comp property next to them will not get that taxes that they deserve to pay. We cannot give a two-dollar-fifty-cent tax rate to our residential homeowners if we are not getting revenue from some other tax class. We cannot. If we drop the taxes across the board and everyone pays minimum tax, whether it is Commercial, Residential Investor, Homeowner, when I went to Austin, Texas, I seen some counties who generate revenue and have amenities for their communities to enjoy. We took a ride and saw counties that are struggling, they have zero money coming in. It looks like poverty, and is that what Kauaʻi wants to be? I think Kauaʻi needs balance. We help our homeowners, we help that class, but there are other classes that can pay into the tax system and we just have to watch out that we do not give tax relief to a class that do not...I am not saying deserve it, but does not need it. I am confident after asking my two (2) questions, are those two (2) families that resonated this twenty percent (20%) assessment cap have another mechanism for us to help them, and you assured me, Mr. Hunt, that you folks can help those families. I will not be supporting Section 11, but I would like to support the rest. Thank you.

Council Chair Rapozo: Did you ask former Mayor Carvalho how was the person on your right?

Councilmember DeCosta: No, I did not.

Council Chair Rapozo: Did he say, "Do not believe that person, believe Mr. Hunt."

Councilmember DeCosta: No, I did not. I believe you.

Council Chair Rapozo: Listen, the reason I ask that question is because you are painting the picture that I am trying to help two (2) people, that is not true. There are many more that I have heard from. The one that I talked to was the most agreed...the one I am referencing, the most recent one was the most egregious and that is what triggered me to do this. I have heard from many that have been impacted, significantly. I am not talking about the rich, big landowners, they do not call me. They do not have my number. I will make my comments here and I will not speak after, but I felt compelled to address, you asked the question and you are right. Do you have a solution? Yes. Because you only said yes or no, you only gave them that option. Yes, or no? Yes, they have an option. But, do you know what, not this year. They do not have a solution this year, they are stuck this year. They have to pay that tax this year. They cannot be helped until next year. That is not the same as, "We have a solution." Yes, we have a solution, but we are going to take their money any way this year. That is not going to help. Some of these people cannot take that burden, they cannot, they do not have the money. They are already struggling. This is not for two (2) people. This is really a policy call. This is a philosophy of, "Do we think that we should be charging people regardless of what they do to their property one hundred percent (100%) more in taxes or should there be a limit?" Should there be a reasonable limit that is not going to fiscally impact this county...maybe you all have money, I do not. If my bill comes in and I get one fourteen-thousand-dollar tax bill, I would crack. I really would. Maybe you all have money and it is not an issue, but for many of us it is. The stress that puts on people, when I spoke to that lady and heard her crying, not knowing what to do, nowhere to go...in fact, Reiko was very helpful, we sent emails, we were in an email thread, but the answer was, "Unfortunately, we cannot help you this year." Therefore, the answer is, "Yes, but no," to that question, Councilmember DeCosta. It is not, "Yes, no problem, we are going to fix it," because we just heard we cannot fix it this year. It is a policy call. It is a philosophical call. It is what does this body think our taxpayers deserve, and the majority of the taxpayers. Honestly, when I thought of this, I was not even thinking about those rich landowners in Moloaʻa and Kīlauea, I was not. I was not even thinking about them. Will they get a benefit? Potentially. If their appraisal or assessment jumps more than twenty percent (20%). I am looking at the regular people, the normal people, the "mom and pop" shop, the commercial that because someone else sold, their assessment goes up, and in this case, this woman is going to have to close down her shop because she did not file for the right class and because someone's property sale made her assessment jump more than double. Do we just throw her away because we do not want to...it is this whole thing with the landowner, to me, is not even relevant to this discussion, because that is not the intention of the bill. It is to keep it fair and practical and when your tax bill goes up one hundred percent (100%) and you get less...transfer stations are closing, "Sorry, we are not going to pick rubbish up, because of equipment issues," your parks and all of these amenities, as you called it Councilmember DeCosta, that we are supposed to be offering, I do not know. I understand staffing is an issue. We are not providing the services that warrant a doubling of your taxes and that is the reality of it. I am not being harsh, I am being real. I have a hard time answering those questions. Maybe twenty percent (20%) is not the number, I sense that this is not going to pass, but I have not heard a good enough reason why, everything is speculation, like mine. What I heard if our Informational Technology (IT) can actually do a query and can show us all the properties that went from last year, this year, how many properties went up more than twenty percent (20%)? That should be a very quick query and what I heard is she can do that, and that should not take long. Show me all the properties that went up more than twenty percent (20%) in assessments between the last tax year and this tax year, and we should have a nice list, and we will see exactly how many properties will be affected. It is not hard. We are here listening to why we cannot do this, it is not the "sky is falling," but let us see, that is why it is here. This will go to committee, I see an amendment, I do not know if this amendment is going to be to take this out. I do not want to remove anything until we get to committee and the reason is because I still have questions that I have to ask of our bond counsel, of our vendor for the software of what we can and cannot do. Some of these things to me does not seem...and I do not. I do not pretend to know how our software vendor operates, but to me, we should be able to put in a percentage and if this vendor cannot do it, maybe we find a vendor who can. It does not seem too difficult. For us to not try would be irresponsible. That is what we do. That is what we said we would do. We still have three (3) bills more. Everyone knows my feeling on how we want to proceed. I promise not to talk as much on the next bills. Section 11 will be the key discussion as we move forward. With that, those are my comments for this Bill. Councilmember Cowden.

Councilmember Cowden: We have the power through tax that we can leverage people out of their homes and we really need to limit that. I do support Section 11 because it does a lot for that. I am going to limit most of my comments because we can work on it more in the committee. I think it is really important that we help people. For more than two (2) years, I have been talking about all the damage that happened since we move down to the one million three hundred thousand dollars ($1,300,000) and so what you are talking about with the person and the business, this is my life as I get out of a car at a funeral, at a grocery store, at a park. This happens to the common people regularly. I do not like to use the word "common people," but the people who work for a living and just live in their houses. I do not see this as a design for the wealth. I see this as a design to protect regular people from the movement of the wealthy movement of real estate sales. I am basically happy of where we are at with this. I am sure we are going to be able to make corrections and little adaptations, but I am good.

Council Chair Rapozo: Thank you. Is there anyone else? Councilmember Bulosan.

Councilmember Bulosan: Thank you for presenting this Bill. I think it is a step in the right direction for our community. Thank you to all the testifiers, our staff that came out to provide some information. The biggest thing for this one, I would love to see this go to committee also, I am in support for committee. I think there are four (4) things that I am wanting to learn and see and if we can get more information on. I think it was mentioned already. The tax assessment year over year, if we can get that data would be helpful. It is hard to make decisions without full pictures. It is really easy to do a lot of "ifs" and what is possible, I do that a lot of time, to explore all parts of the ideas whether it is good or bad, but it really helps to make decisions based on data. I will definitely need that. Exploring the effective date. That was a major concern for me. I do want to see something that can help our community immediately, but also do not want to be put in a situation where we just cannot make it happen. We definitely need the information on bond counsel and then lastly, exploring the idea of a midyear assessment change, if that is even possible or an amendment or add to this Bill. Overall, philosophically, it makes sense. I see what the intent of this Bill is and where we are going. Ultimately, we definitely do not want to create any unintended consequences. I do not have the years of service to know what that looks like, but I know you have to be cautious and I know Section 11 is probably the biggest piece to it, so I will definitely dig deep into my research in how we can best make that most equitable, but at the same time effective. Part of our challenge is, whenever we bring something new, it has to be effective, it has to be able to help the community that we are trying to help, but at the same time not create more work for our community. That is my job and I feel like that is what I will be looking at. Hopefully, this goes to committee.

Councilmember Kuali'i: Thank you for bringing this Bill forward. I look forward to working on it, digging deep into it in Committee. I do want to get the information I asked for, ditto on all the things Councilmember Bulosan just said. I think it would also be good to hear from the Real Property Tax Division on what the answers are: how do we address being fair to those people who are unfairly in that position, those outliers? How do we correct it? Can we correct it going back? To make them pay for a year and half at the wrong, much higher rate, it just does not seem fair. There has to be a way, even if it is with credits going forward. The only other totally separate thing and it is just more work, I know, but I think for the Department of Finance and the Real Property Tax Division, now that we have Bill No. 2900 in place and you already invested the moneys with the contractor, Tyler, to make it work, and we will be utilizing it in the next budget cycle, that if what you could do is work on the analysis and data of what tax rates would look like, could look like, should look like, you would have to guess scenarios or I do not know when you would know the assessed values, maybe after October, but utilizing those assessed values and coming up with scenarios of, "If we were trying to be revenue neutral or if we were trying to limit the increase of revenue to five percent (5%) or ten percent (10%)." Right now, in one of those articles, it did say that our revenues grew by nineteen percent (19%) and Hawai'i Island was almost twenty percent (20%), Maui was twelve percent (12%), and Honolulu was nine percent (9%). If we are going to be more conservative, modest, what have you, what numbers will get us to those points? You have all the numbers and we have the tool now. It might be helpful along the way as we are working on this to know that there is another way as well. That is it. Thank you.

Council Chair Rapozo: Councilmember Carvalho.

Councilmember Carvalho: Very simple, wrapping it up. I think we need to take it to Committee. Only Section 11 is the section that we need further clarification. We had good healthy discussion, but that is the section that I would like to really research and get more information about. Overall, we all said, real property tax is a big thing for us as councilmembers and we are talking about it. We are going through all the details here. I look forward to the committee part of it and go from there. I will reach out more to some specifics within the community as far as questions, because I am getting a lot of emails coming in too, but I appreciate the discussion. Let us keep moving forward.

Council Chair Rapozo: Is there further discussion?

The motion for passage of Proposed Draft Bill (No. 2901) on first reading, that it be ordered to print, that a public hearing thereon be scheduled for September 6, 2023, and that it be referred to the Finance & Economic Development Committee was then put, and carried by the following vote:

FOR PASSAGE:	Bulosan, Carvalho, Cowden, DeCosta, Kagawa, Kuali'i, Rapozo	TOTAL – 7,
AGAINST PASSAGE:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

(Pursuant to Rule No. 5(b) of the Rules of the Council of the County of Kaua'i, Councilmember Kagawa was noted as silent (not present), but shall be recorded as an affirmative for the motion.)

