COMMITTEE OF THE WHOLE
DELIBERATION AND PRELIMINARY DECISION-MAKING
FISCAL YEAR 2022-2023 ANNUAL BUDGET

MAY 13, 2022

The Deliberation and Preliminary Decision-Making Meeting on the Fiscal Year 2022-2023 Annual Budget of the County of Kaua'i was called to order by Arryl Kaneshiro, Chair, Committee of the Whole, on Friday, May 13, 2022, at 9:03 a.m. at the Council Chambers, 4396 Rice Street, Room 201 Līhu'e, Kaua'i, Hawai'i and the presence of the following were noted:

Honorable Bernard P. Carvalho, Jr.
Honorable Mason K. Chock (via remote technology)
Honorable Felicia Cowden
Honorable Bill DeCosta
Honorable Luke A. Evslin (via remote technology)
Honorable KipuKai Kualii
Honorable Arryl Kaneshiro

The meeting proceeded as follows:

Council Chair Kaneshiro: Good morning, everyone. I would like to call to order the Committee of the Whole and the Fiscal Year (FY) 2022-2023 Budget Decision-Making Session. Let the record reflect that all Members are present.

Today is the Council's opportunity to offer proposals (if there are any) to further amend the budget proposal for the Fiscal Year 2022-2023. I would like to remind the Committee that any proposal to reduce or remove an item requires four (4) votes. Any proposal to increase or add an item requires five (5) votes. Once we vote on an item today, we will not revisit that item, unless it is deemed absolutely necessary. Additionally, once a proposal is introduced, I respectfully ask that Members be concise and considerate with their time during the discussion period, as our time will be limited.

This is the time when I usually go through some highlights of the fiscal realities that we face as a County, to frame where we are prior to making our decisions. This past fiscal year, we were provided numerous Federal grants due to the pandemic that have helped to supplement our budget. We also received the General Excise Tax and Kaua'i Transient Accommodations Tax (TAT) revenues that will assist us moving forward. As I mentioned earlier in the budget session, we still have to be aware that we will need to pay for future compounding collective bargaining increases, as well as addressing our lengthy deferred maintenance items related to our infrastructure that will continue for many years to come. As we are all seeing with our own finances, inflationary pressures continue to plague taxpayers all the way around and this trend will most likely continue at least in the near term. I feel grateful that this Council and the Administration have worked together well and showed mutual respect, and I am hopeful that this same collaborative effort is displayed during Decision-Making with proposals that focus on our core responsibilities, especially with
uncertain economic times ahead, and most especially not raising the base fees or taxes that impact our community.

I am hopeful that as a Council, we can move forward with this Decision-Making session as efficiently as we have with our other meetings.

Of course, as it has always been for my entire time on the Council and in Chairing the budget sessions, it has always been my recommendation as the Committee of the Whole Chair to not tap into the Unassigned Fund Balance and to contribute any unappropriated funds resulting from the Committee’s decision-making actions to the Unassigned Fund Balance, as we have seen the County’s need to utilize this Fund Balance to shore up our revenue picture in times of economic uncertainty. I still feel this is a fiscally responsible option to consider at the end of the day. As we have seen these past few years, our ability to draw from our Reserve Fund for emergencies has really allowed us to provide the needed services during dire times. We experienced this with our flooding events and with COVID-19.

Please keep in mind that any additions that you may be proposing should have a corresponding reduction or identification of funding or revenue source.

Lastly, I want to remind you all that if the Committee does not come to an agreement within the allotted time for Decision-Making, the Mayor’s proposed Operating and CIP Budgets that were transmitted on March 15, 2022 will go into effect, and that would not include any of the changes made between March and May.

I will be opening today’s session, as we have done throughout the budget session with public testimony. Following public testimony, Mayor Kawakami has a short video message regarding his Supplemental Budget Communication. Following the presentation that outlines some of the changes in the Supplemental Communication, and brief dialogue with the Administration I will immediately go into the Council’s Decision-Making.

As a side note, I want to respectfully ask that Councilmembers make their final commentary on the budget during second and final reading, which is scheduled for June 1, 2022, if all goes according to schedule during this Decision-Making session and not at the end of Decision-Making or in Committee, if possible. This request is being made so that Council Services Staff can immediately begin working to incorporate any changes made during today’s budget session and in preparing any posting notices, floor amendments, et cetera in preparation for our ongoing budget process. There really is a lot of detailed work that the staff does to ensure we meet all Charter, Code, and legal requirements.

With that, I would like to suspend the rules. Do we have anyone registered to speak? Is there anyone in the audience who would like to speak? Is there anyone on Zoom wishing to testify? Lonnie Sykos.

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

LONNIE SYKOS: Mahalo, Council Chair. For the record, my name is Lonnie Sykos. I am here representing myself and only myself. I read the Mayor’s message,
which was the little blue attachment in the agenda item. I would like to congratulate both the Administration as well as the Council. The Administration, specifically for including in his message policy. He does not have a part that says “policy” but as you read through the language used, he states very clearly what his policy is for the future and how he intends to accomplish it, which allows us in spacing time and reality to measure whether he is being successful or not. The issues that he raised that are germane to me, are the ones that Council Chair just spoke about, which is being fiscally conservative. We have an enormous, at least since the fifteen (15) years that I have been coming to these meetings, it was a problem fifteen (15) years ago, deterred maintenance. Some of it has been dealt with and some of it has not, but we have a very large deferred maintenance budget to meet over time. The way collective bargaining is accomplished in the State is brutal for the economy of the counties because we have essentially no control over the increase in cost of our public servants. I am not “dogging” the public servants, they all need to make a good living and many of the employees at the County, who, and I have said this many times before and I will say it again, I will start right here with the County Clerk and Council Services Division. This operation could get hired anywhere in the country. This County Council, the support services provided by the personnel is excellent. One could have arguments about the way that the services are provided, but the staff is all very well-trained and as a member of the public, they are very welcoming to me to come testify. I think the County has done a good job in identifying where we need to put our money and identifying that a big part of the money coming in is going to end. The COVID money and some of these things and so we must make very wise decisions now...

Committee Chair Kaneshiro: Mr. Sykos, that is your first three (3) minutes. There is no one else in the audience here, so you can have your next three (3) minutes.

Mr. Sykos: I think that it is very wise for the County to pay down debt, do all the things a consumer would do, at this point, pay down debt, deferred maintenance, and I especially agree with Committee Chair Kaneshiro about as much money as we can get back into our uncommitted reserves, the better off we are going to be in the future. For instance, the State has an issue with under funding retirement and so we have been contributing more and catching up, but we are still behind the eight ball in the future about paying retirement. We also have the ever-escalating cost of our personnel. The only way we can avoid extreme financial problems is to be fiscally conservative and I applaud you for that. I would like to address that there is only me from the public here today. As part of the budget, because these days are the most important days of the year for the public as to what is going to happen to us financially. The quality of life, the services we receive, all of these are being determined right now. I have no comment on any line item, because having been through fifteen (15) years of this here and many more years than that in other locations...you pass this budget and within hours, they are transferring money between the Council. You lay out what the total of money you are going to give to the Administration is and then they are within the rules free to shift money around and use it in a way that makes the most sense today. Having no influence whatsoever on the future shifting of money, I have no comment other than I applaud you being conservative. From the view of sitting here communicating with you, I want to make this very clear to the public and to the Council, I take no offense whatsoever when Councilmember DeCosta said to me that I was a “Monday morning quarterback.” I take no offense to that. I have a thick skin from political exercise.
He greeted me this morning by complementing me for coming and encouraging me to continue to come. I do not want this misconstrued. I have sat in this chair and have been called a “cockroach” and “transplant” and those words violate my civil rights. I take no offense to what Councilmember DeCosta said, but the lack of people in this audience might be because the County Council has allowed us to be called those names.

Committee Chair Kaneshiro: Mr. Sykos, your six (6) minutes are done.

Mr. Sykos: Yes, sir, I know that. Thank you very much.

Committee Chair Kaneshiro: Thank you for your testimony. Do we have anyone on Zoom wishing to testify? None. While the rules are still suspended, can we hear Mayor Kawakami’s video message to the Council.

(Prerecorded video message from Mayor Derek S.K. Kawakami)

DEREK S.K. KAWAKAMI, Mayor: Aloha Chair Kaneshiro and members of the Council. Mahalo for this opportunity to present to you the County of Kaua‘i’s proposed Supplemental Budget, which includes an Operating Budget of $260,300,000 and a Capital Improvement Budget of $50,900,000 for Fiscal Year 2023.

As stated in our March 15th transmittal to the Council, this year’s budget outlook coincides with a unique revenue surge—and that remains unchanged. Our strategy continues to focus on utilizing our increased revenues to tackle capital improvement needs, particularly in areas related to deferred maintenance.

In this submittal, technology-related costs are now included to support Department of Finance, our Kaua‘i Emergency Management Agency, and broadband connectivity for solid waste stations. We also reflect increased costs for Countywide video conferencing equipment to include the Historic County Building. There are line-item description changes reflecting the evolving needs to site a new landfill and ensuring fire suppression at the existing landfill in Kekaha.

As far as personnel changes, we have a few notable highlights, including the full funding for our Housing Agency homeless coordinator as we do not expect continued ‘Ohahana Zone subsidies to support our houseless initiatives this year. We are also seeking to repurpose a position in our Fire Department, which has been vacant for five (5) years, to support our Department of Finance and their increasing processing demands of our driver licensing and motor vehicles office.

Our largest change between the March and May CIP submittals relates to the appropriation of revenues from the Kukui‘ula Community Facilities District bond issuance, which closed on April 28th, to support CIP infrastructure improvements in the Po‘ipū and Kōloa areas.

Lastly, as you know, we opened our first inclusive playground at Lydgate Beach Park last month. Given the overwhelmingly positive feedback we received, we are committed to
building another inclusive playground for our keiki with equipment that tailors to sensory play for those living with developmental disabilities.

On behalf of our administration, I thank you for your continued partnership and we welcome your review and recommendations. We look forward to further discussions, while continuing our efforts to find the best solutions that support, protect, and uplift our Kaua'i community. Mahalo and aloha!

Committee Chair Kaneshiro: I do want to mention, Mr. Sykos, I am glad you feel comfortable being able to testify again. Regarding transfer and shifting of money, there is an approval process that money must go through to be able to be transferred. It can only be transferred within the department and there is an approval process for that, and we get to see the transfers also. If there are any transfers that is out of normal, we can always bring it back up in front of Council, which we have done in the past. We have brought up very large transfers that we did not thing were justified. There are checks and balances to your concern. With that, do we have any questions regarding the Mayor’s message or his letter to the Council regarding his supplementary budget submittal? Are there any questions on the changes to the budget? Councilmember Evslin.

Councilmember Evslin: I have a question on a position change, Position No. 626 from the Fire Department to the Finance Department. Is Fire Chief Goble here? I know that position has been vacant for five (5) years, were there any proposed plans for it or does it impact the Fire Department in any way to move that position?

STEVEN R. GOBLE, Fire Chief (via remote technology): Good morning, Members of the Council. Thank you for the question. I did have to say that I am very respectful of this process, I am respectful of the difficult task that the Mayor and his team have when it comes to balancing all the diverse needs across the County. At the end of the day, I must trust that these decisions are made in the best interests of the County and the community. It is my responsibility and I pledge to continue to work within the constraints that we must get the good work done that needs to be done despite any sort of setbacks that may come our way. At the end of the day, I cannot say that I am not disappointed. We had some pretty big plans for the position. We think that the work is important and meaningful. We have some challenges of our own within the Prevention Bureau and at the end of the day, that work is all about lessening the impacts of fire on people, property, and businesses along the way. I sat down with our team, I was able to meet with them, and talk over the impacts of this and to our men, to their credit, like our firefighters always do, they are up to the challenge. We will figure out a way to get this done, but some things may have to fall off the plate for us, I guess, is ultimately what we are thinking. We are compelled by statute to investigate fires and enforce the Fire Code through inspection and plan reviews, and so we will focus our efforts in that area. We feel like we have a significant impact on fire prevention through our community risk reduction programs that are out there and that may ultimately be where we must divert some resources to get those things done. We will continue to do good work. I think we have some examples of how effective that fire prevention team can be. The last time we met, there was a lot of praise over the work that was being done in Anahola, and that is the kind of thing that really is impactful. We were able to move the bar significantly there, move the needle by...we were experiencing two (2) to three (3) fires per
week out in that area. We looked at that problem, we recognized it, and the team was able to initiate some good efforts to cut back on that. That is the type of work that can be done. That is the kind of work that we will continue to do as we move forward. It is our responsibility to take on the new challenges that are in front of us and make it work as best we can.

Committee Chair Kaneshiro: Councilmember Cowden has a follow-up question.

Councilmember Cowden: Just for clarity, you did not say the position. It is not the Fire Prevention Coordinator; it is not the main position for that. I am trying to find it in here. What is it called?

Chief Goble: Position No. 626, Fire Prevention Inspector II. Essentially, this is our senior Fire Inspector position within the Bureau. The position exists there to retain some of the skill and knowledge set that gets developed during their stint in the organization. This is the person that a lot of the more complex tasks with fall to, because they have the experience and know how to be behind that and come to the right answers and work with the community to address whatever those concerns are. That is the position. I think I failed to address the first part of Councilmember Evslin's question about the vacancy period. It has been vacant for quite some time, and I will say that I have been here for just short of two (2) years and in that two-year period, the position has been there, but it has been dollar-funded. We take that charge very seriously. We know that the last couple of years has been tough economically and we are willing to do our part to support the needs of the greater organization and we are willing to sit on the sideline while the pandemic was in effect. Again, we had big plans for what that might look like going forward, but we will continue to adapt and overcome.