Council Chair Rapozo: Next item, please.

Proposed Draft Bill (No. 2902) – A BILL FOR AN ORDINANCE AMENDING CHAPTER 5A, KAUA'I COUNTY CODE 1987, AS AMENDED, RELATING TO REAL PROPERTY TAX *(RPT Reform Tax Year 2025)*

Councilmember Kuali'i moved for passage of Proposed Draft Bill (No. 2902) on first reading, that it be ordered to print, that a public hearing thereon be scheduled for September 6, 2023, and that it be referred to the Finance & Economic Development Committee, seconded by Councilmember Carvalho.

Council Chair Rapozo: You folks have the handouts. This is the Section 1 through Section 11. Section 1 and Section 2, we have not formally covered, but Section 1 is increasing the exemption for disability to eighty percent (80%) and above, and Section 2, for below eighty percent (80%) disabled, a new fifty-thousand- dollar exemption is created. Section 3, Home Preservation program, minimum property value is increased from seven hundred fifty thousand dollars ($750,000) to one million dollars ($1,000,000), and the allowable income for all owners is increased from one hundred thousand dollars ($100,000) to two hundred thousand dollars ($200,000). Section 4, related to Section 5, is an amendment to the existing Long-Term Affordable Rental program by reducing the allowable rental percentage from up to ninety percent (90%) to eighty percent (80%) AMI. There are some housekeeping edits in there as well. Section 5, creation of a new fifty thousand dollar ($50,000) exemption for new Long-Term Gap Housing Rental, for rentals up to one hundred percent (100%) of the median income. Sections 6 and 7 are the same as we discussed earlier. That is basically all there is.

Councilmember DeCosta: There is a typographical (typo) error.

Council Chair Rapozo: Where is the typographical error? I am sorry. Section 5, the long-term... let us call up the Department of Finance.

Councilmember Cowden: Should I do my amendment?

Council Chair Rapozo: Yes. Go ahead, Councilmember Cowden.

Councilmember Cowden moved to amend Proposed Draft Bill (No. 2902), as circulated, and as shown in the Floor Amendment, which is attached hereto as Attachment 1, seconded by Councilmember Kuali'i.

Council Chair Rapozo: There is a housekeeping amendment that Councilmember Cowden found. We changed Homestead to Owner-Occupied. Councilmember Cowden, would you like to explain?

Councilmember Cowden: Yes. In Section 3(c)(1), it says, "The homeowner property has a homestead tax rate." Since we changed it last month, it would now say, "The homeowner property receives or qualifies for the owner-occupied tax rate." That is fixed also in Section 4(b) and Section 4(c). This is a housekeeping amendment to reflect what we did with Bill No. 2900.

Council Chair Rapozo: Is there any further discussion? This is a housekeeping amendment. Seeing none, roll call.

The motion to amend Proposed Draft Bill (No. 2902), as circulated, and as shown in the Floor Amendment, which is attached hereto as Attachment 1 was then put, and resulted in the following vote:

FOR AMENDMENT:	Bulosan, Carvalho, Cowden, DeCosta, Kagawa, Kuali'i, Rapozo	TOTAL – 7,
AGAINST AMENDMENT:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

(Pursuant to Rule No. 5(b) of the Rules of the Council of the County of Kaua'i, Councilmember Kagawa was noted as silent (not present), but shall be recorded as an affirmative for the motion.)

Ms. Fountain-Tanigawa: The amendment passes.

Council Chair Rapozo: Thank you again, the Department of Finance, for being here. Let us just go down the list.

There being no objections, the rules were suspended.

Mr. Hunt: For Section 1, which is extending the disabled veteran exemption from fully disabled, being qualified at one hundred percent (100%), down to eighty percent (80%), to be reclassified as fully disabled. Although we do not have numbers, the Administration supports this in concept. I did want to make the clarification, it is not combat veteran, it is disabled, whether they were injured in training or whatever, they qualified during active duty is the key.

Council Chair Rapozo: Thank you.

Mr. Hunt: We do support that. Section 2, this is for disabled veterans who are less than eighty percent (80%) disabled, that they would be considered part of our normal disability, which includes blind, deaf, immobile, other types of disabilities, that they would be incorporated into that, and we support that as well. For Section 3, Home Preservation, this is merely making adjustments for something that has been sitting here for a long time that probably needed to be adjusted for changes in valuation and income level. It is not substantially a change to what the program accomplishes, it just makes the eligibility a little more expansive by increasing the qualifying minimum property to one million dollars ($1,000,000) as well as the income from all owners going from a maximum gross income of one hundred thousand dollars ($100,000) to two hundred thousand dollars ($200,000) for the owners of those properties. Again, the Administration is supportive of that change. For Section 4, I do have some numbers I would like to share on this one, just so we are aware of what those changes might mean going from a ninety percent (90%) AMI, or the midpoint between the eighty percent (80%) and one hundred percent (100%) AMI. The difference between 2023 and 2024, if you are looking at properties that had no utilities, it ranges from a studio...it went up the allowable rents that it could charge one hundred ninety-six dollars ($196) to the five-bedroom plus of three hundred thirty four dollars ($334), so between 2023 and 2024 there was a fairly large monthly increase to the allowable rents you could charge. Looking at the numbers that we just received for 2025, at the eighty percent (80%) some of that increase would be given back, so they would not be able to charge what they could for their 2024 applications for the 2025 under the new AMI. Potentially, those that are maximizing the rents that they could charge for 2024 would need to lower them slightly. If you are looking for properties rented without utilities, the monthly rents would have to be reduced fifty-seven dollars ($57) for a studio per month...again, coming off the increase for 2024, not 2023...and for the high-end, they would need to reduce their 2024 increase, if they did the full three hundred thirty-four dollars ($334) increase, they would need to give back one hundred fifteen dollars ($115) of that to qualify under the lower eighty percent (80%) AMI for 2025. In general, we are supportive of this. There are not a lot of people that maximize...I do not have the

2024 applications completed yet. They are still incoming, but if I look at the 2023, of the one thousand five hundred seventy-two (1,572) units that were in this LTL program, there were only two hundred nineteen (219) units that were within one hundred dollars ($100) of the maximum limit. The majority of these are not charging the maximum. With the 2024 limits being increased anywhere from one hundred ninety-six dollars ($196) to three hundred thirty-four dollars ($334) more, I do not anticipate...if anything, those numbers might come a little closer, so we may not lose a lot that are charging the maximum by lowering it from ninety percent (90%) to eighty percent (80%) based on the numbers we know from 2025. We are supportive, but we anticipate there could be push back from people charging the maximum, that they would need to lower their rents in order to qualify under the new eighty percent (80%) for 2025.

Council Chair Rapozo: Steve, is it possible for you to put that in a chart for when we get to Committee?

Mr. Hunt: Yes. I do have a table, but I am sorry...I will provide it for the Committee.

Council Chair Rapozo: I understand. If you could just bring it, because I understand what you just said, and we may lose some. Then again, the LTL with the three percent (3%) may force them to lower the rent to stay in the program.

Mr. Hunt: Yes.

Council Chair Rapozo: Thank you.

Mr. Hunt: Section 4 and Section 5 work in concert with one another. There is a lowering of the qualifying rents for the LTL from ninety percent (90%) AMI to eighty percent (80%) AMI, but we are also creating a one-hundred-fifty-thousand-dollar exemption for properties that are between eighty one percent (81%) and up to one hundred percent (100%) AMI. Initially, there was concern about why we are rewarding activity that is already occurring in the marketplace. That is one way to look at it, but you can also look at it as insurance. How do we keep people to continue doing what they are doing? Can we provide an incentive to do that? There are both sides of the coin. It is something that we can look at and consider. There will potentially be a lot of administrative burden on this one as well. We do not know what type of numbers we are looking at. Initially, when we were looking at gap housing up to one hundred forty percent (140%), our gut reaction was there could be as many as five thousand (5,000) applications annually to review. Perhaps at the one hundred percent (100%) level, we are in the neighborhood of about two thousand (2,000) to three thousand (3,000). If I use three thousand (3,000) as the high-end figure in terms of revenue and assuming these are all at the current five forty-five rate residential, or at least at the threshold when we get to tiers, if it was three thousand (3,000) at a one hundred fifty thousand dollar ($150,000) exemption, that is four hundred fifty million dollars ($450,000,000) in reduction to the assessed value. At the five dollars and forty-five cents ($5.45) rate, that is roughly about two million four hundred thousand dollars ($2,400,000). I think that might be the ceiling of what we might be losing in revenue for this particular Bill. From the Administrative burden, I know it is going to be very difficult to administer and I know we are going to need staff to help with this as well. We are supportive, but supportive with resources.

Council Chair Rapozo: Okay. We will not go to Sections 6 and 7.

Mr. Hunt: Yes. We have already spoken about Sections 6 and 7. The remainder follow essentially...it is the timing of the bills.

Council Chair Rapozo: Yes, the rest is the typical language. Are there any questions on Sections 1 through 5. Councilmember DeCosta.

Councilmember DeCosta: Section 3, we moved the allowable income of all owners, increasing it from one hundred thousand dollars ($100,000) to two hundred thousand dollars ($200,000). Does this mean the owner of the property, if he or she was a lawyer who makes about one hundred eighty thousand dollars ($180,000), we would allow that lawyer to earn up to two hundred thousand dollars ($200,000) and still be able to receive the Home Preservation program? Am I correct?

Mr. Hunt: Yes, provided they met all the other criteria of the program, which are all listed here, including that this is their only property and they do not have investment properties.

Councilmember DeCosta: Okay. I do not think there are many people who make two hundred thousand dollars ($200,000) on Kaua'i. I think there are many who do not even make one hundred thousand dollars ($100,000). How did we come up with that number?

Mr. Hunt: It is all owners, so if you have five or six people who are on the title, you take the income from all of them and aggregate it. Also, it is the gross income, not the adjusted gross income.

Councilmember DeCosta: Are we potentially taking care of a family who may have owned their property for a long time?

Mr. Hunt: Yes.

Councilmember DeCosta: Perfect. I like that. I have a question on Section 4, because I fall into this question. I rent a two-bedroom at one thousand six hundred dollars ($1,600), when you folks have it at what I believe is two thousand two hundred dollars ($2,200). What I am worried about is if we lower it from ninety percent (90%) to eighty percent (80%), which would give more of a break for our long-term renters, and I think the adjusted would be about a drop in rent of about fifty dollars ($50) or sixty dollars ($60). Am I correct that it would be along those lines?

Mr. Hunt: It depends on if you are someone who rents with or without utilities. I will provide this chart later. If you are renting a two-bedroom with utilities, you would need to lower your rents from the maximum amount allowed for the 2024 application. Under the ninety percent (90%), you would need to lower it sixty dollars ($60) a month to go to the eighty percent (80%) for 2025.

Councilmember DeCosta: That is not a lot, but what I worry is would this cause our landlords to now think, "I am already losing money in this long-term rental affordable deal with the County and now the County wants me to lose even more money. I will take this house out of this category, rent it to someone who could pay whatever the one hundred twenty percent (120%), one hundred forty percent (140%), or one hundred eighty percent (180%) AMI would be, and pay the taxes on it." Are there unintended consequences that could happen?

Mr. Hunt: There are always unintended consequences. To be honest, you are starting with people who are probably somewhat altruist to begin with or in an area where the market rents are not as exorbitant as they are in some other areas of the island. They are either charging what they can charge and happen to be within the program, or they are doing it out of the goodness of their heart, but you also need to remember that depending on how long they have been in here, they also have been benefiting from the cap, so there could be a big reset not only in value, but also in getting out of the tax class, potentially being doubled in the assessment, and then paying that doubled assessment at a higher rate, depending on the new category.

Councilmember DeCosta: Thank you for answering my question.

Council Chair Rapozo: Are there any further questions on Sections 1 through 5? Seeing none, thank you. I will take public testimony at this time. Is there anyone wishing to testify on Proposed Draft Bill (No. 2902)?

Mr. Curtis: Mike Curtis, again. For disabled veteran, the correct terminology is service connected. For the Sunshine Law, you folks received a handout, but the public did not receive a handout.

Council Chair Rapozo: If you want one, here you are.

Mr. Curtis: That is a Sunshine Law thing.

Council Chair Rapozo: It is right here, sir. You do not need to become angry.

Mr. Curtis: Thank you.

Council Chair Rapozo: It is available. If anyone wants it...our staff is awesome, they make copies. They just handed it out to me.

Mr. Curtis: There are a couple of unintended consequences that I anticipate for you folks. You receive complaints about tax bills, but you are spending all this time and putting all this administrative pressure on assessments. You folks do not even understand it. Councilmember Kuali'i used the term appraisal. Appraisal is different from an assessment. Assessment is the value, theoretically one hundred percent (100%) market value. The theory behind what our assessed valuations are is one hundred percent (100%) market value, but then you will start to fudge it, so your foundation will be out of kilter from the start. You will mess with assessments rather than tax bills, because in three (3) years our properties may go down as much as twenty percent (20%), and you folks will argue with assessments, so you folks will be the ones with "egg in your face" when you need to raise the rate to meet your spending obligations. That is where you folks receive the complaints about tax bills, and that is my point. You should be putting caps on the tax liability, not the assessment. The assessment is a shell game that you folks are playing with, and you folks do not even understand it. You folks use assessment and appraisal similarly, but they are different terms and have different uses. You set the rate to receive the taxes to pay the bills, but as the Council, you are putting the onerous on the Real Property Tax staff to administer these things, and you are making things complicated to the point that you folks do not even understand it. They were talking about a tax cap or an assessment cap. Assessment cap just confuses yourself and everyone else. The tax bill is what I am concerned with, and that is what you receive complaints about—the actual tax bill. In three (3) years, when property goes down twenty percent (20%), you are stuck with your assessments, because you cannot change those, so you will need to raise rates to pay your bills, and you will need to answer to people like me who will ask why you are raising the rates. Your response will be, "Because we fooled around with the assessments before. Now we will need to raise the rates, and we need to tax you this much to pay the bills." It is the tax bill that is critical. Thank you.

Council Chair Rapozo: Thank you.

Councilmember Bulosan: I have a question.

Council Chair Rapozo: I am sorry. Mr. Curtis, Councilmember Bulosan has a question for you.

Councilmember Bulosan: I want to clarify. When you say your tax bill, do you mean your property tax bill that you pay?

Mr. Curtis: This is what you write your check for. Yes, that is the bottom line, for you businesspeople. This is the bottom line thing with taxpayers. It is how much money you pay.

Councilmember Bulosan: Can you clarify what affects your tax bill?

Mr. Curtis: The assessment and the rate.

Councilmember Bulosan: Thank you.

Mr. Curtis: The rate that you folks will need to change in about three (3) years when our property values decline. Are there any further questions?

Councilmember Bulosan: No.

Mr. Curtis: Thank you.

Council Chair Rapozo: Thank you. Is there anyone else wishing to testify? Is there any further discussion? Go ahead, Councilmember Cowden.

There being no further testimony, the meeting was called back to order, and proceeded as follows:

Councilmember Cowden: For Section 4, I would be inclined towards keeping it at ninety percent (90%). I am sure we can have a discussion on that. I want to mention about Section 5. With this long-term gap rental housing, can I mention that I have Proposed Draft Bill (No. 2903) on the agenda that is also related to long-term gap housing? It is complicated for the Real Property Tax staff to deal with. It is similar to going back to what they tried to get away from with the Residential Investor, because they would need to sit there and look at these things. If Section 4 stayed at ninety percent (90%), and in general, if that retention of the twenty percent (20%) was addressed and if we did not get rid of Section 11...I know that is another discussion...but if we kept Section 11 that, in most part, addresses my big concern for that gap rate market rental housing. When I hear the Department of Finance say they can only do so much, I think the biggest pressure on those people who are somewhat philanthropic is when their tax goes crazy, so if that stays in, I think that would address it for me. I would not drop Section 4 as low as eighty percent (80%). That is some feedback.

Council Chair Rapozo: Thank you. Is there any further discussion? Councilmember DeCosta.

Councilmember DeCosta: Thank you, Chair. To the testifier who came up earlier and said that we do not understand the tax bill, or the acronyms used, whether it is appraisal or assessment, I think I was really honest. I said I do not understand a lot and I wanted to clarify with a whole bunch of questions. I am the type of person who is not afraid to say that I do not know what is going on, but I want to make sure that when I ask my question and get an answer, that the people watching now can understand the simplified things. Thank you for the constructive information. I fall into Section 4, folks. I rent homes at the County's ninety percent (90%) AMI and oftentimes wonder if I should get out of it, make the money that I could, and just pay the taxes, because the revenue base, the profit margin would be much higher than what I make now, but I do not, and it is because I have a heart. I think there are a lot of people who rent at the ninety percent (90%) because they have a heart. It is not because they want to stay out of the tax bracket, because rents right now are at a good place. If we lower it to eighty percent (80%), we will help our group of people on Kaua'i. I looked at that fifty dollars ($50) or sixty dollars ($60) that Mr. Hunt said it would incur. I could live with that. We will help our local families and that is who we need to help. If we all expect our wealthy taxpayers on Kaua'i to pay their share of taxes...if I could give an extra sixty dollars ($60) to my tenant, I think I would like to do that. Again, looking at this, I am okay with it. I am okay with Section 3. I do not know why we did not have a number of family members in there. When you think of a family of three (3) or four (4) siblings and only two hundred thousand dollars ($200,000), what are they making? Sixty thousand dollars ($60,000) each, which does not leave much room. I am looking at that number and wondering why we did not raise it a little more. Thank you.

Council Chair Rapozo: Is there any further discussion? Seeing none.

The motion for passage of Proposed Draft Bill (No. 2902) as amended on first reading, that it be ordered to print, that a public hearing thereon be scheduled for September 6, 2023, and that it be referred to the Finance & Economic Development Committee was then put, and carried by the following vote:

FOR PASSAGE:	Bulosan, Carvalho, Cowden, DeCosta, Kagawa, Kuali'i, Rapozo	TOTAL – 7,
AGAINST PASSAGE:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

(Pursuant to Rule No. 5(b) of the Rules of the Council of the County of Kaua'i, Councilmember Kagawa was noted as silent (not present), but shall be recorded as an affirmative for the motion.)

Ms. Fountain-Tanigawa: The motion passes.

Council Chair Rapozo: Thank you. With that, we will take a lunch break right now, because we still have two (2) other bills and an Executive Session. We will take a lunch break and be back at 1:45 p.m.

There being no objections, the meeting recessed at 12:58 p.m.

The meeting reconvened at 1:52 p.m., and proceeded as follows:

(Councilmember Kagawa was noted as present.)

(Councilmember Kuali'i was noted as not present.)

Council Chair Rapozo: Madam Clerk, can we have the next item?

Councilmember Cowden: We had not quite finished the last item. I think we did not do a vote. Did we vote it in?

Council Chair Rapozo: We did the vote.

Councilmember Cowden: Okay.

Council Chair Rapozo: We are on Proposed Draft Bill (No. 2903).

Proposed Draft Bill (No. 2903) – A BILL FOR AN ORDINANCE AMENDING CHAPTER 5A, KAUA'I COUNTY CODE 1987, AS AMENDED, RELATING TO REAL PROPERTY TAX *(Long-Term Gap Housing Rental)*

Councilmember Carvalho moved for passage of Proposed Draft Bill (No. 2903) on first reading, that it be ordered to print, that a public hearing thereon be scheduled for September 6, 2023, and that it be referred to the Finance & Economic Development Committee, seconded by Councilmember Kagawa.

Council Chair Rapozo: Councilmember Cowden.