Councilmember Cowden: Thank you. Can I ask Mike Dahilig a question? Managing Director Dahilig. We had this issue with standpipes and fire flow. We had another fire to the ground in Wainiha. When I look at the road, that is probably another road that has standpipes were inadequate fire flow. Is it the job position that we are not funding that would be looking at that?

(Michael A. Dahilig, Managing Director (via remote technology): Good morning, Councilmembers. Councilmember Cowden, that is a good question. This came in light as to the sufficiency of fire flow around the island because of some fires that have happened out in the Hanalei area. Both the Fire Chief as well as the Water Manager were out at the community meeting to talk through these questions regarding fire flow adequacy across the island. Our analysis in looking at this position, however, have been a number of items relating to the length of time this position has been vacant. The fact that it was dollar-funded, as well as its classification, that it was in a unique classification. It was the only position of its kind where it sat between promotional ranks and was not typically looked at by the line force as being something that was appealing to a move from the station into the office. We took that into account as well. Whether or not this comes into play with is a question for Chief Goble. The folks at the Fire
Prevention Bureau want to allocate their time and resources is ultimately a call for the Fire Chief. At the end of the day, we looked at this position count that had been sitting there, was a unique position, was dollar-funded, because of the inability to recruit over the years. We felt that given the needs across the County, that the search in the amount of work that is taking our Driver’s Licensing and Motor Vehicle Division, that we needed to provide some support that way and provide an opportunity to have some money come in.

Councilmember Cowden: Is the reason that we are having this surge in workload because there are so many new residents arriving, needing to register their cars and get their driver's licenses or it is because Federal requirements is making the job more difficult as people have to have crazy amount of paperwork and be able to prove they are who they are and prove that they have a home? Is it the density of what is required or is it the volume of fresh residents?

REIKO MATSUYAMA, Director of Finance (via remote technology): For the Department of Motor Vehicles (DMV), you hit it right on the nail. We are probably three (3) months behind in out-of-state transfers that have come in through the mail. There are a lot of growing needs because of people moving here, but I will say that the number of vehicles from 2007 to 2019, there are nearly twelve thousand (12,000) more vehicles here on-island, which does not count the pandemic time. We did not add any positions during that time, so it has kind of just been building. We have been receiving more complaints, unfortunately, about the backlog and unresponsiveness to E-mails, voicemails, et cetera. We would use this position to focus on customer service. It is a good time to bring in someone in, because everyone is being trained over there because we are doing the integration project. It is a good time to bring someone in now and get them all trained up.

Councilmember Cowden: I appreciate the work that your group is doing. I have talked to people who are newer arrivals in the past couple of years and they said it has taken them over a year to just get a Hawai‘i plate. I recognize the challenge. Additionally, I will ask through staff to get a report from you for how many new vehicles to track our population change. That might be an excellent place, for instance, new driver's licenses and vehicles, although a lot of these vehicles for a second home. I absolutely believe that this position is needed because I am seeing regularly parking lots, at least, especially in my community of Kilauea, with out-of-state plates and we used to almost never see that. You can just walk through the parking lot and see how many plates are from out-of-state, so thank you for that. Can I go back to the Managing Director? When we look at this Fire Inspector, senior position, when we got our study, I forget exactly what it is called, but we had a Fire Department Capacity Study. One of the primary objectives was to look for gaps. I was deeply disappointed once we discovered the fire flow problem in the standpipes and while I get that this is a “Water Department” piece, and they are going to be working on it...

(Councilmember Kuali‘i was noted as present.)

Councilmember Cowden: This is a significant problem. When we got our insurance organization rating as 9 out of 10 and ten being the worst. These fire protection gaps are going to be big issue. It seems like it is an overwhelming issue when I drive around looking at these standpipes. Is there any other place to take this because it seems to me it
should be a priority in some of our most vulnerable and some of our most expensive properties—that is the commonality of what has...a lack of fire flow prevention. I would like to hear from both you and Fire Chief Goble. I am asking you first, Managing Director, because ultimately you made the call, not the Fire Department. The Fire Department is saying, "Okay," and they are being good team players, but I think it is a critical issue. What are your thoughts on this?

Mr. Dahilig: The reality of the budgeting process is that when we look at our overall revenues and resources that need to be distributed between fourteen (14) different offices—that is just the nature of budgeting. Sometimes we need to be restrained and look at working within our means rather than trying to expand the pie. What has been the tradition of the Councils is to also look at vacancy lists and those are things by proviso that we are obligated to provide to the Council to show movement on positions, as well as whether a particular position that has been vacant for a long period of time is being used in its best way. When we look at the overall picture, it is not to diminish the issues you brought up to the table, but it is a table of...during resources added versus what is coming up with what is the policy, what is the long-term strategy, how is the cross-departmental cooperation that is required between, not just the Fire Department, but the Water Department, the Planning Department, and the Building Division, which is actually in charge of the rating you mentioned concerning that 9 out of 10 scale issue. One position, in our opinion, does not make safety per se, but if there is something that down the line that addresses this comprehensively between what our cross-departmental needs, along with a semi-autonomous agency that is not part of this budget process, it makes sense for us to look at perspective resource saying to provide that as part of a strategy. Right now, what we have not seen going forward has been how those folds into the overall strategy of some of the other issues you are raising and getting us up on what is the bottom line that we need to address. What we have in front of us, at least for the one-year period that we have, is that we have an acute need that is arising in one area and that our best efforts to try to stay within our means and not increase positions and not increase the tax base was an attempt to utilize what has been interrupted as the counts philosophy to work within those vacant positions to do a reallocation, in this case, to a different department. Like anything, reasonable minds can differ priorities and that is why this appropriations process is a separation of powers, so certainly we do not hold the monopoly on what is the right answer on this particular question, but given the competing acute needs as described by the Finance Director, that we are seeing and what has been an existing resource that has not been utilized for five (5) years, we felt that it was appropriate to work within our means.

Councilmember Cowden: I am going to respectfully ask between now and the next phase of this, for some inquiry, if there is under-utilized money anywhere else? When I look at what is bringing us so much abundance this year, one of which...I think we put too "small eye in the net" when we did this change on residential investor, but when we have a $39,000,000 from that and an increase of $17,000,000, many of the people who are impacted by this fire flow challenge, they are the ones who are paying that extra dollars, so it is not going to sit very well—that we are not putting an emphasis in solving that. I had direct conversation with a number of those homeowners, they have a capacity to make things difficult for us, not that that is really the big worry, but the thing is we want to make it better for everyone. By assigning someone with the targeted reason and that might bring someone
from either within our own team, which I think would be best, because I think the firefighters, they know where there is inadequate water supply. I think we really need to reconsider that because it is a big issue. I can count four (4) fires that have happened, I do not know all of them, there might be more, but the houses burned all the way to the ground and in the range of this problem. I think it absolutely needs to be prioritized and would respectfully ask that you will look if there is somewhere else to find that money, especially when we have raised the rates so profoundly for this community who is unaware of it, and then if they cannot insure their places. That might devalue a whole number of houses...

Committee Chair Kaneshiro: Do you have a question, Councilmember Cowden?

Councilmember Cowden: Yes. I just wanted to make the point. If these houses have less value, that will influence our revenue that we have increased, right? If the valuation of the houses drops because they are uninsurable or they have a problem, we would lose significant economic income. I was just asking if that has been thought about.

Mr. Dahilig: That is a good question and ultimately there are several items that you have placed on the table regarding these different inputs that lead to solution or resolving an issue. I do want to say that in terms of the additional money per se, what we had historically has been a dollar-funded position. When we look at positions, if you look at legacy costs, because once a civil service person is in the position, it becomes a legacy cost, respectfully. We have not been looking at it more so as a question of an immediate cost, we have been looking at it as a legacy cost question. The reason why it is going over to the Department of Finance as a dollar-funded position is because they believe chasing state moneys as part of the overall licensing and registration program can provide non-County revenue to support that operation. Therefore, this is just simply a position count rather than something that is being analyzed as an immediate financial hit one way or the other. We have been looking at it as legacy cost issue. If we were to ask for an additional position rather than working with a position that has been historically dollar-funded in previous budgets for the past five (5) years. One of the things that I do take to heart that you raised is regarding what is the immediate question in hand with fire protection, fire flow, and again half of these items are more infrastructure-related that rely in semi-autonomous department, which is the Water Department to be heavily engaged in. While we may have inspections that can point out the issues, unless there is a right hand/left hand that is cooperating with each other, we may not get the type of action that you are seeking. I want to add an additional note when it comes to the rating that you referred to, one thing from a building value standpoint that we have concerns about is that the rating process is only given us a score, it has not given us any backup information as to what lead to that score. That is something that has troubled me in discussions with the County Engineer as to what led to this call by the insurance community without any type of comprehensive report or backup. All we got was a two-page letter. I feel a bit unqualified to be able to answer why we are in the position. It may not have anything to do with fire protection and it may, but at this juncture through the budget process, we did not have at our fingertips the types of brand-new information budgeting requests to say this is how we change this rating. I do not have that information at hand to be able to specifically support or dispute what you are saying, other than we need to see exactly that two-page letter that led to that rating is predicated upon by that reviewing agency.
Councilmember Cowden: I have a different question when other Councilmembers are finished.

Committee Chair Kaneshiro: Councilmember DeCosta.

Councilmember DeCosta: Questions, right, or discussion?

Committee Chair Kaneshiro: Questions.

Councilmember DeCosta: I have both, but what are we doing?

Committee Chair Kaneshiro: Questions.

Councilmember DeCosta: Question for Mike. Do we know where every standpipe is on the island in our community? If we can refer to the Building Division, do we know where all the standpipes are?

Mr. Dahilig: There are geographical information system (GIS) layers that have our infrastructure, but how accurate they are, I could not say. I have not gotten an opinion from either the Fire Department, the Water Department, or the Building Division as to the veracity of that GIS information.

Councilmember DeCosta: But we should have that information, correct?

Mr. Dahilig: The information does exist. It is not publicly available partly because the issues related to homeland security. We can definitely try to find that information and share it with the Council, but it is not freely publicly available based on recommendations that are nationwide as to the location and details of critical infrastructure.

Councilmember DeCosta: I have a question for Chief Goble. Would that position you want help increase the pressure at those standpipes to fight those fires?

Chief Goble: It is an interesting word that you use, right? Pressures...

Councilmember DeCosta: It is a simple “yes” or “no,” Chief.

Chief Goble: As the Managing Director has pointed out, it is not the Fire Department’s responsibility to dig the trenches and put the pipes in the ground and plan out the water system, however, we are the primary reason why the water system gets put in. Fire protection is at the top of that list of reasons for a robust water system to exist. When you use the word “pressure”—that is our role. Our role is to stay on top of this issue both through a Code enforcement perspective and just from a general community and firefighter perspective that we should stay on top of this issue. That is a charge that we have
given to our Fire Prevention Bureau. This is the host bureau within the Fire Department that we are “tasking” with the responsibility to maintain that pressure that you speak of.

Councilmember DeCosta: I am sorry, I may have framed my question inappropriately. I was not talking about pressure on people or pressure to make things happen. I am talking about pound per square inch (PSI), water pressure in the standpipe. Would your position that you are requesting help improve the pressure in the standpipes to fight a fire? Yes, or no?

Chief Goble: It would not, right. That is an infrastructure issue that belongs with the Department of Water.

Councilmember DeCosta: Thank you. Chief, do you have another position coming in three (3) months in September?

Chief Goble: Do I have another position coming in three (3) months? In our existing budget, we do not have any new positions within our budget request. We do have one (1) short-funded position at the assistant chief level that funding kicks in three (3) months.

Councilmember DeCosta: Perfect. So, you plan to hire someone in September? You will have one (1) more body in your administrative group, correct?

Chief Goble: That can be phrased that way, yes.

Councilmember DeCosta: I am just asking you straight up questions, yes or no, is all I am asking. I am dumbfounded right now because you met with the Administration and pleaded your case with them, then it seems like when you came here to the Council pleading your case with us, so I do not understand how serious you need this position. It seems like you went around the bush a few times, so tell me now, do you need the position, or you do not need it?

Chief Goble: The position is an important position. It is part of the overall fire prevention program that ultimately enforces the Fire Code, conducts fire investigations, and supports the safety of the community and our firefighters.

Councilmember DeCosta: How long have we been doing this job or responsibility without this position, prior to you even being the Chief?

Chief Goble: It is my understanding that the position was staffed and then about five (5) years ago, that person moved out of the position, and the position has been vacant ever since. During my tenure, that position has been dollar-funded and has not been an option for us to put someone into it.

Councilmember DeCosta: For five (5) years, we have been running this department without that position? Yes, or no?
Chief Goble: Correct.

Councilmember DeCosta: Okay, I am fine. Thank you.

Committee Chair Kaneshiro: Are there further questions from the Members?

Councilmember Cowden: I have a question on the Houseless Coordinator position. First, I want to thank you for making sure that was going to continue with or without the ‘Ohana Zone funding. The problem continues to be extraordinary. I received distress calls yesterday. I will not go into the heartbreaking circumstances. When I see that $1,000,000,000 has been set aside by the State Legislature, very happy for that, and really another $600,000,000 and $300,000,000 to address housing over the next few years, are we giving our houseless coordinator anymore latitude or job shift change? She was originally brought in as sort of a short-term funded position. Where are we going with this as this problem and the solution are both blossoming in that we need the help, but yay, we are going to get some help? What is our intention?