Councilmember Cowden: I was doing an introduction and I want to thank the Real Property Tax Assessment Division for giving a list here of the AMI costs and rates. In 2025, we see a five-bedroom house would be three thousand dollars ($3,000). If we look at forty percent (40%) AMI, we could be up as high as four thousand five hundred dollars ($4,500), and that sounds like a lot, but that is a good, good deal anymore in the areas that I am talking about—North Shore, 'Aliomanu, Northeast—a lot of these places that are considered highly desirable by people, maybe, who did not have their economic start here. With this Bill, I want to acknowledge that it would be a really big hardship for real property tax, so I did not write it easily, because they would be doing everything they were trying to get away from with Residential Investor, where people have to turn in their rental pieces, just like they have to do with the low-income rentals. The goal with this is to try to give some sort of incentive with a cap or a different way of having a benefit to have people work to keep a reasonable rate, for instance, five thousand dollars ($5,000). In this case, four thousand five hundred dollars ($4,500), which to me is an awful lot to be spending, but perhaps people would keep it at that level. I am saying that is a good deal in these areas that we are considering outliers, that are probably about four (4) or five (5) Zone Improvement Plan (ZIP) codes at least. I recognize that this is not ideal, particularly the burden it places on the Real Property Tax Assessment Division. I also recognize that this would be excess benefit to parts of the island, that this is a lot of money for what they get, so I am respectfully asking our group to please, at least, pass this to Committee, because I am leveraging for a better pathway, and to me, that better pathway is what the Council Chair has with that twenty percent (20%), because if we do not allow assessments to increase by more than twenty percent (20%)...and so many in these areas do...what happens if we do not allow that? These folks do not have to do as much effort. I am sure if you try really hard, you can find...and thank you, Megan, who does all the hard work, so I am saying for you, but it does not make sense. Any piece of business software worth their salt should be able to take some basic line in the sand and separate out anything that is assessing for greater than twenty percent (20%). There must be some way to thin it down to look at it. I am really hoping that this does not need to get a lot of attention from us, because we will have something better. The Chair started off by talking about reform, and to me, on this page that...if I could give an acknowledgement. Can I use your name? Jenelle, our staff member, put this form out that really assists...was it you? I do not know. It really assists how we are able to quickly go through this material, so I am hoping that we can move this forward a bit. When we talk about what real property tax reform is, the very profound reform that the Chair opened all these things up with, is that twenty percent (20%) that goes across any category, so whether you are Commercial, a little owner-operated liquor store or whatever else, you are going to find some sort of reprieve. If I asked these folks, I am sure they will say they do not like it, but I can ask them up. If we do not do anything for these vulnerable communities that are the outliers, that have so much excessive purchases, we will not have a community left, and it is profound, it will not even be the nature of the community if you find some people to fly in from somewhere else to house on a different part of the island just to come in and work with visitor shops, I do not think that is what our job is. Our job is to help our own people. That is what I am doing with this. I am happy to take any questions, I am happy to talk to the Real Property Tax staff. I should probably let them come up. I am assuming you do not like this, but you can come up and tell us.

(Councilmember Kuali'i was noted as present)

Council Chair Rapozo: Okay. The Department of Finance?

Councilmember Kagawa: Chair, I have a question.

Council Chair Rapozo: Go ahead.

Councilmember Kagawa: I was trying to listen to you and see what this Bill does. If I am a member of the public, I have no clue what this Bill does. We have a public hearing prior to the Committee meeting, right, so I want the public to know what your Bill does.

Councilmember Cowden: What my Bill does is similar to the low-income rentals, where a landlord qualifies by turning in the application, shows who the tenant is, and what it costs. This would be at a higher level, where that break point is one hundred forty percent (140%) AMI and that they would get the benefit of doing it for a maximum of three (3) years. It is very similar, but they have their own tax category...I had to make it a whole new category—ten (10) long-term housing gap rentals—so we have something for the market rate, so that we could apply its own valuation to it, or its tax rate. It is separating it out, so that market rentals, if they could get fifteen thousand dollars ($15,000), let us encourage them to get four thousand dollars ($4,000), instead of fifteen thousand dollars ($15,000), so that they would have a lower tax rate. That is the goal. When I go to the parks and see people displaced from housing, very often they have been a good tenant for twenty (20) years, they have paid their rent, but when they get a new tax rate, they cannot cover it—the owner cannot, and their friends that are the tenants cannot. I am trying to put something in there that would help. Real Property Tax Division/the Department of Finance, do you have a reaction to my suggestion, my Bill?

There being no objections, the rules were suspended.

Mr. Hunt: Steve Hunt, Executive Assistant to the Mayor, for the record. For Proposed Draft Bill (No. 2903), the one significant difference is the creation of a separate class, aside from the increased amount limiting it to one hundred percent (100%) AMI and going to one hundred forty percent (140%), it is more so the tax class that we have a little bit more resistance to. I am going to call it post-traumatic stress disorder (PTSD) from the Residential Investor, and by de facto, creating a separate class for the long-term renters, and although there are no rates specific in terms of tax rates, it does say "a beneficial tax rate," which means it is going to be lower than the ones left behind in the Non-Owner Occupied Residential, it does create a de facto Residential Investor and class, which means some of the same problems. For example, a unit was trashed by a tenant right before the deadline for application, I could not get it re-rented, I get placed back in the other class for a year, I did not get the beneficial rate, I did not know about turning it in. Most of the same things, other than the value issue, will potentially be there by creating a separate class, as opposed to Bill No. 2901 and Bill No. 2902, which keeps them in the same class and gives an exemption to those that qualify. If someone does not qualify, the losing of an exemption for one year may not be catastrophic, but if the rate differential, and there is pressure to have a significant rate differential between the classes, could be more devastating to those. That is my main concern. Having lived the Residential Investor for the past few years, that is something we are concerned about.

Councilmember Cowden: When we were looking at Bill No. 2900, I asked, "Is there a way that we could ensure that people would have that modest market rate?" Do you recall what your response was?

Mr. Hunt: Depending on where we set the thresholds.

Councilmember Cowden: Depending on where we set the thresholds.

Mr. Hunt: And the rate.

Councilmember Cowden: And it might not work. Do you recall that I said, "I am passing Bill No. 2900 in an effort to not stop it, but I am going to still try to protect the market-rate rentals and the working class in these communities that are experiencing the most intense surge in the property values"? I said that, yes, so that is what this is. Those are all my questions. I am just letting you know I get that this is hard. When I saw the Chair's twenty percent (20%), I thought, "That is better," but if I cannot have that, I am going to make an effort for this, because we are going to lose our community if we do not do anything.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: Two (2) questions. One, Mr. Hunt, how equitable and equal is this, when we are making a separate tax class for a certain group of community members to rent their house at a certain price and they receive some type of tax relief, and then you have the Westside or Central side, who can only rent it out at a certain price, and they do not qualify to get that much more rent? How equitable and equal is that?

Mr. Hunt: If I am understanding your question, you are asking about where market rents are actually below these threshold rents that are set, so they cannot charge more to begin with, so there is no additional relief, whereas others in certain segments of the community where rents are much more expensive that we are providing this additional tool. That is something we certainly grappled with, in terms of if we should be incentivizing something that is occurring in the market already. Should we be giving tax relief for people doing what they have been doing for years, decades? Again, I think the other side of the coin is it is insurance. If market rents really are getting that much higher, maybe something like this would encourage people to continue doing what they are doing, not necessarily expand or pull people into this program. As I mentioned earlier, the separate category is what is a little more concerning, because I think there is going to be pressure...just to balance the budget, someone will need to pay more. If you pull out a whole class of gap renters and give them a much-preferred rate, whoever is left in the other category is probably going to be paying more, and then that creates that same rub as, "I did not make my application deadline," or "I did not have a tenant at the time that the requirement to submit was." Those are issues that were real and we had, so I do not like segregating. I like keeping them in one class: you are either Owner-Occupied Residential or you are Non-Owner-Occupied Residential, one (1) of the two (2), and if you are Non-Owner-Occupied, you can get an exemption for it, but you are not going to get an additional rate, and those rates can already be set by what we are going to set as the tier and the rates associated with each. The more modest can receive a lower rate, the higher one, you have an option to set rates, and the high tiers, you can even go higher.

Councilmember DeCosta: The second question, what sets the tone for these people who are currently in this lower AMI to not want to move to the higher AMI and get that extra rent now, instead of the three thousand dollars ($3,000), they can get the four thousand five hundred dollars ($4,500), or are we going to discriminate between the ones who can charge four thousand five hundred dollars ($4,500) and three thousand dollars ($3,000)? Are we going to tell our geographic areas, "Hey, you can only charge three thousand dollars ($3,000), because you live in Hanapēpē or in Līhuʻe, but because you live in Kīlauea or Hanalei, we will let you charge four thousand five hundred dollars ($4,500), so you can earn one thousand five hundred dollars ($1,500) more in revenue? Is there some type of discriminatory case on that? I want to ask Matt that question.

Mr. Hunt: This is islandwide. These rents that are set are set by the area median, and we only have one area. We do not have any type of information by zip code, although we did ask for it, we do not have any information that would say what the AMI is by zip code or area.

Councilmember DeCosta: This Bill coming in now, is this Bill for islandwide?

Mr. Hunt: Yes.

Councilmember DeCosta: That means I can go to the next tax bracket if I want. I want to make an extra one thousand five hundred dollars ($1,500).

Mr. Hunt: You can.

Councilmember DeCosta: Would I be able to do that?

Mr. Hunt: You could do that, but here is what you would lose: you will not get your cap, so you are going to be reset to whatever is the market value of your property, instead of Owner-Occupied Residential, you are going to now be in the Owner-Occupied Mixed Use class, so you are going to get an increase in value by a reset and you are not going to be protected for future, other than if the twenty percent (20%) kicks in, and you are now going to pay at a higher rate, based on what the rate is for each tier or whatever threshold that gets set on that, if you do set one, for the Owner-Occupied Mixed Use. There are consequences to leaving the program.

Councilmember DeCosta: The bottom-line consequence I want to ask you is if the numbers pencil out, that because now they can draw four thousand five hundred dollars ($4,500), instead of three thousand dollars ($3,000), that is one thousand five hundred dollars ($1,500) a month. If you do the math, they will earn a lump sum or revenue, that revenue offsets the property tax that they need to pay, and they still come out ahead. It is a "no-brainer," they will want to move to that and you will see all the rents raised on Kauaʻi.

Mr. Hunt: That is a risk, and that is a risk that with the current program. If you are renting under the current ninety percent (90%) AMI, and you exit, because instead of charging one hundred five thousand dollars ($1,500), you could charge three thousand dollars ($3,000), and you pencil out and say that one thousand five hundred dollars ($1,500), I am still coming ahead even with the higher tax and the reset, they are making those decisions now.

Councilmember DeCosta: I understand, but we are only giving them a break at the ninety percent (90%). Now, we are going to move that AMI to one hundred forty percent (140%). Am I correct?

Mr. Hunt: That is correct, but it is a different program. The LTL, under the proposal, is actually going from ninety percent (90%) back down to eighty percent (80%), and then from above eighty percent (80%) and, under this one, up to one hundred forty percent (140%) that sets a new threshold amount. People can exit the LTL and go into this program, be reclassified in the new class and receive whatever the rate and the tier that is associated with it, but they will to give up...if their suppressed value, if they had a one million dollar ($1,000,000) market value and a five hundred thousand dollar ($500,000) assessed value, their market value is going to kick in. They will go from five hundred thousand dollars ($500,000) to one million dollars ($1,000,000). If they were paying the two dollar and fifty-nine cents ($2.59) and now, they go to five dollar and forty-five cents ($5.45), or whatever the rate will be for the Owner-Occupied Mixed-Use class, then they are going to pay that rate.

Council Chair Rapozo: Will they also lose the cap going forward?

Mr. Hunt: In the future, correct.

Council Chair Rapozo: You will need to charge a lot more for rent, potentially.

Mr. Hunt: Potentially.

Council Chair Rapozo: Are there any other questions for the Department of Finance, as it relates to Proposed Draft Bill (No. 2903)? Councilmember Bulosan.

Councilmember Bulosan: What is the anticipated added staffing you would need?

Mr. Hunt: I think I will defer to Mike for that, but if the one hundred forty percent (140%) and a new class comes in, I think the one hundred forty percent (140%)...obviously if you are doing Bill No. 2902 at one hundred percent (100%) AMI, there are probably less qualifying. At one hundred forty percent (140%), there are probably more qualifying, so out of our pool in the Residential class and the Residential Investor that sort of comes together with the Long-Term, I am guessing, potentially, four thousand (4,000) or five thousand (5,000) applications a year. I do not in terms of staff. Now, you are reviewing the rent levels to make sure they qualify, you are verifying the leases, making sure signatures are authorized, and all the things that go with that, so you are vetting each one as they come in and you are doing it on an annual basis. I will let Mike...staffing-wise, I do not know in terms of how much time...because we are doing the LTL now, so we sort of...for one thousand five hundred seventy-two (1,572) applications, we sort of know the time and effort involved in that, but if you double or triple that, what would that involve?

Mr. Hubbard: For the record, Tax Manager Mike Hubbard. I would say that we would probably need at least four or five more staff just for this particular program, if it were to go through.

Ms. Matsuyama: I would also comment...Reiko Matsuyama...that he does not have space for that number of staff.

Councilmember Bulosan: Thank you.

Council Chair Rapozo: Are there any further questions? If not, thank you. Is there anyone in the audience wishing to testify? Seeing none.

There being no one present to provide testimony, the meeting was called back to order, and proceeded as follows:

Council Chair Rapozo: Is there further discussion on Proposed Draft Bill (No. 2903)? Councilmember DeCosta.

Councilmember DeCosta: After hearing this, I want to move to receive this Bill.

Council Chair Rapozo: You cannot do that. We need to address the motion on the floor, which is to approve. Is there any other discussion?

Councilmember Cowden: I respectfully ask that you let it go to Committee. It helps the rest of our discussion and I think it is important. This impacts approximately a quarter of our population who are dealing with this arduous challenge and when we are talking about real property tax reform, this is another little nudge. Almost everything that is Section 11 of this is a nudge and there is nothing to help that quarter of the population that would be impacted. I might have that a little bit high, but I do not think it is very high.

Council Chair Rapozo: Is there any other discussion? Councilmember Bulosan.

Councilmember Bulosan: Question for you, Councilmember Cowden. With the explanation of if this creates another tax classification, they lose the three percent (3%), do you see with this system in place, would they still want to keep that rent at that low price, knowing that they lost all that...well, they gained all that value, so they took on more challenges?

Councilmember Cowden: I think so. When I look at the situation of the landlords and the tenants, a lot of these tenants are actually getting older, they are graying, but they look stressed to death. I worry that they will not make it, because whatever they have left of whatever they have, they are selling on eBay every month, they are pulling off the last of what they have, their landlord feels horrible, but that landlord will lose the house if they do not charge that high piece. They do not want to hurt their tenant. It is devastating to look at the physical condition that some of these people are in. Do I think that if they could get some sort of break, if somewhere there is a reprieve, do I think that they would make a difference? I think some of them would. I definitely think some of them would, but I am trying, I am doing my best. I cannot comfortably look at these people and I see that, and I really have lost so many friends, so many people have passed. They lose their will to live. Our tax policy coupled with the inflationary market pressure is such that people are not willing to somehow, as they say, "Go away somewhere else and get restarted," unless they have children or something that is somewhere else. Is it desperate, and yes, I think that it would make a difference.

Councilmember Bulosan: I have a follow-up question. Do you feel this would be more effective than the twenty percent (20%)?

Councilmember Cowden: No. I would like to see the twenty percent (20%). The reason I would like to see the twenty percent (20%) is that I very much care about the burden on our Department of Finance, how difficult that would be, and the problems that were already occurring with Residential Investor. I think that if we had that twenty percent (20%), it could put a cap somewhat on the inflationary pressure. Would it solve it? No, I still think we are going to lose some people, but I think this is better than not having this. When I read the room, it seems like the room does not understand that the essence of the reform that was the beginning of this conversation is in that twenty percent (20%). If we lose both, I am going to fight as hard as I can to make sure that I keep people healthy and strong. What I think is not so good with this is that on the areas of the island, it would inflate rent that people have a lower rent for. If we had a zip code that three thousand dollars ($3,000) a month is what they can get and what they are getting, those ones may start to move up a little bit, perhaps it is harder for them. I care very much about that, too, but I think that there is enough of a benefit of being in the LTL program with the three percent (3%) cap that people would hold it there. That twenty percent (20%) could also help the businesses, it is a lot of things. These areas that I am talking about, these tend to be "mom and pop" businesspeople, they might own what they are doing. Section 11 helps their businesses as well as their home, so it does not matter where you get the help as long as you get the help, but I think this would help some and it would also help that landlord hold on to their home.

Council Chair Rapozo: We finished with the public testimony, I am sorry. Is there anyone else?

Councilmember Kagawa: Thank you, Chair. I really feel that I am hearing the Administration say the intention is great, but it seems like the wrong vehicle to accomplish it. You are removing the cap from where they are and that will work counter to trying to help reduce their taxes, if I am understanding what they said. I am the Chair of the Finance & Economic Development Committee, I do not mind having it, because there is no harm except for wasting staff's time. It gives Councilmember Cowden time to perhaps work on another bill that may be able to accomplish it with some support. Right now, there are strong feelings from the Administration that, with their expertise, this will not work. I will vote "No," but if this passes, I will work with Councilmember Cowden in Committee and work out some amendments that may perhaps work. Working with the Administration and finding another bill to try to accomplish what she wants to accomplish is probably the better means. Thank you, Chair.

Council Chair Rapozo: I think everyone's assumption is that we are trying...the people who are going to take advantage of this program, and yet, I still need to learn more. The whole purpose of first reading is to get this to a public hearing, but what I am hearing is everyone talking about the people in the three percent (3%), the LTL people, that they may go up, they may take advantage of this program, or they may not, but there are a bunch of rentals that are not in the LTL program. There are homeowners renting their homes that are not in the program and are renting above the one hundred forty percent (140%). Is this enough of an incentive to drop their rents to qualify for a one hundred forty percent (140%) AMI? I do not know the numbers. It is interesting. I like the concept, because we are trying to incentivize the behavior that we want to see. We do that with the LTL. If the incentive is strong enough, then they will rent to the long-term program. If there is someone out there that is renting for three thousand five hundred dollars ($3,500) a month and getting into the one hundred forty percent (140%) AMI allows them an exemption if they lower the rent to three thousand three hundred dollars ($3,300), three thousand two hundred dollars ($3,200), or two thousand nine hundred dollars ($2,900) a month, they may see it as being feasible. It is not designed to have the three percent (3%) people move to this category. As Councilmember Kuali'i said earlier regarding the data, when we get the chance to look at the data and the numbers of parcels and taxpayers in each class, we would be able to work it out, but if you kill it today, you will not have that opportunity. I am not sold on this. I do not know enough right now. I want to make the clarification that this is not just for the people in the LTL. This is for others out there that may want to participate to get an incentive to drop their rents. Councilmember DeCosta.

Councilmember DeCosta: I stated my position a bit, and I will state it again. The Administration does not support it, they do not have the staff. I am hearing Councilmember Kagawa say he will vote "No," but if it passes today and goes to the Committee, he will support it. I am not supporting this. I will wait for you folks to vote and if it the vote says "Yes," then I will ask to receive it. If the vote says "No," then we do not have to worry about it. What worries me is that the exact same thing that could happen by incentivizing people who are outside of the LTL to rent their home at the new one hundred forty percent (140%) AMI, could also incentivize people to not be in the lower eighty percent (80%) or ninety percent (90%) AMI class and move to the one hundred forty percent (140%) AMI class. I cannot believe that we talk about...and I am just going to say this, because Councilmember Cowden said it...the North Shore is a special place, the rents are different. Did you go to Kekaha? Did you talk to the Westside community and ask what beachfront houses in Kekaha go for?

Councilmember Cowden: Yes.