Mr. Dahilig: The incumbent that we have in the position is quite extraordinary and was an awesome find by our Housing Director. It was a position that had existed and there was someone previously as also a houseless coordinator that stretches back to the previous administration. This was something that when you see the robustness of what is happening, it is partly because the issues have become more in the crosshairs and as the prioritization focus have shifted statewide to dealing with this issue, we started to put more resources in this area. The idea of not just houselessness, but housing is something that we know is...the Legislature, the Governor, as well as the Mayor, and yourselves at the Council have been trying to constantly tool with to do what we can. Our attention with this position is that while it was funded with ‘Ohana Zone moneys, that giving full funding via general moneys negates any question of timing. Whether an ‘Ohana Zone subsidy may come in, we know that the Legislature has passed bills that do continue ‘Ohana Zone programs that were established a few years prior. The Governor has not signed those into law yet, so we do not believe that it is responsible for us to think a position like and risk it from a funding standpoint, something that the Governor may or may not sign. We believe it is a priority, that is why we made that adjustment in the supplemental budget to not fool around questions of whether there will be or will not be coordination at the County-level, and that is why we have added that as a full funding request as an adjustment in the new budget.

Councilmember Cowden: I want to acknowledge that the last person who had that job did an extraordinary job and I am glad that she is still deeply within service to that community. I recognize her. I am excited about the State money allocations. I am jumping up and down over this. I see the Housing Director Roversi on. If that funding gets approved by the Governor Ige, we will have to flexibility to add capacity in this year ahead of our budget, whether it is CIP or whatever else. We can adapt that, correct? If money comes available, we can use that money to help us...we do not have to budget it for a year after, would that be correct?
Mr. Dahilig: Let me just add that when we look at the overall billion-dollar package that came out of the legislature, 60% of that package is specifically earmarked for Department of Hawaiian Home Lands (DHHL), which is a good thing. Ultimately, that money is going to take a little bit of time to work its way through the system like anything—procurement, planning, permitting, and those aspects of the development process and they still have to inter-play with the million-dollar investment that the State is making. Of the $300,000,000 is going to the Hawai‘i Housing and Finance Development Corporation (HHFDC) and that tends to be the area that Adam interfaces more with and I will turn it over to him as to how the mechanics of that process could or could not trickle down to some of the questions you are answering.

Councilmember Cowden: I just need a clear-cut clarification because I was just with Sylvia Luke and Nadine Nakamura, who are both deeply involved in that. $600,000,000 for DHHL and the $300,000,000 for the sort of housing, that is all built in to the $1,000,000,000 and not an addition to that, right? That is not what I understood when talking to them.

Mr. Dahilig: It is a series of six different funding measures.

Councilmember Cowden: Okay.

Mr. Dahilig: The Legislature has created a billion-dollar package, not one omnibus measure. There are six (6) bill numbers that we can share with you, Councilmember Cowden, regarding how that money is coming through. It is not one specific bill.

Councilmember Cowden: Okay. I will send a letter and ask for that detail, because I might not have that correct. Housing Director Roversi, do you have anything you wanted to add for clarification of how you might be able to fuel anything into helping us?

ADAM P. ROVERSI, Housing Director (via remote technology): Sure. I think it is great that the State Legislature has allocated so much funding to that housing issue as well DHHL at kind of a granular level. We do not expect much or any of that funding to flow directly to the County. For example, one of the largest ticket items of direct funding outside of the DHHL funds, which could be great for Kaua‘i, are an increase in the Rental Housing Revolving fund moneys administered by HHFDC. Those funds do not go to counties and county projects. They are paired with low-income housing tax credits through the State application process, so developers would apply directly to the State for bond financing and tax credit financing for their projects. That often benefits projects on Kaua‘i, but it does not provide direct funding to the County for its projects. For example, our Pua Loke Affordable Housing Project, which is on County land and we contributed to financially, is primarily funded through low-income housing tax credits through the State. Our development partner applies to the State for those funds. It is great that the Rental Housing Revolving fund has increased, that would mean that potentially more private development projects on Kaua‘i, who applied for those funds would receive them, but it does not directly fund County-driven projects.
Councilmember Cowden: Thank you for that bad news.

Committee Chair Kaneshiro: Are there any further questions from the Members before we go into Decision-Making? Councilmember Evslin.

Councilmember Evslin: I have a question for the Solid Waste Division regarding the Solid Waste Solutions. I just want to clarify that is the same item we had discussed initially and now it is going towards, as I understand, looking at feasibility for a Materials Recovery Facility (MRF) and curbside recycling and possibility other options. Is that correct?

TROY K. TANIGAWA, Acting County Engineer (via remote technology): That is correct.

Councilmember Evslin: Okay. Thank you.

Committee Chair Kaneshiro: Councilmember Cowden.

Councilmember Cowden: I was out in Kekaha yesterday and it was suggested that the State is going to...they are doing an adaptation on agricultural properties, that there might be room for more development out there for landfill. Is that correct? Do you know about that? I did not.

Mr. Tanigawa: I am sorry, Councilmember Cowden. Could you repeat that question?

Councilmember Cowden: When we are looking at our funding for doing a study for all of this, when I was in Kekaha yesterday, it was suggested to me that there was legislative action that would be creating more room out there for a shift for a new siting for the landfill. Are you aware of that? I was not.

Mr. Tanigawa: I am not aware of any legislative action that might create opportunities for a landfill.

Councilmember Cowden: Okay.

Mr. Tanigawa: There was legislative action that would limit where landfills could go. That was the bill related to prohibition on certain classified agricultural lands. From what I understood, the bill died.

Councilmember Cowden: Thank you.

Committee Chair Kaneshiro: Are there any further questions? Councilmember Kuali‘i.

Councilmember Kuali‘i: I was looking at the Reserve Fund over the last several years, June 30, 2018 through June 30, 2021. I was trying to see how COVID-19
impacted the Reserve Fund, where we are at now, and where we are going? In 2018, $28,000,000; 2019, $30,000,000; 2020, $33,000,000; and 2021, $24,400,000, you can see how it went down significantly. We are about to end this current FY June 30, 2022, will be the next number. Do you have a sense of what that number would be based on what we budgeted last year and where we are at now?

Ms. Matsuyama: The changes with the Fund Balance are primarily due to TAT. When we lost TAT, the distribution from the State, that basically depleted our fund balance. Since we stood it up in October 2021, we did do a money bill for $9,000,000. We will exceed that amount in FY 2022, so that is a good thing. We do not necessarily like to project out on what it is going to end up being, so I am not entirely sure, but I do know that it will be increased since June 30, 2021.

Councilmember Kuali'i: If I was to ask about the following year and what we are budgeting this year, I know you said you do not like to project out, but what we are doing moving forward is replenishing the reserve fund, right?

Ms. Matsuyama: The intent is there. Obviously, we have a balanced budget, right? On the budget side, it assumes that the fund balance would remain flat. It is all about what happens. As we lapse money, as we do not spend or as revenues exceed expenses basically, that is when we contribute to the fund balance.

Councilmember Kuali'i: My last question on this, and I should already know this, but we have a guideline or rule in place that tells us we have to get to a certain level of our budget. Where does that take us in this coming year?

Ms. Matsuyama: We do have the reserve policy and it is based on the Government Finance Officers Association (GFOA) recommended reserve. We are at the lower end of what they had recommended to be at. We had been well above it prior to Covid-19 and we fell just below it with the loss of the TAT. I believe with the money bill for TAT that came through earlier this FY, I think we were still just shy of the 30% mark. Hopefully we will get there. I believe we will get there after this FY depending on where we will end up.

Councilmember Kuali'i: Thank you very much.

Committee Chair Kaneshiro: Are there any further questions from the Members? If not, I will call the meeting back to order.

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

Committee Chair Kaneshiro: Now we can begin the order of the day. First, I would like to ask for a motion and a second from the Committee to accept the Supplemental Budget Communication changes that were submitted on May 5, 2022, and to use the Supplemental Budget as our starting point for decision-making.
Councilmember Kuali'i moved to accept the Supplemental Budget Communication changes submitted on May 5, 2022 and to use the Supplemental Budget as the starting point for Decision-Making, seconded by Councilmember Cowden, and carried unanimously.

Committee Chair Kaneshiro: Motion passes. Next, I would like to entertain any proposed reductions to the Operating Budget. Typically, I would go Department by Department, but I will forgo that and take any strict cut or reduction at this time. If there are no strict cuts to the Operating Budget, that section is now closed. Do we have any Councilmembers with reductions for the Capital Improvement Project Budget? If not, do any Councilmembers have proposed reductions affecting all Departments or Agencies?

Now that we have completed our reductions, I will be entertaining any additions or amendments at this time, including any that involve reductions and additions combined. Again, these all require five (5) votes to pass, because we are doing adds. I would like to take additions in the following order:

- Operating Budget (including combination proposals affecting multiple funds/departments)
- CIP Budget
- Amendments to Budget Provisos
- Amendments to Real Property Tax Rates

Starting with Operating Budget, do any Councilmembers have an addition to propose? Councilmember Cowden.

Councilmember Cowden: I am not exactly proposing a direct addition, but when I was talking about that fire flow, that fire protection, and I am the one who made it go around in circles and not the Fire Chief. The Fire Chief said he accepted what the Mayor said. I am not prepared to try and fund that position just yet, but I really want to say that the circumstances have changed significantly since five (5) years ago as all types of properties, especially on these condominium property regimes (CPR) that were designed without appropriate water. Now they have these mansions on them, all different types of elements, the nesting. I just want to at least be responding where so much of this has occurred is in this area that was not developed well, because that goes to the Land Use Commission, it does not ever go through the Planning Commission; the way these properties are built. It is no one fault, but it is a problem. Until right now, I did not know that was a piece that was really...I did not understand what was being removed. I just want to, again, express my discomfort. It is me and not the Fire Chief. I did not think about it or even know the cost, but I am just saying it is a problem.

Committee Chair Kaneshiro: Okay. If there are no additions to the budget for that position during the year, if there are more discussions on it and the Administration wants to add it or the Council wants to add it, then they could always do a money bill for it.

Councilmember Cowden: Okay, I am satisfied with that.
Committee Chair Kaneshiro: The budget is the budget at this time. It does not say we are not going to change anything in the future. If that position is warranted and necessary at the time, then the Administration would send over a money bill to fund a portion of that position, if that is what the decision is at that time.

Councilmember Cowden: I am satisfied with that. I know that my colleague was trying to really call attention to the fact that this is with the Water Department, yes, it is, but we need deep collaboration between the two. It seemed that was something that had been overlooked, but I will be satisfied that if there is a good solution, and this is coming from me and not the Fire Chief, we can figure it out with a money bill.

Committee Chair Kaneshiro: Councilmember DeCosta.

Councilmember DeCosta: I wanted to add to this conversation, because I think it is important that our constituents who are watching, how we deliver information and we do not have them follow down a beaten path where there is no light at the end of the tunnel. Again, the pressure in the standpipes and where the standpipes are located has nothing to do with this new position that we would hire.

Councilmember Cowden: It does.

Councilmember DeCosta: We had someone, the Chief, himself, and Mike say that we have those standpipes on a GPS location area, it is located in our infrastructure. The pressure coming out of those standpipes would not be monitored by our firemen. That is something the Water Department would do.

Committee Chair Kaneshiro: You can address that to me.

Councilmember DeCosta: I will. I think it is important how we address information when people are watching us.

Committee Chair Kaneshiro: Councilmember Cowden.

Councilmember Cowden: I do not want to debate it too hard. I do not assert that I have authority about it, but I have been directly involved in having these conversations and my business experience and government experience helps me to know that when there are two (2) people dedicated to solving the problem together from two (2) different departments, you are going to more likely have success. It just takes common sense to drive down these roads and there are two (2) standpipes at the front of two (2) miles of Waiahina and so many new houses that have been built and expanded, two (2) little pipes are not enough. You do not have to be an expert to know that there is not enough. It comes from the Water Department, they must put in the pipes, but it is very significant. I am just being aware of it. When we had our study that was done and it did not even get highlighted, when it is such a critical thing, and I would not have known if we did not have these fires that burns these houses down. I think the public is aware and they should be aware that we are looking, and we care. I do not want to battle on this, but I think it is very important and it should not be overlooked.
Committee Chair Kaneshiro: With that, as I mentioned earlier, if the Administration feels like it is a pressing need, if the Fire Department or whatever department needs to test the pressure, does not have the capacity for it at this time, they feel like they need another position just for that, then that is something they would have to bring forth in a money bill. The hope is that they can address those types of things with the manpower that they have now and work on a solution towards that. We heard them loud and clear a few times already through the budget that the pressure in some of those lines need to be checked. I do not think it is necessarily that one (1) inspector position is going to be checking it, they can have the fire crew go and check the pressure or someone else. It does not necessarily need to be that one (1) person. That is the discussion that they need to have on their side and bring forward to us that, “We do need this person, or we do not, but this is how we are going to address this issue.”

Councilmember DeCosta: I believe it is infrastructure moneys that need to be put in with the Water Department to upgrade from a standpipe to a hydrant. We are trying to fix that problem with a pressure with a position that is going out and say, “Hey, this standpipe does not have enough pressure.” We need to put the infrastructure in, it is a bigger problem than just a position. It is money to bring in infrastructure to put fire hydrants, so our people are safe. That is the bottom line.

Councilmember Carvalho: Based upon what I have heard, the department came forward, they know what they need, they know the resources they have. I think it is a balance of everything, overall. The need for additional support will come, as needed, but for now what I am hearing from the department and Administration, they have what they need, they have allocated the resources and responsibility. I hear what is happening at the table, too. Let us be supportive of that. If they need more resources, come back to the table. Right now, this is what it is. I feel like they have the resources, it has been five (5) years vacant any way, but they have allocated the responsibility, so let us move forward.

Committee Chair Kaneshiro: The message is loud and clear. At the time right now, there is no proposal for an addition. The message is loud and clear what is passionate about on the Council's side regarding pressure. Is there any further discussion? I do not want to have further discussions on it with no proposal on the table. Are there any additions by any of the Members?

Councilmember Kuali'i: Are we still in Operating?

Committee Chair Kaneshiro: Yes. If not, we will move to CIP. Are there any proposals at this time? Next, is there any Councilmember that has a budget proviso amendment? Please keep in mind that the budget proviso is not meant to micromanage the Administration, add unnecessary reporting requirements, or require the Administration to obtain all kinds of additional approvals, which is not allowed. The provisos should be meaningful and provide the Council with the information needed to make sound fiscal decisions. We will need five (5) votes to pass any proviso amendments, as this is an addition
to the Mayor’s proposed budget. If not, we will move to our final action today is to vote on the proposed Real Property Tax rates. Are there any Councilmembers who would like to make amendments to the rates proposed by the Administration? Councilmember Evslin.

Councilmember Evslin moved to increase the Vacation Rental tax rate by $1 to $10.85, providing a real property tax revenue increase of $4,512,639, with $22,563 automatically contributed to the Public Access, Open Space, Natural Resources Preservation Fund. Of the remaining revenue $100,000 will go to the Office of Economic Development-Special Projects account for an EV Charger Rebate Program, and the remaining $4,390,076 to the Housing Revolving Fund for Special Projects, seconded by Councilmember Kualii.

Councilmember Evslin: Can I explain the rationale?

Committee Chair Kaneshiro: Yes.

Councilmember Evslin: I am proposing the increase, an allocation for three (3) reasons. Number 1) We are over capacity for tourists, which strains our infrastructure and our patience. Number 2) Vacation Rentals take away resident-occupied housing and increase the cost of housing islandwide; and Number 3) We need more money for affordable housing and infrastructure. I can go over each of those in some detail.

Number 1) Over capacity for tourists. The Kaua’i Tourism Strategic Plan clearly outlines that our infrastructure only has the capacity for twenty-five thousand (25,000) daily visitors, but essentially, we are always above that, which is why the strategic plan says that quote, “It is clear that the status quo for Kaua’i tourism cannot continue, bold action must be taken to better manage tourism to protect the environment and residents quality of life.” The plan states that one (1) of eight (8) homes on Kaua’i is a vacation rental compared to one in twenty-four (24) homes statewide. It also states that the majority of vacation rentals on Kaua’i are owned by non-residents. The plan states clearly, “dealing with excessive tourism also means dealing with the supply of visitor units.” It cites the General Plan for ways to reduce the number of Transient Vacation Rentals (TVRs) and in Chapter 8.2 of the General Plan states, “All TVRs should pay real property taxes at a rate consistent with other resort uses. This is to ensure fairness and accounting for visitor related impacts in contributing to state and county revenue.” In other words, this policy to increase TVR taxes to be equal to resort comes literally verbatim from the General Plan.

Number 2) Vacation Rentals take away resident-occupied housing and increase the cost of housing islandwide. As I mentioned earlier, one (1) out of eight (8) homes is a vacation rental. In Koloa, that number is one (1) out of every two and one half (2½) homes. It is a problem that is getting worst and worst every year. Our own real property tax data from 2022 shows that there has been a net increase of one hundred thirty-three (133) TVRs on Kaua’i and one hundred twenty-three (123) of those converted from Residential or Homestead use to TVR, which is literally one hundred twenty-three (123) less homes available on Kaua’i, resulting in a significant decline in the number of resident-occupied homes. Similar number transition into vacation rental class in 2021 and 2020. This ongoing trend means that when it comes to building more homes for Kaua’i residents in trying to meet the General Plan’s
goal of nine thousand (9,000) new homes by 2023, we are literally going backwards. We asked the Department of Finance why there were so many entering this class, they responded in a memorandum to all of us that, “We are seeing more long-term rentals and homeowners sell and/or replace with vacation rental use.” Similarly, in a report in the vacation rental industry in Hawai‘i, the Hawai‘i Appleseed Foundation wrote that vacation rental units provide another significant pressure leaving to the reduction of available housing for Hawai‘i residents and driving up rents, which is because renting out a vacation rental is more profitable than renting it out long-term. It is particularly appealing for non-resident investors. Part of the reason to attract non-resident investors is that Kaua‘i has the lowest property tax rates in Hawai‘i. The average property tax rate in the United States (U.S.) for resident-occupied homes is $12.40 per $1,000 in assessed value. TVRs on Kaua‘i are taxed at $9.85, meaning that you could own a lucrative TVR on Kaua‘i and pay far less in property taxes than for a resident-occupied home on the mainland. There are many states with property taxes for resident-occupied homes well above $20 per $1,000 assessed. This proposal is only to get us to $10.85, which is still below the national average. In a memorandum to the Hawai‘i Tax Review Commission, Commission Chair Elizabeth (Beth) Giesting said, “Hawai‘i’s low real property tax rates result in low annual expenses and it makes local real estate a relative bargain for investors now or second home purchasers.” She further writes that, “to the extent that units are purchased for vacation rentals or second homes, there is less available housing for the people who live here.” Given all of that, my last point is that we need more money for housing and infrastructure. If you are taking a home off the housing market, then you should help with the construction of an affordable home, in my opinion. In that same tax review commission memorandum, the Chair of the Commission writes that adjusting real property tax rates to capture more revenue from high value houses and non-resident owners can produce tens of millions more dollars per year, that counties can use for direct needs. We currently put $3,000,000 into a Housing Development Fund; this proposal would increase the fund to about $7,400,000. In comparison, Maui County is currently deliberating between putting $30,000,000 and $35,000,000 into their Housing Development Fund. When asked during budget if Adam could spend down significantly more revenue, he responded, “We can spend significantly more funds on housing if they were provided,” and he gave us examples of huge upcoming infrastructure projects for Waimea, Kilauea, and Lima Ola. In addition to those County projects, he said on the floor that more funding would help the Agency subsidize more private low-income development, which helps them have a better chance of securing state and Federal funds and gives the projects a better chance to cancel out. Often the County money gets leveraged exponentially if we can access State and Federal funds with it. Because the funds can get rolled over into the next year, even if it does not all get spent, it will help upcoming years when we have these huge, big ticketed infrastructure projects in the $10,000,000+ range. The proposal also put $100,000 towards to EV Charge Rebate Program with the Office of Economic Development (OED). The destination management plan for Kaua‘i states that we should be increasing incentives for EV charger installation, so I think it is fair to dedicate TVR tax revenue towards affordable housing and to a much smaller extent, EV infrastructure. Lastly, I just want to recognize that the Mayor took a number of really hard steps through the pandemic to keep Kaua‘i safe, some of which included shutting down the TVR industry and I know that could not have been easy to do. I really applaud his efforts and success at reducing the spread of COVID, but since then the industry has more than recovered. According to the Department of Business, Economic Development & Tourism (DBEDT), the average daily rate for TVRs in
2022 is $386 a night compared to $279 a night in 2019. That is a 38% increase in nightly rates since before the pandemic, because the TVR industry is booming on Kaua‘i. The Kaua‘i County Code 1987, as amended, gives the County Council the exclusive authority to raise or lower property tax rates via resolution. I know this is a hard decision for all of us, but I think for the reasons stated and in my personal opinion, I think it is the right decision.

Committee Chair Kaneshiro: Councilmember Cowden has a question.

Councilmember Cowden: I have a procedure question. This is not an ordinance, so when we make this decision today, is it done?

Committee Chair Kaneshiro: Yes. If this proposal gets five (5) votes, it will get incorporated into the budget with a tax rate increase and then money going to the respective funds.

Councilmember Cowden: I want to thank you for highlighting the fact that the difference in real property rates, because Hawai‘i does not put school funding and social services in to our real property tax, we are remarkably lower than many urban areas, particularly. Our places become financial instruments. People buy this as a place to park money, creates a problem. Here is my question. My concern is we have this year around tax through the sale, as soon as something becomes either residential investor, TVR, it almost cannot go back to our target market. If they are paying $60,000 per year, they have to qualify for $5,000 a month more. Therefore, when our goal is to take them out of vacation rentals and we turn that into Homestead or Residential, I feel like this moves the goal post even further away, because then they cannot qualify. Did you give that consideration?

Councilmember Evslin: Somewhat. Reiko and Mike Hubbard can attest to me asking about every other month if there is a way that we can do tax rate changes for exactly what you are describing. I understand there is a huge number of administrative barriers and that it is essentially impossible for our Real Property Tax Division to do that, but I completely understand the concern that when someone buys a house that is currently being vacation rented depending on the timing of it, they can get stuck with that higher vacation rental rate. Also the timing could work that you do not get stuck with it, right? If you buy the house and submit a change of use before the deadline, then you do go to Homestead relatively quickly after. I do not think I agree with you that this moves the goal post any further and I think part of the intention here is that you will have a homeowner say, even if they are off-island and the calculus of trying to figure out whether it is worth to long-term rent or vacation rent, the higher you increase vacation rental taxes, the more competitive you can make long-term renting. If they are looking at two (2) times the property taxes for a vacation rental, then maybe it is going to make long-term renting more attractive for them and certainly it will, on the margins at least, for some homeowners.

Councilmember Cowden: Do you consider when this happens that the probable consumer will be a person who has plenty of money that this tax rate will not be the challenge and so it will just become an empty second home that then removes the microeconomy around that vacation rental that does support the people who live right in that area? An empty home, a residential investor empty home is also taxed strongly, but that is
what the transition...I live in areas that is right near this, so I watch it. That is the
transition. It does not become a long-term affordable rental or even rental for people who
work here, it goes from vacation rental to an empty home. That is typical.

Councilmember Evslin: Two (2) quick responses to that. One, I do think
ultimately the residential investor tax rate should be increased for higher valued homes.
Right now, as you said it is not that far behind the TVR rate or even the resort rate, so I do
not necessarily think you would have someone suddenly convinced that they are going to
leave it empty, because they are paying almost the same amount of property taxes any way
in that. Again, we have clear data showing that we are, in fact, losing one hundred twenty
plus (120+) homes per year that are transitioning from Homestead or Residential use to
Vacation Rental. Even if this does not unleash an entire flood of vacation rentals turning
back into Homestead or Residential, part of the intent is to slow that bleed of resident­
occupied homes to vacation rental. If you know that by doing that you will increase your
taxes, then you are going to hopefully think twice about doing that. Also, part of the intent
is even if they still want to do it, even if they still intend to vacation renting it out, then the
whole point of this is that they should be paying for an affordable home to be built elsewhere;
to dedicate 10% of their property taxes to affordable housing construction to solve the crisis
from that end.

Councilmember Cowden: You made another comment that I just want to
explore with you. You talked about the TVR having similar impact to the resort. I think they
have a similar impact in terms of its housing unit that does not go to someone who lives and
works here or even whether they work here, does not live here. I want to understand your
perspective when you look at a resort impact, like I am going to give a case and point of Coco
Palms. When you have a resort shut down, the impact is profound. To reutilize that for
something else and we have seen resorts in different communities, on Moloka'i—I do not
want to get lost in an examples in different places in the Country, so we are closed down. It
is often rats and problems, is way different and a way bigger impact if there is a failure than
if a house fails as a TVR business. Can you see that difference? They are not the same. The
resort impact is much larger in many ways than a TVR, a house with a big, huge property. It
is something very different for the County to have to come behind and cleanup if there is a
business failure.

Councilmember Evslin: Certainly, a resort with six hundred (600) rooms
failing is going to have a bigger impact than a single TVR and it is not to say that the single
TVR should be paying the exact same property taxes as the resort. I am saying the rate should
be the same. The assessed values will consider that a resort is going to be six hundred (600)
times the size of an TVR. All I am saying is that based on their assessed values and the
difference in scale, the TVR should be paying the same rate. To be clear, that came from the
General Plan, when I said that they have the same impacts. I would argue that vacation
rentals, recognizing what you are saying about the closure of a vacation rental becoming a
smaller impact, they have much greater impacts than resorts in a whole lot of other ways in
that they are taking resident-occupied homes off the market and they are being built in areas
that were not necessarily designed to be resorts. Hā'ena should not be a resort area.
Whereas, if a resort getting built, it is providing jobs in that area, that area was designed to
be a resort, the County has taken all these exactions to give that permitting, et cetera.
Councilmember Cowden: I think we are going to agree to disagree. I appreciate what you bring to the table.

Committee Chair Kaneshiro: Council Vice Chair Chock.

Councilmember Chock: This question is for Housing Director Roversi. The proposal on the table would generate $4,390,076 in the Housing Revolving Fund and it would significantly increase the opportunities for affordable housing on Kaua‘i, how could you leverage this funding and what could we expect from it?

There being no objections, the rules were suspended.