Councilmember DeCosta: Did you ask what rentals in Kekaha Gardens goes for? It is the same as the North Shore. We are not making anything special for any geographical area. With this, we are doing a Bill for a specific geographic area that will apply to the rest of the island, and the unintended consequence is that now people can rent their houses at one hundred forty percent (140%) AMI and move out. I am that person. Taking that opportunity is a "no-brainer." Why would we do that, folks? I am voting "No." When we come to the table with a bill, we do our homework, folks. This Bill has not done the homework. We do our homework. We meet with the Administration, we meet with different counterparts of the community. We do not craft it in Committee. We craft a good bill prior to that. We have discussions in Committee, we tweak it a little bit, but this is far from being tweaked. I am not supporting this.

Council Chair Rapozo: Is there any further discussion? If we, as a Council, killed every bill that came up, because the Administration said it is a bad bill, we would not be a Council. I respect everyone's position and if anyone should be accused of doing things at the last minute, it is me with the twenty percent (20%). I acknowledged that, I apologized to the Department of Finance, and I gave you my reasons. I may vote against the twenty percent (20%) when it gets to Council after we receive the data. I have voted against my own bills numerous times. I am not proud. We are on a timeline with this real property tax program. We need to pass everything before October, so our only shot is right now. If I see data that shows me any of these measures impact our community the wrong way, I am not supporting it. It is that simple. This process takes it to a public hearing, so we can get the public to chime in. I think Councilmember DeCosta, in his property right now, because you have the cap...you have the Owner-Occupant? For you to leave and go to the one hundred forty percent (140%) AMI, your assessment now will be reset to the market value. In other words, whatever your property is assessed at now, that is where your new base will be, and you will get a higher tax rate. Is that enough for most people to jump to a one hundred forty percent (140%) AMI rental? In some cases, it might be. I do not know the numbers. It depends on the circumstance. I think for most people who are like Councilmember DeCosta, they could ask for more rent, but because he wants to take care of the community, he opts to rent it as a low-income rental. A lot of people will need to make the decision of what they will do. I share the concern that we might encourage people to charge higher rent...again, until we see the data, I do not know who is in this class...but we may also encourage people that are charging a higher rent to lower their rent to qualify for the one hundred forty percent (140%) AMI. Everything is speculative right now, because we do not have the data. That is all I have. Does anyone else have further discussion? Councilmember Bulosan.

Councilmember Bulosan: Just so I can understand a little bit more, in this program, when we create this gap program, the benefit of that landowner to be in the gap program is to, potentially, be in a different tax rate. Is that the only benefit? The assumption is that, potentially, yes, some people who are in that lower area would move into this, but a lot of properties who are in the higher area might want to come back down. Is that the intent of the program?

Councilmember Cowden: Yes. We are in a volatile market, so who knows what will really happen with the economy, where inflation will go, and what will happen, but let us say it is inflationary that we could set that rate low. Most people do not want to toss out their long-term tenants, and this is a stop gap. These are going to be beneficial landlords. Most of the people I have talked to that have had to toss their tenants, it is either they lose the house, or they raise the rate, because of the taxes. This is a way to just stop that. Could they get more money? As Steve Hunt stated last time, and I think he is right, "If people can get ten thousand dollars ($10,000) a month, why are they going to stay at three thousand dollars ($3,000) or four thousand dollars ($4,000), other than to be kind?" Sometimes they want to be kind, so it makes it possible for those willing to be kind to be kind. I understand that it is not ideal for them. I spoke with him about it. It is not correct that I have not tried, I have not worked on this, I have not done any homework, and whatever other insults were thrown at me. There has been a lot of effort, it is just a very difficult situation, so I am just doing my best. I see the inadequacies and the twenty percent (20%) in Section 11 would address it better, but for now we just let it go a little further, because you folks will kill Section 11 and then it is not the North Shore. That is another pejorative. It is not just that very narrow place, it is a lot more than that.

Council Chair Rapozo: Is there any further discussion? Councilmember Kagawa.

Councilmember Kagawa: Yes, I want to say I do not throw any shade at you.

Councilmember Cowden: I know.

Councilmember Kagawa: I think you always come from good place. For me, I do not see any amendments in my mind that could really fix, other than what you want to accomplish with this Bill. I think we need another vehicle to accomplish this task. I am not saying that I do not want to work with you to solve some of these real problems that are out there. Thank you.

Council Chair Rapozo: Is there any further discussion? If not, roll call.

The motion for passage of Proposed Draft Bill (No. 2903) on first reading, that it be ordered to print, that a public hearing thereon be scheduled for September 6, 2023, and that it be referred to the Finance & Economic Development Committee was then put, and carried by the following vote:

FOR PASSAGE:	Bulosan, Carvalho, Cowden, Kagawa, Kuali'i, Rapozo	TOTAL – 6,
AGAINST PASSAGE:	DeCosta	TOTAL – 1,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Ms. Fountain-Tanigawa: Six (6) ayes, one (1) no.

Councilmember DeCosta: I want to move to receive this.

Council Chair Rapozo: No, the motion passed.

Councilmember DeCosta: I cannot move to receive this even though it had the vote?

Council Chair Rapozo: The motion passed, so that item is done for today. It will go to public hearing, and then it will show up at the Committee Meeting. If the motion to approve had failed, then the proper motion would have been to receive, but at this point, the Bill has been moved to public hearing, we will have the discussion in Committee and an opportunity to...if there are no votes, then it will ultimately end up at the full Council with a recommendation by the Committee to pass or not. Next item, please.

Proposed Draft Bill (No. 2904) – A BILL FOR AN ORDINANCE AMENDING CHAPTER 5A, KAUA'I COUNTY CODE 1987, AS AMENDED, RELATING TO REAL PROPERTY TAX *(Separated Married Persons)*

Councilmember Kuali'i moved for passage of Proposed Draft Bill (No. 2904) on first reading, that it be ordered to print, that a public hearing thereon be scheduled for September 6, 2023, and that it be referred to the Finance & Economic Development Committee, seconded by Councilmember Carvalho.

Council Chair Rapozo: Councilmember Cowden.

Councilmember Cowden: I think this will impact a small percentage of people, and it is updating some of the language. It currently says, "a husband and wife," we made it be a little more modern by saying "two individuals related by marriage, civil union, or reciprocal beneficiary relationship," so it is not gender specific. It had said, "shall not be permitted exemption of separate homes owned by each of them, unless they are living and apart, pursuant to a court issued separation order," so I want to start with that. With staff, we called the courts, and from zero (0) to two (2) separation actions happen in a year. Basically, people do not get legally separated anymore. They are either married or they are divorced, and we know many people may be together for a lifetime or many decades, have numerous children, and they are not married, right, so it has gotten a bit vague whether people are married or not, and sometimes when people have been married and they separate, that is one of the hardest times in people's lives. It is on par emotionally with death, and it can be very difficult and incredibly expensive. This is an effort to not have the government force people into finishing their marriage and getting divorced. Sometimes people live separately for many years, and they may or may not get back together at some point. Here, when we have, "provided that living and apart shall be proven by submission of either: a court-issued separation order," which is what was existing, "Or affidavits from both persons attesting to the separate living arrangements along with copies of State of Hawai'i N-11 income tax forms that had been separately filed by both persons citing their respective home addresses." I am probably speaking with less than ten (10) families like this, but there are something close to that number that have spoken with me that are too ashamed to come today...no one wants to talk about when they are going through family separation, but they do live separately and economically they are separate, and are punished unless they are legally divorced. This is trying to modernize our policy and allow people their own space. Some people do not divorce, because they are Catholic or have another spiritual reason and are never allowed to do so. That is what this is.

Council Chair Rapozo: What is a "reciprocal beneficiary relationship"?

Councilmember Cowden: I should ask staff, because that was a legal term.

Councilmember Kuali'i: That was what they had for domestic partnership before, but now that you have marriage it is...

Council Chair Rapozo: A domestic partnership basically says you live together, share in the house responsibilities, share in the expenses.

Councilmember Kuali'i: It is the same.

Council Chair Rapozo: For me, it is different. My best friend and I could buy a house...

Councilmember Cowden: Okay.

Councilmember Kuali'i: Yes.

Council Chair Rapozo: That is the difference.

Councilmember Kuali'i: Yes.

Councilmember Cowden: I am willing to amend that out.

Council Chair Rapozo: I do not have a problem with the marriage and civil union wording, but I do have a problem with two (2) best friends, Bernard and I, buying a couple of houses, living in our own houses, and both receiving the exemption.

Councilmember Kuali'i: Where it works and may be necessary is when you have older individuals whose spouses have passed away, and two (2) best friends are living together and helping one another. Two (2) older women, perhaps. That is the reciprocal beneficiary.

Council Chair Rapozo: This is where two (2) people live in separate homes, and each carries the exemption with them.

Councilmember Kuali'i: That is just reciprocal beneficiary.

Council Chair Rapozo: I think they are great, but I do not think best friends should receive the benefit of an exemption. You need to be married, intimate, or intimate at some point. Go ahead.

Councilmember Kagawa: I feel that if we are passing this like the one that I changed my mind on, then we can do those amendments in Committee. Members can speak with staff and the County Attorney to make sure we are doing it right with time. I am okay with amending it in Committee, and I am okay with changing my mind as well if I see the votes going the other way.

Council Chair Rapozo: I do not know where this definition came from, but it is a legal relationship created when two (2) consenting adults, like Bernard and I, who are prohibited from marriage, which we are...well, I guess not...declare their intent to enter a reciprocal beneficiary relationship. That does not mean they need to be intimately...we will figure it out and we will work on the amendment. That is just the police brain in my head thinking how easy it is to create this benefit for people who do not really have a relationship, other than an investment relationship. I can see this going crazy.

Councilmember Cowden: I want to follow-up on that. I respect that. When I am working on this, I would expect you would have a very minimal amount of requests of this in a given year. It might be ten (10) or twenty (20).

Council Chair Rapozo: With reciprocal beneficiary relationship, you might have a bunch.

Councilmember Cowden: Right, so in Committee, I am happy to introduce an amendment. In fact, I will let staff know right now that I will introduce an amendment that takes that out. I do not even know if civil unions are something that still exists, or if people marry now, because it does not matter what your gender is.