Mr. Roversi: Our current project pipeline, our major project pipeline has a ballpark price tag of around $15,000,000. We have tailored that project pipelined to our expected budgets, with more money, we could do more, more quickly. Lima Ola, for instance, we just did a $16,000,000 infrastructure improvement project and we are required to borrow $13,000,000 of those funds from the State, which we are going to be paying for the next twenty (20) years at $500,000 a year, interest only. After the twenty (20) years, we are still going to owe them all the principal. That is $10,000,000 in interest that we are going to spend. If we had funds to do those projects ourselves, we would be saving $10,000,000 over the lifespan of that loan. We have upcoming infrastructure work for Phase II of Lima Ola, we have infrastructure work to enable the development of the Waimea 400 property, and we will have significant infrastructure work to undertake for the Kilauea property we are seeking to purchase for affordable housing. That said, those projects are not shovel-ready and ready to go necessarily tomorrow, but the way I think of the Housing Development Fund, being that it is a revolving fund, it is a little different than a typical departmental line items in which we are asking for only as much money as we can spend within one-year. I have always viewed the development fund as a pool to build, one-year perhaps we will have $2,000,000 in projects, but then the next year, we may have $7,000,000. It is my perspective that we do not view the development fund as something that needs to be spent to $0 every year. By its nature, it needs to be able to build over time, so we can do larger projects and that our hands are not tied to simply do small one- or two-acre developments, but we can aim higher. Our typical development model predating Lima Ola had been to do relatively small projects that generated a small number of units with very little infrastructure investment. The pool of available properties for that type of development is limited, so with Lima Ola, with the acquisition of Waimea 400, and the pending acquisition of a large parcel in the Kilauea area, our development model is changing, and we will need to have additional funds over the long-term to be able to make that development model successful.

Committee Chair Kaneshiro: Follow-up from Councilmember Kuali‘i.

Councilmember Kuali‘i: I just asked staff to share some responses I got from you. I asked you a specific question about, “If there were additional moneys, how could you use an additional $500,000, $1,000,000, and $2,000,000,” and you gave me very specific examples. I just wanted to say in essence your ability to spend money in the next FY or in
the next two (2) FYs—that $15,000,000 you talked about, because not only are the projects, like Lima Ola especially, shovel-ready, but it is in process. It is a multi-phase project, you are just working on Phase I now and you are bringing in the funding from all these different areas, but what you are talking about is your ability to move these projects faster having more funding. Without the funding, it moves slower, so the units get to our residents slower, and they obviously need it now. Is that correct?

Mr. Roversi: Broadly, yes. If you look at Lima Ola, we have envisioned that as a decade or more project and that is largely a product of available funding. We need to push it out in phases slowly over a very long term because of traditionally available amounts of funding. If more funding were available, the underlying infrastructure work for that project as well as the others I have mentioned could occur more quickly.

Councilmember Kuali‘i: I shared this spreadsheet, the text that you included explaining particularly what that $500,000, $1,000,000, or that $2,000,000 could be spent for. The $500,000 was to cover Lima Ola Phase II construction and engineering drawings. In our listing here, it shows that at $477,000, is that correct? Is that the $500,000 that you are referring to?

Mr. Roversi: Correct, yes, we already have a contract in place to do that work.

Councilmember Kuali‘i: The $1,000,000 would be cover the first of four (4) planned annual installment payments to purchase the 24.2-acres in Kilauea and the Kilauea Town expansion for the tax map key (TMK) that ends in 54, 24.2-acres is $4,000,000, so that is the $1,000,000 that you were talking about. You could spend $2,000,000 or $3,000,000, right? If we were putting it all towards the Kilauea Town or putting more towards that, but that was the $1,000,000 that you were talking about, the first payment on the $4,000,000.

Mr. Roversi: Correct. We had envisioned that as an installment payment purchase based on the amount of funding that we have available, currently.

Councilmember Kuali‘i: Lastly, the $2,000,000 example, I could not connect it to this list, but it says, “Initial bridge financing to build out the first thirty-eight (38) single-family homes in Lima Ola and then it would be repaid to the Housing Agency over time in revolved in future projects.” In other words, this is putting money in now upfront so we can get going, but then we would sell those single-family homes and the moneys would come back into the Revolving Fund. Is that correct? Therefore, it is not part of the $15,000,000 you talked about; it is even more moneys.

Mr. Roversi: Correct. What I was referring to with that item was it is part of Phase I at Lima Ola, we are building thirty-six (36) single-family homes, that is a new area for the Housing Agency to enter. Typically, we have not been involved in the business of constructing single-family homes. We have done multi-family rental projects. Our vision is to offer these single-family homes for sale, but it requires financing to get the construction underway, until the homes are sold, and then funding can be recaptured.
Councilmember Kuali‘i: Typically, you said we have not done this type of development, but Lima Ola is meant to address all the different levels, right? We do have a high demand of people need single-family housing. Every time there has been single housing, and there has not been many, single-family housing development, they pretty much go pretty quickly. This type of investment would address that gap area, if you will, of demand, of not necessarily the people that can qualify for the Pua Loke rental apartments or on the low area median income (AMI), but maybe a little higher, correct?

Mr. Roversi: Yes. Historically, our multi-family rental projects have been dependent on State issued low-income housing tax credits, which require that the projects generally serve fairly low-income individuals, which leaves out what we referred to as the gap group of working families on Kaua‘i that make too much money to qualify for very low-income subsidized projects, but do not still make enough money to compete in our crazy market conditions. At Lima Ola, our goal is to provide a wide range of housing products, both low-income affordable rental projects, as well as more expensive, but still affordable homes to working families that otherwise do not qualify for those Federally subsidized programs.

Committee Chair Kaneshiro: The current $3,000,000 that is allocated to housing right now, how is that money going to be spent?

Mr. Roversi: We have an array of...I do not have every penny counted for at this point, but I can rattle off a couple of items quickly. We already have under contract the Phase II infrastructure and construction and engineering plans for Lima Ola, that as Councilmember Kuali‘i mentioned $477,000. $500,000 interest payment on our Phase I loan from the State. We are going to be engaging in a master plan and all of the predevelopment studies at the Waimea 400 property, which we have estimated at approximately $225,000 as well as the land use boundary petition submission regarding that property of which will probably be about $100,000. We are doing a similar for the Kilauea Property Acquisition project, which will be another $250,000. As you know, we are doing a property acquisition in Kilauea, which we estimate will have a total cost of approximately $8,200,000, so that far exceeds our current budget. We have a separate engineering item for Lima Ola, which is part of Phase II for $413,000 to do the engineering and construction drawings for a brand new water tank and transmission line that will serve the entire 'Ele'ele-Hanapēpē area and provide fire flow to enable Lima Ola project to continue.

Committee Chair Kaneshiro: To clarify, the $3,000,000 that is currently in your budget, a lot of line items you provided to Councilmember Kuali‘i is already going to be funded by that $3,000,000 in your budget right now?

Mr. Roversi: Some of them, yes, that is correct.

Committee Chair Kaneshiro: And now we have a proposal for an additional $4,000,000 that is going to...at first, I was looking at it thinking the $3,000,000 is going to be spent elsewhere and you are asking for more money for all of these items, but with the current $3,000,000 in your budget now, you are hitting a lot of the line items in this list that we are looking at.
Mr. Roversi: We are focused on putting that $3,000,000 to all of these predevelopment studies that will set the stage for significant infrastructure fund projects. Therefore, we need to get through the planning and engineering work, then we will be facing, for example, Lima Ola Phase II infrastructure is currently ballparked at about $12,000,000. We have no idea at this point how we are going to pay for $12,000,000 of infrastructure, aside from seeking addition loans from the state. That is admittedly not something that is shovel-ready until the predevelopment studies and so forth are completed, which we have conceptualized for the upcoming budget year with our current level of funding. But looking beyond that, we will have large ticket items that we do not currently have the capacity to push forward.

Committee Chair Kaneshiro: I appreciate that because my follow-up question was going to be, how shovel-ready are these future projects? It seems like if we know we have $12,000,000 item coming up in the future, then when we are ready to get to that $12,000,000 item, that is the time where we strategize and plan how we are going to fund it, what type of Federal moneys coming in, what type of state moneys are coming in, and then what do we do to try and fund this out. To think we should fund everything now with a tax increase, for me, is a little bit premature. That is my own opinion. I did want to hear, and I am appreciative of your explanation of these are the next items we need, once we finish these items, which the $3,000,000 that is currently in your budget is for, you will need additional money in the future to keep it going and so I appreciate that information.

Councilmember DeCosta: Are we getting an additional $2,000,000 from the American Rescue Plan (ARP)?

Mr. Roversi: I am unaware of an extra $2,000,000. I know that we have receive notice from the State that we will be receiving $5,000,000 in ARP moneys, but those funds are exclusively for our Emergency Rental Assistance Program. I am unaware of additional ARP money or if the moneys for housing.

Councilmember DeCosta: What about that $8,500,000 from Senator Schatz for Lima Ola?

Mr. Roversi: Correct. In the upcoming FY, we will be receiving $8,500,000 in congressionally direct spending. Thankfully through Senator Schatz and Senator Hirono, those funds are earmarked and needs to be spent specifically on the Lima Ola community center, which we estimate at $5,300,000 and to subsidize development of a 40-unit senior housing project. Essentially, those funds are building vertical housing units and/or the community center at Lima Ola.

Councilmember DeCosta: When I did the math looking at what moneys are coming in, is it safe to say you will roughly get between $12,000,000 to $14,000,000 to be spent this year in your housing projects?

Mr. Roversi: We are expecting the $8,500,000 in congressional funding, as well as the currently budgeted $3,000,000 in our development fund and I believe there is a specific line item to cover our dwelling unit revolving fund interest payment in the amount of $500,000, so my quick math, it equals to $12,000,000.
Councilmember DeCosta: Are we going to be shovel-ready to spend all $12,000,000 this year? We are not a bank, we should not be keeping a large reserve, so are we going to use all the money this year? I am trying to justify why we need more money if we cannot spend the money we already have and that is being fiscally responsible.

Mr. Roversi: Sure, I believe we will not have any difficulty in spending down the $12,000,000 we expect to be receiving.

Councilmember DeCosta: You mentioned two (2) very important things for me, one is, “one (1) in eight (8) homes are island-wide vacation rentals.” I believe no more vacation rentals can go into the residential area. It only allows them to go into the vacation rental areas, so we have grandfathered clause, zero (0) more vacation rentals in areas that are not vacation rental designated, am I correct, Councilmember Evslin?

Councilmember Evslin: Yes, the vacation rental designated areas, though, include Princeville, Kapa’a, Kōloa, and Po’ipū, so there are lots of resident homes in those areas that can still become vacation rentals.

Councilmember DeCosta: Correct, but we cannot put anymore vacation rentals in residential areas where they have the grandfathered clause, correct?

Councilmember Evslin: No. Again, Princeville, Kōloa, and Kapa’a have a lot of resident-occupied homes which could be vacation rentals because they are included in the Visitor Destination Area (VDA).

Councilmember DeCosta: But those are vacation designated areas, correct?

Councilmember Evslin: Yes, they are residential areas that are in the VDA.

Councilmember DeCosta: Correct. So you mentioned that one (1) to two and a half (2½) homes in those areas are vacation rentals. You never told us how many local families own vacation rentals. I do not mind having families from the mainland who have a second home here, who have a vacation rental, have a higher tax. When I have to tax my own people from our island... and remember this all of you here on the Council, a family lost their home in Hanalei... a very prominent family in our community. They had to sell it, because they could not afford their taxes. I do not want to see us do that to even one (1) family here on Kaua‘i. Did you do your homework to figure out how many local families are going to be affected by this?

Councilmember Evslin: It is somewhere in the range of 54% of TVRs on Kaua‘i are owned by mainland buyers, though the data on that is unclear. There are, as you know, a number of existing real property exemptions that are meant to protect the people who are at risk of losing their home due to property taxes. The Home Preservation Limit Exemption ensures that people are not going to be paying more than I believe 5% of their income towards their real property taxes for high-valued properties. The Homestead
Exemption, which you can get, even if you do not live in the house, but you long-term rent it at an affordable rate, then your taxes would be one-third \((\frac{1}{3})\) of what they would be at the TVR rate. This is all in addition to low-income exemptions, et cetera. I do think and I do think that we should be talking about expanding some of these measures so that people are not forced into having to vacation rent their homes to keep them. I do think that there is a lot in place currently.

Councilmember DeCosta: Okay. The last thing I wanted to check with you, Councilmember Evslin, as a homeowner, and I am pretty sure you are aware of this... during COVID-19, we all had a chance to postpone our mortgage or financial hardship. Our vacation rentals still paid for their real property taxes, correct?

Councilmember Evslin: Yes, as far as I know.

Councilmember DeCosta: Okay, I am done.

Committee Chair Kaneshiro: Councilmember Cowden.

Councilmember Cowden: I have a question for Adam Roversi and then for Councilmember Evslin. Housing Director Roversi, relative to the Kilauea Town expansion, is there an estimate yet for both cost and timeline on the infrastructure increase required? I think we need more water. There are a number of things that we need to develop that land, which I am excited to do. What is that estimate for time and cost?

Mr. Roversi: We do not yet have an estimate. It is too early to have a firm cost for infrastructure. We are going to first have to do an array of pre-development studies, archaeological studies, cultural studies, environmental assessment, et cetera, as well as complete the acquisition of the property. The infrastructure work, based on Lima Ola expenses for example, I would guesstimate the infrastructure work in the ballpark of $18,000,000. That work would not take place probably for at least two \((2)\) years.

Councilmember Cowden: The cost for all of those studies is roughly...

Mr. Roversi: That was in the summary that I provided to Councilmember Kuali‘i. We are ballparking the preliminary studies at approximately $250,000.

Councilmember Cowden: You are right. I am sorry, I see that. Okay, thank you for that. Councilmember Evslin, there is only one \((1)\) person in the public here and to my knowledge no one on Zoom. I was not expecting this and did not get six \((6)\) days notice, but that is just the nature of doing the budget. What kind of outreach did you do to the vacation rental industry to see how they would feel about this increase? Was there any kind of outreach to vacation rental management companies, the Hawai‘i Lodging and Tourism Association (HLTA), et cetera? Did you get any response?
Councilmember Evslin: I did not ask formally. I had a number of informal conversations with management companies, individual vacation rental owners, and industry people. I would say two (2) bits of feedback have been as I said before, the industry is booming now. We have 40% higher nightly rates than pre-pandemic. Secondly, if there was to be an increase to the Vacation Rental rate, they wanted to ensure that it was being dedicated to affordable housing. Based on that, from a number of people, and I probably should not say names on the floor, because again, they were informal conversations, an increase would be palatable if it was going towards affordable housing. Anecdotally, I will say one more thing; another had said that they would not even blink at a 10% increase in their property taxes based on the increase and nightly revenue that they are getting now compared to pre-pandemic.

Councilmember Cowden: Thank you. Were any of them people who live in the house more often than not? In fact, I was just working with people this week and they basically go on vacation in the summer to visit family and friends. They create reasons to go on vacation to have that time to vacation rent their house to be able to afford to hold it. There are a number of people who are like that. They really live in the property, but they go away for three (3) or four (4) months somewhere during the year, typically in the peak seasons, so that they can afford their house and hold on to it. Did you speak to any of those types of families?

Councilmember Evslin: I did not, because anyone who mostly lives in their house would not be impacted by this because they are at the Commercialized Home Use rate. If you have a home exemption for your house and you are gone a few months a year, then you are taxed at the Commercialized Home Use rate.

Councilmember Cowden: That is incorrect. When we had this potential...like two (2) or two and a half (2 ½) years ago...we had a rather robust conversation and I was very attached to the outcomes. So many of those people are not Commercialized Home Use rate and they pay a TVR rate. Actually, that is when we were going to change them from Commercialized Home Use to TVR. Okay, so I am wrong on that one. I better ask. I was not expecting this. I did not have an opportunity to do the research. How about for the locally-owned TVRs, and I am pausing for a moment because I think we risk sometimes really putting ourselves in a discriminatory position when we separate whether the homeowner is a primary resident from here or a different state. Many of these people used to be primary residents here and they end up being driven somewhere else. They just come back to their home area. We have to be very careful on how we look at that. When you spoke with people who own in their anecdotal effort, and I appreciate your anecdotal effort, were those people you spoke to people who primarily lived here and supported themselves on this, or were they primarily non-Kaua'i TVR owners?

Councilmember Evslin: They were exclusively people who lived here. If I could follow up to what you were saying earlier about people who lived in their...that might have been confusing for anyone watching. We did try to change that so that if you had vacation rental use on your property that you would get taxed at the Vacation Rental tax rate. That failed. Currently, if you have a Home Exemption on the property and vacation rent it, even if you are full-time vacation renting five (5) other houses on the property that
you live on you remain at the Commercialized Home Use rate. For those who are gone in the summer for two (2) months, they still retain a Home Exemption if they are here two hundred seventy-one (271) or more days, or whatever it is, then they stay at the Commercialized Home Use rate. Regarding what you said about not being fair and targeting off-island versus on-island people, this does not do anything like that. If you have a vacation rental use on your property and you do not live on your property, then you get taxed as a vacation rental, period. Nothing about this proposal changes how...

Councilmember Cowden: I understand. I was just highlighting that we need to be careful how we frame things, because I believe that is in violation of the United States Constitution. I could be wrong, but I am pretty sure that if even in our dialogues we are framing things that we are targeting certain population groups or demographics over others in how we do it...even if it makes sense when we are an island...we are part of the United State of America, so we must treat all Americans like we are on the same team. No more questions from me.

Committee Chair Kaneshiro: We are coming up on a caption break, which I think we will just take now. I do want to say that no one has seen the proposal. That is what happens in our budget meetings. We do not have a chance to see anyone’s proposal until today. Basically, you make your decision on how you feel on that proposal today. If you are not comfortable with it then you vote “no.” That is the decision-making process. I have been in budget meetings where we had thirty (30) or forty (40) proposals and we must decide on them right then and there if this is something we want to approve or disapprove. There is no way for us to get proposals out ahead of time. That would be a violation of the Sunshine Law. What is on the floor is what we see. We ask questions we need to do to get comfortable on how we are going to vote. We must vote on it up or down either way. We just keep moving on. That is just the way it is going to go. With that, we will take our ten-minute caption break and we will come back for any further questions.

There being no objections, the Committee recessed at 10:59 a.m.

The meeting was called back to order at 11:11 a.m., and proceeded as follows:

Committee Chair Kaneshiro: Welcome back. Do we have any further questions on Councilmember Evslin’s proposal? I have a question for the Administration. Mike, what is your stance on the proposal? If Mike is on. If not, we will take Councilmember Carvalho’s question first.

Councilmember Carvalho: I have a question for the Housing Agency. Say this entire process went through and the $4,300,000...to me the discussion is about timing. I just wanted to clarify again that the funding you already have versus the funding that you could have, what is the timing on that? If this went through whether it be now or later, how would you be able to manage that?

There being no objections, the rules were suspended.
Mr. Roversi: We have lined up projects for the next year based on the funding that we expected to have, which was what is currently in the budget, not including Councilmember Evslin's proposal. That said, the development fund is a revolving fund, funds not used in a FY roll over to the next. Looking two (2), three (3) years down the line, we expect to have $12,000,000 projects, $15,000,000 projects. It arguably may be better to begin building that fund gradually over time rather than come to Council at one time for a $15,000,000 project. I will just leave it at that. I will admit that we are not prepared to immediately begin spending millions of extra dollars within the next fiscal year. We could spend a good deal of additional funding, but I would not expect us to expend all the funds within one (1) year.

Committee Chair Kaneshiro: I see that Mike is on. Mike, what is the Administration's stance on this proposal to increase TVR taxes?

Mr. Dahilig: Just for context, we looked at taxes ultimately...there are two (2) policy "buckets" that we must investigate. One is, do we raise general revenue to meet the needs on the other side, which is expenses that we must meet? Because there is a tether with the specific proposal to a tax increase, ultimately the proposal as we understand it raises general revenue. Typically, when we look at general revenue, in previous discussions on other topics with the Council this morning, we try to look within our means to allocate based off priority the revenues that are coming in and distribute them accordingly in a proposal to you folks. We understand that right now we have a $3,000,000 revenue projection above last year's numbers when it comes to real property tax revenue. On top of that, we have increased the transient accommodations tax 3% this past fall. The amount of money that is coming into the County coffers, we must look at the tax proposal and the context first, is it appropriate to be raising taxes? A tax is a tax. While a lot of the proposals that are on the table as part of the tethered proposal from Councilmember Evslin are meritorious and I think we can all agree that affordable housing...regardless of how much money we push at it will never be enough, given all the needs. We also must look at this as a tax item and whether given the amount of revenue we are pulling into the County coffers, is it appropriate to be taxing even more? Tailored with that discussion, as Councilmember DeCosta raised, we do have Federal subsidies that are coming in with respect to the $8,500,000 and earmarks from our Congressional delegation to support Lima Ola, specifically. I have full confidence in Adam's ability to push things out, at some point, as you are hearing in the description, there is a pipeline that must match the permitting route as well as the manpower to be able to meet and spend that money accordingly. While there may be perspective need down the line, these are discussions that would, at that time, beg on whether general fund revenue is the most appropriate way to fund some infrastructure, when it is ready to be built. If it is sewer infrastructure or water infrastructure is on the table, sometimes things like State Revolving Fund (SRF) loans from the State would make more financial sense than pushing cash to it. Those are discussions and determinations that as the projects are developed and plans are put through, should be a timelier type of deliberation as to whether it is better to look at subsidized loans from the State through the Department of Health through the SRF program versus building a piggybank of cash. Those are the impressions that we have on the proposal. We obviously prioritize affordable housing and we want to make sure we are giving our best effort to push money that way, but in this particular context, we also have to look at the amount of tax that is already coming into the
coffers and whether or not a tax increase, from a tax and expense standpoint is an appropriate type of decision, first, before getting to the merits of the actual expenditure plan.

Committee Chair Kaneshiro: I have a question for Adam regarding the Kilauea Town Expansion. I thought I remember we had some Federal money come in that was going towards the purchase of the property also.

Mr. Roversi: We did receive $9,000,000 in Federal Community Development Block Grant Disaster Recovery (CDBG-DR) grant funds towards the Kilauea project. The way procedurally we need to carry it out however is the intention is to purchase the property with County funds and then a portion of the property will effectively on paper will be sold to the CDBG-DR project, so we would be reimbursed for a portion of the purchased price using those Federal grant funds. Then the bulk of the Federal grant moneys would go towards the vertical construction of housing units on the portion of the property that constitutes the CDBG-DR project. We do not intend to make the entire 50-acre property a Federal disaster relief (DR) project. We are only going to use the Federal moneys for a small portion of the overall.

Committee Chair Kaneshiro: Thank you for that clarification. Councilmember Cowden.

Councilmember Cowden: What does “DR” stand for?

Mr. Roversi: Disaster Relief.

Councilmember Cowden: Have we yet achieved a willing seller or are we still facing going to court before we begin any of the rest of this?

Mr. Roversi: To clarify, there are two (2) separate properties that the County is seeking to acquire. We have arrived at a cooperative purchase agreement regarding one of the two pieces of property. The neighboring property is currently in eminent domain proceedings in court, so that is still an ongoing process.

Committee Chair Kaneshiro: Councilmember Kualiʻi.

Councilmember Kualiʻi: In your list of projects, you listed the community center construction at Lima Ola at $5,300,000. When you talked about the $8,500,000 from Senator Schatz, you also mentioned the senior housing. What type of funding does the senior housing need?

Mr. Roversi: We expect the senior housing project to utilize the bulk of that $8,500,000 and do not expect the Federal funds to pay for the entirety of the community center. We are still working with the developer on the granular budget right now for the senior housing project and going over the pro forma, so we can come up with an exact allocation. The preliminary working target was to utilize $2,000,000 of the Federal funds for the community center and to develop the community center in phases over time and use the remaining Federal funds for the senior housing project.
Councilmember Kuali'i: The timeline of the availability of the Schatz $8,500,000 and when you have to spend it by fix those two (2) purposes?

Mr. Roversi: Yes. We are still awaiting the final details from the Federal government on the exact timing for the use of those funds. We do not yet have them in our account, so they are not currently available. The latest instruction that we received is that the funds will be administered through the United States Department of Housing and Urban Development (HUD), which will be enlighten us as to all the specific parameters for the utilization of those funds. We have not been provided with those details yet.

Councilmember Kuali'i: Even if you use $2,000,000 of the $8,500,000 for the community center construction, that means you still need $3,300,000?

Mr. Roversi: Correct.

Councilmember Kuali'i: The timeline of that is just based on the availability of funds? You will not be able to build...if the funds came through, then you can move forward with that, but now you have to wait until next year?

Mr. Roversi: Correct. Because we do not have a pool of funds available to build the entire thing, currently with our current funding picture, we are planning to build it in phases. To build, say, the community center building with its kitchen and meeting room first and defer installation of the planned basketball court, et cetera, or vice versa. Depending on the bids we get, we could build the play courts first and defer construction of the community center. You achieve a little bit of an economy of scale and effort by doing everything all at once, but if you do not have the money to do it, then phasing is what we typically like to do.

Councilmember Kuali'i: Would this be a County facility?

Mr. Roversi: Correct. Ultimately, the intention is that once it is completed, it will be conveyed to the Department of Parks and Recreation and would operate like a community center in Kilauea, or Waimea, or anywhere else.

Councilmember Kuali'i: It could serve the Lima Ola community and then also the adjacent the habitat community in the adjacent ‘Ele’ele community, correct?

Mr. Roversi: Correct. It is for the entire ‘Ele’ele community, including the neighboring habitat project and across the highway of the existing ‘Ele’ele neighborhood.

Committee Chair Kaneshiro: Council Vice Chair Chock.

Councilmember Chock: A few years back, there was a similar addition for taxes on TVRs and that funding, I forget how much that was, but I think it was close to the
same amount here. It went into the Housing Revolving Fund. Do you have recollection of those funds? It seems like it is very similar in nature to being on the spur of the moment. How were those funds expedited and able to be to use? What I am hearing from you is that there really is opportunity for us to move forward on some of the additional projects, but I want to see the track record based on when we did this the last time.

Mr. Roversi: The last infusion of funds that you are discussing must have been before my appointment as the Housing Director because it did not occur in my tenure. The last big expenditure, lump sum expenditure from the Housing Agency was for the acquisition of the Waimea 400 property. That was several million dollars from the Housing Development Fund. I do not know without doing some more research if that was the pool of funding that was immediately utilized for or not. Perhaps Mike might have a little more history on those.

Mr. Dahilig: A portion of the purchase price did come from the housing fund, but the amount of money came through the General Fund moneys that were not specifically or earmarked for housing purposes.

Councilmember Chock: The annual infusion that we receive into the Housing Revolving Fund, have we been able to exhaust that regularly or has there always been sort of a reserve?

Mr. Dahilig: I guess the right word is not necessarily a reserve, but as Adam mentioned earlier, it is like a checking account. It is going up and down when revenues come in, but also go up and down as expenditures arise. The previous Councils have created this in this manner is that these development needs from a timing standpoint does not necessarily follow a pattern of “July to June” fiscal planning. I do not think there has been necessarily a growth in a reserve per se but as Adam sees opportunities, he will use what is in there to pivot and push it towards something he can tact away at any given time. We have never looked at it, per se, as a reserve, it has been a checking account.