Council Chair Rapozo: Both still occur.

Councilmember Cowden: Do both still occur?

Council Chair Rapozo: Yes, they both still occur.

Councilmember Cowden: We can take that one out, because the goal is to ease a very difficult situation for people in their time of need, not to exploit a reciprocal beneficiary friendship, where folks are buying a bunch of property.

Council Chair Rapozo: I will put in a plug about how foolish our Sunshine Law is. As you folks in the public and those watching at home can see, because of the Sunshine Law, this is the first time we get to see the bills and the amendments. It is obvious that we adhere to the Sunshine Law, because we otherwise could have had the discussion prior, which would not hurt the public, and come up with an amendment that everyone could have had an opportunity, but we cannot because of the Sunshine Law, and it shows up on the floor the same day you folks in the public sees it. It is arguable whether that is good or bad. Is there any further discussion? Councilmember DeCosta.

Councilmember DeCosta: I think that when you work on things like this, it always helps to have another Councilmember help you, because it shows today that you needed some help with this Bill. I am amazed that we could put a bill on the floor that has a big loophole for beneficiaries, such as two (2) investing buddies buying a bunch of houses and qualifying for a tax break. I want to make sure that the civil union people—male and male, or female and female—who get married are protected, I want to make sure that the Christian and the Catholic husband and wife are protected, but I am not going to protect people who want to get into the loophole and buy houses to get a benefit. If we had thought through this Bill properly, we would not be here, so I am not supporting this. I am not. I am not waiting for this to go to Committee. I am not voting yes on this.

Councilmember Kagawa: I want to see if the Administration have a comment.

Councilmember Cowden: They do, yes.

There being no objections, the rules were suspended.

Mr. Hunt: Thank you for your time, again, today on Proposed Draft Bill (No. 2904). Initially, I do not think the Administration was supportive, because we were aware of prior abuses of this, where couples did not actually separate, but wanted to receive exemptions and caps on their properties. However, the language that is included in this that really turned our opinion was the inclusion of the filing of separate, not joint returns, but separate N-11 income tax forms from those respective addresses, so they are actually now separated financially as well, so they cannot play the shell game of "we live here or we live here" or whatever. They are actually doing it and they are reporting it to the State as well. With that language of requiring separate N-11 income tax forms, we are supportive of this proposal. As Councilmember Cowden said, there probably are not too many, because you are talking about first couples that own at least two (2) properties, where now one is residing in each of them.

Council Chair Rapozo: Are there any other questions for the Department of Finance?

Councilmember DeCosta: I have a question. You said they filed joint or separate N-11 income tax forms. I file joint with my wife, but there are a lot of married couples that file joint also. They are not just legally separated, but they might want to file separately. Will they receive that benefit now that they live together, but file separately?

Mr. Hunt: Separate from separate addresses.

Councilmember DeCosta: They can have two (2) Owner-Occupied houses right now, with what you are saying.

Mr. Hunt: With the passage of this.

Councilmember DeCosta: Yes.

Mr. Hunt: You could have...

Councilmember DeCosta: You could have two (2) tax breaks on two (2) different houses. Jimmy and Lisa, who are separated, can receive tax breaks on both houses.

Mr. Hunt: They can receive the beneficiary of both provided they are filing separate N-11 income tax forms.

Councilmember DeCosta: All the while our regular couples out there can only receive one (1) Owner-Occupied category, and if they have a second home it is considered Non-Owner-Occupied, which is what it was changed to, and they can only receive a low property tax rate if they do the LTL, if not, they will be in the higher tax bracket, but we will open this loophole for two (2) people, who file separately, who have different addresses to qualify for two (2) exemptions. Is that correct?

Mr. Hunt: Correct. If they are living apart and are financially separate, yes, that is the case.

Councilmember Cowden: What we put in here was, "Affidavits from both persons attesting to the separate living arrangements." What would be acceptable to you as that affidavit? It seems as though it would be easy to be able to demonstrate that people have two (2) completely separate homes, household, and lives. Is there something that we could put in here that would help you to feel even more solid on what that means? People are perjuring themselves, right? They are fraudulent. They are committing fraud if they say, "I live in Hanapēpē, and this person lives in Anahola," they give you a signed affidavit to that, you have some evidence of it, then they are risking fraud, right?

(Councilmember DeCosta was noted as not present.)

Mr. Hunt: Yes, and I think it is a second degree of fraud, because they are also potentially defrauding the State if they are actually living together, but say they are living and filing from separate addresses.

Councilmember Cowden: Thank you.

Council Chair Rapozo: Are there any other questions for the Department of Finance? Thank you very much. Is there anyone in the audience wishing to testify? Come on up.

Ms. Schemp: I want to take a second to talk about how we get more houses in the rental pool, and looking at property taxes, that is something I think should be included into the thought process as you are revamping it.

(Councilmember DeCosta was noted as present.)

Council Chair Rapozo: Heidi, the agenda item is this specific Bill.

Councilmember Cowden: About divorce.

Ms. Schemp: Okay.

Council Chair Rapozo: Yes, unfortunately.

Ms. Schemp: Only divorce. I think it is good as long as we do not have any fraud.

Council Chair Rapozo: Everything we do has the propensity of fraud.

Ms. Schemp: Is there a time that you could testify in general without a specific bill?

Council Chair Rapozo: The Sunshine Law says the discussion needs to be pertaining to the issue that is on the floor.

Ms. Schemp: Okay. I will send you an email.

Council Chair Rapozo: Thank you. Perhaps send a letter to your Legislature about the Sunshine Law. Maybe we can ease up a little. Is there anyone else in the audience wishing to testify? Seeing none. Is there any further discussion? Councilmember Cowden.

There being no one to provide further testimony, the meeting was called back to order, and proceeded as follows:

Councilmember Cowden: With all due respect, I want to move to amend, as circulated. It is going to say, "Two (2) individuals related by marriage or civil union," so we are taking out the questionable material. It is very important to me that Councilmember DeCosta feels respected, so I want him to feel good about something.

Councilmember Cowden moved to amend Proposed Draft Bill (No. 2904), as circulated, and as shown in the Floor Amendment, which is attached hereto as Attachment 2, seconded by Councilmember Kagawa.

Council Chair Rapozo: Is there any further discussion?

The motion to amend Proposed Draft Bill (No. 2904), as circulated, and as shown in the Floor Amendment, which is attached hereto as Attachment 2 was then put, and unanimously carried.

Council Chair Rapozo: Is there any further discussion on the main motion, as amended? Councilmember Kagawa.

Councilmember Kagawa: I will support this. There are a lot of complicated relationships out there, and there are a lot of legitimate ones where they are still married, but are separated. I do not think one of the spouses should pay a really high tax, while the other one receives the Owner-Occupied Residential rate. This is a good Bill that I am willing to support. It will help families from being unreasonably taxed on their homes. Thank you, Chair.

Council Chair Rapozo: Is there any further discussion? Councilmember DeCosta.

Councilmember DeCosta: I have a legal question for Matt.

Council Chair Rapozo: Mr. Bracken.

(Councilmember Bulosan was noted as not present.)

Councilmember DeCosta: Thank you, Matt. This new literature that was introduced talks to husband and wife, or civil union couples that are now legally divorced and live in separate homes, one home was their original residence, the second must have been a rental unit or Non-Owner-Occupied, because when they were married, they were not living in the two (2) homes. Now, all of a sudden, they are divorced...Jimmy and John are divorced, or Bob and Bertha are divorced, so now Bob lives in one (1) house and Bertha claims to live in the other house. How do we know?

(Councilmember Bulosan was noted as present.)

Councilmember DeCosta: How do we know that Bob and Bertha did not get divorced in order to get a property exemption on that second home, but they still live in the same house together, and possibly have that house rented out for cash, or they have someone living inside? Is there a way we can prove in a court of law that is not the case that will happen with the introduction of this Bill?

There being no objections, the rules were suspended.

MATTHEW M. BRACKEN, County Attorney: Matt Bracken, County Attorney. The potential for abuse is there. Obviously, people can abuse it. If it is abused, lying to the government is a misdemeanor now, it is a new passage of the law in the last legislative session. Is there a way for us to find out that information? Most likely not, right, unless someone in this County saw the advertisement for the rental and somehow linked it to the same property, but there are no people looking for that. Is there a way for the County to find out about the potential fraud? Likely not, without someone reporting them.

Councilmember DeCosta: Again, this couple had a homeowner home and a transient vacation rental (TVR), but they are paying high taxes on their TVR, so they decide...because couples do it all the time to divorce for free college. They do it all the time. They receive benefits for being a divorced couple. They are not long-time, generational families of Kaua'i who are going to be shamed, because it was mentioned in the newspaper, so they separate, they divorce. Jimmy stays in the regular house, and Jane goes to the TVR, but secretively, they are still together. She goes back to the house and lives with Jimmy, and they rent out the TVR for either cash, for long-term, or whatever, but they do not have the LTL. Can they get away with that through this Proposed Draft Bill?

Mr. Bracken: Yes, most likely.

Councilmember DeCosta: Thank you.

Mr. Bracken: If they wanted to divorce for the same purpose, they could. There is an immense legal proceeding to go through for that purpose, but yes, people could do that.

Council Chair Rapozo: Thank you. Are there any other questions for Matt? If not, thank you, Matt. Is there any further discussion. Roll call.

There being no objections, the meeting was called back to order, and proceeded as follows:

The motion for passage of Proposed Draft Bill (No. 2904) as amended on first reading, that it be ordered to print, that a public hearing thereon be scheduled for September 6, 2023, and that it be referred to the Finance & Economic Development Committee was then put, and carried by the following vote:

FOR PASSAGE:	Bulosan, Carvalho, Cowden, Kagawa, Kuali'i, Rapozo	TOTAL – 6,
AGAINST PASSAGE:	DeCosta	TOTAL – 1,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Ms. Fountain-Tanigawa: The motion passes.

Council Chair Rapozo: That concludes the official part. We need to come back into open session...sorry Hōʻike...after our Executive Session. It is the procedure since July 1, 2023. We will take a recess, but before we recess, while we were on the lunch break we got the devastating news that six (6) people have lost their lives in Maui. It is a lot worse than I knew before we started this meeting, and I just want to say I hearts go out to Maui, to all the families and people being evacuated, and to our first responders who are out there in the frontlines. It is just devastating and our prayers and wishes go out to all of those families, friends, colleagues, and everyone else on Maui. With that we will take a recess for our Executive Session, and we will return to adjourn the meeting. Please read us into Executive Session.

EXECUTIVE SESSION:

ES-1099 Pursuant to Hawaiʻi Revised Statutes (HRS) Sections 92-4 and 92-5(a)(4), and Kauaʻi County Charter Section 3.07(E), on behalf of the Council, the Office of the County Attorney requests an Executive Session with the Council to provide the Council with a briefing, discussion, and consultation regarding the Quarterly Report on Pending and Denied claims. This briefing and consultation involves the consideration of the powers, duties, privileges, immunities, and/or liabilities of the Council and the County as they relate to this agenda item.

Councilmember Kualiʻi moved to convene in Executive Session for ES-1099, seconded by Councilmember DeCosta.

Council Chair Rapozo: Is there any discussion or public testimony? Seeing none, roll call.

There being no one present to provide testimony, the meeting proceeded as follows:

The motion to convene in Executive Session for ES-1099 was then put, and carried by the following vote:

FOR EXECUTIVE SESSION:	Bulosan, Carvalho, Cowden, DeCosta, Kagawa, Kualiʻi, Rapozo	TOTAL – 7,
AGAINST EXECUTIVE SESSION:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Ms. Fountain-Tanigawa: Seven (7) ayes.

There being no objections, the meeting recessed at 2:50 p.m., to convene in Executive Session.

The meeting reconvened at 3:11 p.m., and proceeded as follows:

(Councilmember Kagawa was noted as not present.)

Council Chair Rapozo: Mr. Bracken.

Mr. Bracken: We just exited the Executive Session. Pursuant to State law, we need to disclose anything that is not confidential. Unfortunately, everything that was discussed had to do with pending claims and must remain confidential, otherwise it would jeopardize our legal position in those claims, so nothing can be stated on the floor.

Council Chair Rapozo: Thank you very much. Are there any questions for Mr. Bracken? Seeing none, that concludes our agenda.

ADJOURNMENT.

There being no further business, the meeting adjourned at 3:12 p.m.

Respectfully submitted,

JADE K. FOUNTAIN-TANIGAWA
County Clerk

:dmc:ss

(August 9, 2023)
FLOOR AMENDMENT
Proposed Draft Bill (No. 2902), A BILL FOR AN ORDINANCE AMENDING CHAPTER 5A, KAUA'I COUNTY CODE 1987, AS AMENDED, RELATING TO REAL PROPERTY TAX *(RPT Reform Tax Year 2025)*

Introduced by: FELICIA COWDEN, Councilmember (By Request)

1. Amend Proposed Draft Bill (No. 2902), SECTION 3 as follows:

"SECTION 3. Chapter 5A, Section 5A-11A.2 (Limitation of Taxes for Home Preservation), Kaua'i County Code 1987, as amended, is hereby amended in part by amending its Subsection 5A-11A.2(c) and (d) to read as follows:

"(c) In order to receive the home preservation tax limit, the homeowner shall meet the following criteria at the time of application:

(1) The homeowner property [has a homestead] receives the owner-occupied tax rate or qualifies for [a homestead] the owner-occupied tax rate for the tax year the home preservation tax limit is to be applied.

(2) The homeowner does not own real property other than the property at issue in the application.

(3) The homeowner property has had a home exemption for a minimum of ten (10) years without change in ownership other than transfers between family members.

(4) If there are multiple dwellings on the property, each dwelling is occupied by an owner-occupant.

(5) The homeowner property has a net taxable assessed value exceeding [seven hundred fifty thousand dollars ($750,000.00).] one million dollars ($1,000,000.00).

(6) The income of all owners does not exceed [one] two hundred thousand dollars [($100,000.00).] ($200,000.00).

(7) There are no delinquent real property taxes on the homeowner property.

(d) The homeowner shall apply for the home preservation tax limit annually on or before September 30th preceding the tax year the home preservation tax limit is to be applied. [For the tax year 2014 only, the homeowner shall apply for the home preservation tax limit on or before August 8, 2014.]""

2. Amend Proposed Draft Bill (No. 2902), SECTION 4 as follows:

"SECTION 4. Chapter 5A, Section 5A-11A.1 (Beneficial Tax Rate for Property Used for Long-Term Affordable Rental), Kaua'i County Code 1987, as amended, is hereby amended to read as follows:

"(a) Definitions. As used in this Section:

"Dwelling" means a building or portion thereof designed or used exclusively for residential occupancy and having all necessary facilities for permanent residency such as living, sleeping, cooking, eating and sanitation.

"Long-term affordable rental" means a dwelling subject to a written lease agreement <u>signed by the owner or the owner's duly assigned representative</u> with a term of one (1) year or more and at a monthly rent not to exceed the maximum housing cost based on the long-term affordable rental limit for the year in which the owner files his or her application.

""Long-term affordable rental limit" means the [midpoint of the] maximum rental limits for each unit type [using between] <u>up to</u> eighty percent (80%) [and one hundred percent (100%)] of the Kaua'i median household income as defined by the Kaua'i County Housing Agency Rental Housing Guidelines."

(b) Any owner [who owns] <u>of</u> real property that is rented or leased as a long-term affordable rental shall receive the [homestead] <u>owner-occupied</u> tax rate as provided in Sec. 5A-6.4 provided that all dwellings on the property are long-term affordable rentals or owner-occupied.

(c) Any owner [who owns] <u>of</u> real property that is rented or leased as a long-term affordable rental of which their tenant is operating a day care center as a licensed day care provider shall be an allowed activity under this Section and shall receive the [homestead] <u>owner-occupied</u> tax rate as provided in Sec. 5A-6.4, provided that the day care center is operated out of the long-term affordable rental dwelling. A day care center operating out of a separate dwelling on the property that is not a long-term affordable rental shall not qualify for the [homestead] <u>owner-occupied</u> tax rate.

(d) The owner may apply for the beneficial tax rate on a single year or multi-year basis. An owner with a multi-year written lease agreement may apply to receive the beneficial tax rate for each year that the lease agreement is in effect up to a maximum of three (3) years, provided that rent in each year of the lease does not exceed the long term affordable rental limits at the time of application. At the expiration of the multi-year beneficial tax period, the owner may file a new application to receive the beneficial tax rate as long as the property adheres to the long term affordable rental requirements at the time of the new application.

(e) The owner shall file his or her application annually in a form prescribed by the Director of Finance by September [30th] <u>30</u> prior to the [fiscal] <u>tax</u> year beginning July [1st] <u>1</u> for the beneficial tax rate. The owner shall notify the Director of Finance within thirty (30) calendar days if the property is no longer being rented or leased as a long-term affordable rental due to the sale of the property or conversion to [short-term rental.] <u>another use.</u> [Should there be] <u>If there is</u> a change in the use as a long-term affordable rental, the beneficial tax rate shall be automatically revoked and all differences in the amount of taxes that should be due for the remainder of the tax year without the beneficial tax rate shall become due and payable.

[(f) For the 2018 tax year, any owner who owns real property that is rented or leased as a long-term affordable rental may apply for the beneficial tax rate for Long Term Affordable Rental provided that the monthly rent amount stated in their written lease agreement does not exceed the most current long-term affordable rental limit established by the Department of Finance, Real Property Tax Assessment Division or the previously established 2015 rental limit, whichever is higher. The owner shall file an application with the Department of Finance, Real Property Tax Assessment Division by September 30, 2017. Hereafter, the long-term affordable rental limit shall be determined by the Department of Finance, Real Property Tax Assessment Division by October 1st using the most current Kaua'i County Housing Agency Affordable Rental Housing Guidelines, provided that the 2015 tax year rates shall be set as the minimum floor for the County's Long-Term Affordable Rental Program.]

[(g)] <u>(f)</u> The Director may adopt rules and prescribe forms.""

(Material to be deleted is bracketed, new material to be added is underscored. Amendment material is highlighted.)

Attachment 2

(August 9, 2023)
FLOOR AMENDMENT
Proposed Draft Bill (No. 2904), A BILL FOR AN ORDINANCE AMENDING CHAPTER 5A, KAUAʻI COUNTY CODE 1987, AS AMENDED, RELATING TO REAL PROPERTY TAX *(Separated Married Persons)*

Introduced by: FELICIA COWDEN, Councilmember

1. Amend Proposed Draft Bill (No. 2904), SECTION 1 as follows:

From the prior (D):

> "(D) That [a husband and wife] <u>two (2) individuals related by marriage, civil union, or reciprocal beneficiary relationship</u> shall not be permitted exemption of separate homes owned by each of them, unless they are living separate and apart, [pursuant to a court issued separation order] in which case they shall <u>each</u> be entitled to [one-half (1/2) of] one (1) exemption, for a maximum period of [two (2)] <u>five (5)</u> years[;]<u>, provided that living separate and apart shall be proven by submission of either: a court-issued separation order or affidavits from both persons attesting to the separate living arrangements along with copies of State of Hawaiʻi N-11 income tax forms that had been separately filed by both persons citing their respective home addresses;</u>"

To the amended (D):

> "(D) That [a husband and wife] <u>two (2) individuals related by marriage or civil union</u> shall not be permitted exemption of separate homes owned by each of them, unless they are living separate and apart, [pursuant to a court issued separation order] in which case they shall <u>each</u> be entitled to [one-half (1/2) of] one (1) exemption, for a maximum period of [two (2)] <u>five (5)</u> years[;]<u>, provided that living separate and apart shall be proven by submission of either: a court-issued separation order or affidavits from both persons attesting to the separate living arrangements along with copies of State of Hawaiʻi N-11 income tax forms that had been separately filed by both persons citing their respective home addresses;</u>"

(Material to be deleted is bracketed, new material to be added is underscored. Amendment material is highlighted.)