Councilmember Chock: I am looking at Councilmember Kuali’i’s document and it looks like it has been spent down as often as it has been increased or money has been put into it. This question is for Councilmember Evslin. This goes back to some of what Councilmember Cowden’s line of questioning is in terms of impact on TVRs. A big part of this is and the reason for it is to try to get a handle of TVR activity, as it relates to our housing crisis. Is there some evidence that we can look towards, in our role as Councilmembers, and directly having oversight over taxes to be able to leverage the growth on TVRs and impact on rental housing?

Councilmember Evslin: There are a few studies, at least three (3) that I can think of showing that reducing the number of TVRs reduces the cost of housing. In Los Angeles (LA), they showed something like, off the top of my head, for every 1% reduction of TVRs, you are getting 2% countered pressure on housing cost. You are still going to have likely increasing housing cost, but 2% less than what it would be. They are looking at neighborhoods. In LA, specifically, you could do pretty good case studies by looking at some neighborhoods, which had better enforcement than others. I certainly cannot pull out any
magic figures to say if or how much or whether this would reduce the number of TVRs on Kaua‘i, I think we can certainly say that it would at least marginally make TVRs less attractive for those looking to buy a home and convert it to a TVR. Again, the other part of the intent is even if they do go forward with that, just trying to ensure that someone doing a TVR use is contributing substantially to the construction of affordable housing.

Committee Chair Kaneshiro: Councilmember Evslin, you mentioned that the use of TVRs, their money should go towards affordable housing, but as you know we may raise the tax this year and $4,000,000 will go to affordable housing, but next year there is no guarantee where that $4,000,000 will go. It could get absorbed in the budget. It would only be for this one-time. There is no mechanism right now for us to say that this increase needs to go to housing in perpetuity or anything.

Councilmember Evslin: Yes, certainly nothing in the proposal. I do think that it at least sets us up toward something like Maui County does, which is a dedicated portion of real property tax revenue going towards their Housing Development Fund, which as I understand enables the Housing Agency to get access to all types of bond funding, that might not be possible otherwise—that you need to show a direct and regular stream of revenue to pass a bond. I certainly would hope that in the future we can do something to ensure that there is some level of funding. In perpetuity is going towards the Housing Agency, but as you said, yes, there is nothing in here that would guarantee it. If there is a downturn next year and this money needs to go somewhere else, then the money would get reappropriated somewhere else. If I am on the Council, I would certainly be advocating for at least this level of funding towards affordable housing.

Committee Chair Kaneshiro: Councilmember DeCosta.

Councilmember DeCosta: Did you do your homework and figure out what the amount of revenue Maui County has in their revolving account, the $36,000,000, how much did it improve their housing industry, the cost of bringing down housing, the lack of rental units? Did you do a cost analysis, so we have something to compare? I do not see myself supporting something that does not have analysis behind it.

Councilmember Evslin: No, and I have not seen that cost analysis on any decision that we have previously made before, so I cannot say exactly how much Maui has been able to reduce the cost of housing. That is a difficult analysis to do, and I do not have the data on-hand.

Councilmember DeCosta: Right.

Councilmember Evslin: Certainly, they are building $36,000,000 more of affordable housing than we are with the money.

Councilmember DeCosta: I did not mean to put you on the spot, but this is your suggestion, this is your introduction, and pretty much you would investigate that before you bring it to the Council.
Councilmember Evslin: Okay, thank you.

Committee Chair Kaneshiro: Are there any further questions from the Members regarding this proposal? Councilmember Kuali'i.

Councilmember Kuali'i: Adam, on the $2,000,000 for the initial bridge financing to build out the first thirty-eight (38) single-family homes in Lima Ola, that would be repaid to the Housing Agency over time and then revolved back into future projects. How are you going to pay for that? Do you have enough money in the $3,700,000 to pay for that?

Mr. Roversi: We do not. Our current plan is to after designing homes, getting the building permits, et cetera, which is what the bridge financing would assist in part, we intend to work with the United States Department of Agriculture (USDA) Single Family Loan Guarantee Program to resell the lots to qualify buyers from our affordable homebuyers list. The USDA loans would then finance the construction of the individual lots on behalf of the homeowner who has pre-purchased the lot. The purpose of the bridge financing is to get the project to the point that the lots could be presold and qualified for those USDA loans and then the USDA loans like a typical construction loan are offered as repayment for work completed. Therefore, there needs to be some initial financing in place to get the project off the ground and funded until it can start getting its reimbursements through the construction loans that come from the USDA program. We do not need to finance the entire project. We just need enough money to get it off the ground to the point that the loans kick in and begin to pay for the construction.

Councilmember Kuali'i: Doing it that way with the USDA loans and reselling the lots, how much longer does it take?

Mr. Roversi: Admittedly, it is the first time the County has utilized this program, but it is the typical model that Habitat for Humanity utilizes for their self-help builds. It is sort of a different sub-set of the USDA loan products. It is not a whole lot different than going through the private financing realm. We are working with a private lender who is qualified and license by HUD to offer these specific loan products, so it is much like any home construction project. It is made slightly more complicated in that we have thirty-eight (38). We are selling them to people from our affordable homebuyer list who are income qualified so they are not necessarily people who have all of their financial ducks in a row and perhaps need a little more “handholding” and time to get the documents together and so forth. Other than that, it is very similar to a commercial construction project.

Councilmember Kuali'i: Do you have a sense of what those loans would cost us?

Mr. Roversi: The USDA loans ultimately will not cost the County anything, because they will be taken out by the individual homeowner, so the homeowner will have the loan that is guaranteed and underwritten by the USDA. It is a very attractive rate, and it goes even longer than thirty (30) years, so they are very affordable. The cost to us is just getting to the point where the homeowner can qualify for the loans and
as the homes and sold, we can recoup some of that upfront money that was required to get us to that point.

Councilmember Kuali'i: I only ask that question because I remember when you were telling us all the different amounts of how you were spending the $3,700,000 in the revolving fund next year, you said, "$500,000 interest payment loan from State." How many years will we have to pay for it?

Mr. Roversi: For the next twenty (20) years, we will be paying the interest-only payments on the infrastructure loan that we received from the state. The caveat to that is if we can pay down any of that principal, during that 20-year period, the interest payments would go down. At the end of those twenty (20) years, we would owe the lump sum principal in a balloon payment to the State, unless it is refinanced in some way.

Councilmember Kuali'i: $500,000 in twenty (20) years is $10,000,000.

Mr. Roversi: Correct.

Councilmember Kuali'i: Holy cow. And that is because we did not put our own money in to fund it, we had to get the loan from the State.

Mr. Roversi: We contributed some money in CIP funds to complete the Lima Ola infrastructure, but by in large the bulk of the funding came from the State Dwelling Unit Revolving Fund loan. They loaned us $13,000,000, the total cost of the project was about $16,500,000, so the remaining $3,500,000, roughly, came from our own bond funding, the CIP bond fund. We did not have sufficient funds to pay for all of it ourselves, via the bond fund.

Councilmember Kuali'i: That is another reason to never do that again, is to have sufficient funds in our revolving account, when we are trying to do housing projects, correct?

Mr. Roversi: It would certainly be less expensive in the long term than paying interest to the state.

Committee Chair Kaneshiro: What is the interest rate on the Disaster Relief Funding (DRF) loan?

Mr. Roversi: Three point something. I would have to look up the exact amount, but I want to say it is 3.4%, I can get that for you. On top of that, there is an annual 0.25% servicing fee that we pay every year, so that boost the total up a little bit. I can get that exact information for you with a follow-up.

Committee Chair Kaneshiro: That is good. I was thinking it was below 4%.

Mr. Roversi: It is below 4%. 
Committee Chair Kaneshiro: Are there any further questions regarding this proposal? None. Is there any final discussion on this proposal?

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

Councilmember Evslin: We have the lowest TVR property taxes in the State. Every other island is significantly higher than us and we have the second highest proliferation of TVRs, after Maui. We have a housing crisis right now that is far worse than it has ever been, and it is just getting worse. We have more home being converted out of residential uses than being built for residential uses. We have a Tourism Strategic Plan and says we are over capacity for tourism and references the General Plan for TVR solutions. We have a General Plan that clearly and specifically says that TVR taxes should be equal to Resort. We have three (3) gigantic housing projects coming up with no real clear funding source identified for the infrastructure for those. You have organizations like HHFDC getting lots of more money through the State whereas when we can do matching funds for those types of projects, it will make them most likely to get built into leverage; HHFDC likes our credits, et cetera. I strongly believe that we need to be putting our foot on the gas for affordable housing as hard as we can and to give Adam every tool that we can to try and get that built. For me, the answer is clear, and I appreciate the discussion that we had here today. I am hopeful that this can pass. Thank you.

Committee Chair Kaneshiro: I have never approved of a tax increase in our budget decision-making process this entire time. I think whenever we come with a tax rate increase during budget, it is money that is not necessarily needed at the time. If we needed the money at the time, then it would have been incorporated into the budget already. For me, I am very hesitant in going with a tax increase. Usually, I keep that in our pocket being the conservative person that I am. When the County really needs the money, that is the time when we assess the higher tax rate, which would be a low-hanging fruit, TVR tax rate, increasing that to help us supplement our budget. We never know what is going to happen next year. Once we increase the budget this year, you cannot line item that money to housing forever. That money is going to get absorbed if collective bargaining increases so much, we do not have money for it, then obviously that money going to get absorbed into collective bargaining. If we have economic downturn, that money going to get absorbed elsewhere. It is very difficult for me to go with a tax increase, especially during our budget decision-making. TVRs and hotels are paying an extra 3% already this year, because of the TAT. This would be another tax on top of what they already had to incur this year. Not to say I love TVRs or anything like that, but I am just thinking that we just came off almost two (2) years of them not having anyone in their TVRs, they still paid full real property taxes, we came back, as soon as it started, we assessed them an additional 3% TAT on top of any new accommodations. In going through the timing, how much money does the Housing Agency need, I am not a fan of banking money in an account. Taxpayer money or whatever. The better process is we get what we need done this year, which Adam mentioned a lot of the projects, we currently have $3,000,000 in the budget for housing now coming from the General Fund. Adam went through the list that Councilmember Kuali’i provided and said a lot of the line items that we want to address now is going to be funded by that $3,000,000. For me, I am happy and fine with that. To try and bank the money, I am not as in favor of
DELIBERATION AND PRELIMINARY DECISION-MAKING

that. Knowing that we are going to be addressing the needs that we need now with that $3,000,000, is a positive thing. It is a good thing. I remember when I first started the budget, we did not allocate any money to housing. Housing had $0. It went like that for at least two (2) or three (3) years with the Housing Agency not getting any money. In my fourth year in the budget process is when they started getting $1,000,000 or $2,000,000 and now it is up to $3,000,000. Housing is a priority, it is shown that it is a priority, because they are starting to get this type of money. When a project is up, we have more opportunity to get addition funds elsewhere if we do not have the money in the bank at that time. We try to fund as much as we can now, but if say the community center needs more money, I do not want to bank money now for the community center. The community center does not add housing in the future, but at that time if we are $2,000,000, that is the time when you lobby the State Legislature, lobby the Federal, and say we have this awesome affordable housing project and we want to complete this project, what are our options? Maybe there is State funding available or Federal funding available, maybe there are other loans available and maybe at the very end of the day, we do need to increase real property taxes to fund the certain things we need. To me, that is the time when we would do the real property tax increase, when we absolutely need it. That is my stance on it. I always hold real property taxes tight. I know there is a chance of us getting into tough times. I saw it when I first got on the Council. Our first budget, I think our reserve fund was $18,000,000 or smaller than that and we were super tight on our budget. We did not have much money at all. At that time, we really needed to consider whether we were going to raise taxes or not. We were able to keep a good budget and not raise taxes, but at a time like that, you are really going to appreciate not raising the tax now and having the ability to raise the tax, be able to justify it, and to cover our expenses without having to tap into our reserve fund in the future. As the Budget & Finance Committee Chair, being conservative, I am not in favor of raising the tax now, for this additional $4,000,000. Councilmember Evslin.

Councilmember Evslin: I respect everything that you said, but I want to respond to the idea of raising it during a recession or “a better time.” During a recession is probably the worst time to raise a tax and the hardest time to raise a tax. I think you do it when times are good, put it towards a good use like building affordable housing, and then if things get dire, the money is there and TVR owners had time to at least prepare for that tax being there rather than slapping it on during a recession when they are hurting the most. They are “booming” more than they ever “boomed” before. 40% increase in nightly rates since pre-pandemic. I would respectfully disagree, only on that part. I think the better time is now than during a recession. Thank you.

Committee Chair Kaneshiro: I can say when I first started in 2014, I do not believe we were in a recession, but we had a lot of increasing costs, collective bargaining. Just our base firm cost for the County were increased to a point of raising taxes. When you see our budget now, 85% of our budget is in payroll and benefits and we have maybe 15% of being able to play with money, which is the type of things like improving our parks and doing other things. When that gets tight, that is the point where it is a tough decision on raising taxes of what we are going to do. Councilmember Cowden.

Councilmember Cowden: I want to say that I really support the intention of your goals for the spending of the yielded funds on housing. I support the discouraging of
more TVRs. I am not sure that this restrictive goal will be achieved if we are driving for a richer market, provided we do not have some big economic downturn that people can continue to come. I am not going to be supporting this and that is because we have a responsibility to have an informed and expecting public and so when we have not given an outreach, or articles, or the push that should be appropriate for this, it creates a loss of faith and government, when we have these abrupt changes, especially if we are doing any kind of business and when we see 46% roughly of our owners live on the island, that means our constituents who are a committed part of this community, they will take a hit that they are not intending to take and Hawai‘i has the largest, highest visitor tax rate in the Country. When you put it all together the TAT, GET, real property tax, et cetera, that is pretty high. What I think that we really need to do to increase the housing supply is that we need to lift that barrier that limits the continuance of real property tax status through a sale and how that influences a new mortgage. When we take these out of vacation rentals, unless someone is extremely wealthy...and we have had that this year for sure...extremely wealthy people can buy up those houses and not flinch. They buy in cash. They just have one (1) year of the heavy tax rate. They may even have months of the heavy tax rate. If they have to get a mortgage, they have to get the mortgage to support that heavy tax rate for the current time. They probably cannot qualify. It is a big barrier. You can take something from Homestead or Residential to TVR a whole lot easier than you can take TVRs to a low real property tax rate if there is any kind of financing required. I love the goal. I just do not have confidence that we are going to reach the goal. I think we do not want to just surprise people that they do not need. I appreciate what has been said. It seems to me that every time we have an increase in the budget, we just absorb it. I have a little bit of concern over our $311,000,000 this year that we will not have it next year. I appreciate that a lot went to the CIP rather than right into the main operational costs. I will not be supporting it, but I respect your goal and intention. I support that goal and intention. I would just like to have that be done with a little more thought and outreach.

Committee Chair Kaneshiro: Councilmember DeCosta.

Councilmember DeCosta: I commend you, Councilmember Evslin. I have to piggyback with what Councilmember Cowden said. This is a good idea, Councilmember Evslin. I am worried that this $4,000,000 is going to get absorbed into the General Fund next year. There is nothing in place that is going to ensure that it will be repeated year-after-year into housing. I am a little worried that we have $12,000,000+ right now for Adam to spend this year. If you go through the itemized list, I think there may be some extra moneys that Adam will not spend. Raising the taxes this year for improvements in the housing market will all be allocated. I am not against raising these TVR taxes in the future. I think they have bounced back somewhat because travel is back and has been reinstated. The escalating gas prices will affect air prices. There could be another downturn in the tourism industry. I think it is unfair to hit them with these taxes. I think like Council Chair Kaneshiro said, there will be a time in the future where we can do this. It will be our “trump card” and what worries me is if we do make TVRs the same tax rate as hotels, and we have maxed out what we have taxed them. We already said on the floor that we pay one of the lowest residential taxes across the nation. What is going to be next, raising Residential taxes? I am against that. I do not think that we have a good plan in place here. I think when we do and the conversation is more fruitful, my support will be there. I believe
affordable housing is the key and we have to reach that goal. As far as right now, I do not think enough homework has gone into this. Thank you.

Committee Chair Kaneshiro: Councilmember Carvalho.

Councilmember Carvalho: I, too, appreciate Councilmember Evslin and his efforts to bring this to the table. My experience has been that we have made major progress already here around the table as we have been discussing it. It will attract funding as we move along. I have that experience and I think it is a good thing. The idea of TVRs and all of that is another good idea. I think the timing for me is not right. I do not want to repeat what everyone else said. It is just about timing for me. I think as we move forward, these projects that are really being discussed heavily, will come to fruition and we will have more funding resources coming in from the Federal, State, County, and all other angles. I know that. For now and for this discussion, I think we can talk about it again. I support the idea, but not at this time. Thank you.

Committee Chair Kaneshiro: Councilmember Kuali‘i.

Councilmember Kuali‘i: I am not going to just say that I appreciate what Councilmember Evslin is putting forward. I am going to support it. I think this is really important and I thank him for having the courage to step forward. I hope this can at least be an example to the Council next year, to pick it up from where we are at now and continue forward. We cannot start back at $0. At some point, we have to take what we have learned and we have to apply it to changing it. What is out there right now, is not good. It needs to change. Maybe we all need to try and learn what we can from organizations like the Hawai‘i Appleseed Center. Policy has to come from us. The tough decisions, where we get our revenue, and where we spend the revenue...this Council has to take the tough stance at some point. I really see this, and I see the numbers...I see the Housing Agency being able to spend this money and more. I get the point that we have to invest in the current year, the next year, and the year after. We have to start thinking more like Maui. $30,000,000 to $35,000,000, we do not even have $5,000,000. That is shameful. We always talk about affordable housing. The Administration now, based on what the prior Administration has put in place is doing some great work with housing, but it is nowhere near enough. And why? Because there is not enough funding. We want to go after Federal funding, State funding, et cetera. How about we put our money where our mouth is and put in some of our own funding so that we can leverage that and get a lot more. Let us add $5,000,000 in our Housing Development Fund. Let us add $10,000,000 and let us leverage that to get $30,000,000, $40,000,000, or $50,000,000. These gifts from the Federal government like the $8,500,000 that we are getting now, that is a one-time deal. We cannot keep expecting those kinds of things. We got through COVID-19. We received a lot of support from the Federal government. Now we are working our way out of it. I hope that in the next year, we can see our Reserve Fund build. We can see how it went down because of COVID-19. We can also see how we are bringing it back. Let us hopefully get to this point. I really appreciate this. The numbers do work for me. I appreciate Councilmember Evslin and I appreciate Housing Director Roversi, and the folks before you who helped us get to this place. We need to go much further. We need to go much more further. Thank you.
Committee Chair Kaneshiro: Council Vice Chair Chock.

Councilmember Chock: Thank you, Council Chair Kaneshiro. I will be supporting this measure and I want to thank Councilmember Evslin for putting it forth. Councilmember Kuali'i took the words right out of my mouth. I think it is time to put our money where our mouth is. The last time that a similar measure like this was done was five (5) years ago. That funding was used expeditiously. I think we are way behind the curve on what the need is. I think we talked about it as the top priority or one of the top priorities in the County. The trust is, the County is a leader in providing some of this affordability and we need to be proactive at this time. I think as the General Plan says, it takes some bold action. If that does help to curb TVR activity, then so be it. It moves us in the right direction rather than displacing our residents. We are hearing day-after-day these stories occur and we have heard it throughout the pandemic. This measure was here maybe three (3) years by Councilmember Evslin, which was quite ambitious. It did not get any votes, I believe. It was a 6:1 vote with his own vote. This time around, I think we can talk about it and the years go by. We do not take action. I do not think there is ever a good time for it. The Tax Code sits directly in the purview of the County Council. Basically, we are the only ones who can make a difference in this case. I applaud the effort and I can count the votes. We are not going to get there. I think the message is on the wall. As Councilmember Kuali'i said, I hope that future Councils see that we are really behind on this. To the end that this might be absorbed in the General Fund, that is not true. If it goes to the Housing Revolving Fund, then it is dedicated to the Fund. It can only be used for housing. That is the right place for it to go. Thank you. Thank you for the measure.

Committee Chair Kaneshiro: Councilmember Cowden.

Councilmember Cowden: I just have a question.

Committee Chair Kaneshiro: A question for whom?

Councilmember Cowden: I do not know. It might be for Mike. What Council Vice Chair Chock just said is that it does not go into the General Fund. All we are doing here is just raising the Vacation Rental tax rate $1. For this here it goes here. It is incorrect that it does not go into the General Fund beyond that. Is that correct, Mike?

There being no objections, the rules were suspended.

Mr. Dahilig: The way that the moneys work for Housing is that moneys have to be pulled from general revenues and put into that Revolving Fund. It does not get funded directly. It takes this appropriation process to then change the color of money so that it does not lapse every year and it stays in that separate checking account for Adam to use. It starts off as General Fund revenue, but the Council has the authority to appropriate it to different funds for different purposes and change the rules of expenditure of all those funds either how they lapse or not lapse. That is why there is a specific fund created for housing to provide that flexibility to have it either drawn without having to go through appropriation necessarily, because there is some authorization given to it. The difference with let us say the Public Access, Open Space, Natural Resources Preservation Fund is that
it has money automatically deposited into it. In order to spend it, there has to be an appropriation bill that is sent to the Council for its expenditure. There are all not the same either, but Reiko always gets mad whenever I talk about wanting to establish a proposal for another account, because ultimately when you do create another account that the Council blesses, the rules change and you add to the complexity of the actual audit process. We typically do not propose creating account-type earmarks to all of these different things. In this particular case, I think we do see eye-to-eye the sense that these funds are meant for a purpose like affordable housing, that the flexibility is entrusted with our Housing Director.

Councilmember Cowden: If we wanted it in an earmarked account, that would be an ordinance that we would build in the future. I think the earmarked account is what makes it more palatable. We are constantly changing our Council. We only have four (4) terms and we have job insecurity every other year. There is no continuity or not enough continuity. An earmarked account would be of interest to me.

Mr. Dahilig: That is something that you may want to get clarification from the County Attorney as to how the powers of the counties to take on authorized revenue streams by statute and be able to earmark them without an appropriation or that type of thing can be facilitated. That goes beyond my ability to answer at that point.

Councilmember Cowden: Okay. Bottom line is this today right now will not get earmarked other than in this first year?

Mr. Dahilig: That is correct.

Councilmember Cowden: I just wanted to really clarify that. I thought I heard differently and I might not have understood Council Vice Chair Chock correctly. Thank you.

Committee Chair Kaneshiro: Right now, the proposal has the money shown as an increase in real property taxes and then the money goes to the General Fund. From the General Fund it goes to the Housing Revolving Fund in the amount of approximately $4,400,000. Next year, that money is going to go into the General Fund and there is no control as to where that money is going to go. It will be up to the Mayor to decide where they want it to go. They might allocate some to Housing. I do not know what the financial outlook will look like at that time. It may get absorbed into the rest of the budget. For today and this year, it would go into Housing. Next year, those moneys will be absorbed like any other real property taxes.

Councilmember Kuali'i: When you say there is no control, in essence, that is the budget process. We agree this year so far in the budget process to this $3,700,000 for the Housing Development Fund. Now we are considering raising taxes so there is more money to go into the Housing Development Fund. Next year, when the budget comes around again, we are going to have to agree what amount goes into the Housing Development Fund. If a Council, not this year necessarily or next year, takes that action and they take it with the intent that this money is intended for affordable housing, then the following Council next year has to either follow that intent during the budget process or not. It is not just the
Mayor's decision. It comes back to us as a proposal and we decide ultimately how much money from the General Fund goes into the Housing Development Fund. That is what I was saying earlier, that is where we are missing the boat, if you will. We are not allocating enough money into the Housing Development Fund. We have a chance to do that every budget session annually.

Committee Chair Kaneshiro: Are there any further questions?

Councilmember Cowden: I do not have a question; I have a comment.

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

Committee Chair Kaneshiro: Councilmember Cowden.

Councilmember Cowden: This is my fourth budget. So far, each Council that I have been on works in collaboration with the Office of the Mayor. We really have not done any haggling or tough taking from what is represented by the Office of the Mayor. I feel like what has come before us has felt pretty reasonable. In my four (4) years of experience, we are not in the habit of yanking money and moving it into another area. When I see us losing our two (2) most experienced Councilmembers, who are only going to be on their eighth year at the end of this time, I just really realize how difficult that is to constantly be pushing people off the Council. I do not have confidence if something is not earmarked, that I could make a decision that would stay consistent with what is the intention. I think it is a very good intention, Councilmember Evslin. It is a critical item. I want to work on changing how a property shifts and how it cannot shift appropriately to the new homeowner because the new homeowner is discouraged if they are not wealthy. You have to be wealthy to buy anything that has been something outside of your tax class. We are trying to get people houses. My questions are answered on that. It is not earmarked and that is critical to me.

Committee Chair Kaneshiro: Council Vice Chair Chock.

Councilmember Chock: Sorry if I mischaracterized my statement. I just wanted to make mention that there have been past proposals for earmarking the Housing Revolving Fund. It never passed. It has to be a Charter Amendment of course. Whether it is this Council...I do not know if it is still on the table to be included, we would need to get it done as soon as possible to be on the ballot. That is what will be required. I just wanted to put that out there. If this does not work, then what works?

Committee Chair Kaneshiro: Councilmember Evslin.

Councilmember Evslin: I do not necessarily want to drag this out too long. The votes are likely clear, though someone may switch their vote here. As far as the allocation, I think the argument in the past was that the Council did not want to allocate money if the money was not necessarily there. I think you are going to get that argument anytime you do it without putting the tax increase into place first. If the tax increase is in
place, then let us move to get a Charter Amendment for 2% or whatever it is on the ballot, or do it in the next term. If we try to do it in reverse order and we try to get the proposal to allocate a certain percentage towards the Housing Development Fund, I do not think it is likely to happen unless we have the funding already there and in-place. In my opinion, this comes first and dedication comes after. Just to piggyback to what Councilmember Kuali’i said, which I think is so important, ultimately even without that allocation in the Charter, it is up to us. Councilmember Cowden, Councilmember DeCosta, myself, Councilmember Kuali’i, and Councilmember Carvalho, hopefully we are on the Council next year and we can ensure that the money is still getting dedicated to this Fund if this were to pass today. Lastly, I just want to comment real briefly on what Councilmember Cowden mentioned regarding the process. It would be a Sunshine Law violation or at least in the spirit of the Sunshine Law if I were to have said in a social media post or written an article in The Garden Island saying I wanted to do this and asked for feedback. I would have told all of you that I am going to do this. I cannot. Unfortunately, the process that we have as a Council, doing these property tax rates, is at this meeting to make the proposal. I have alluded to it in past meetings in the hopes of getting people thinking about it, but I cannot say it until this meeting. Maybe if there is more of a lead time next year, I am going to plan to do the same thing here and we have a year to get this through if it does not pass today. Lastly, the first time around it got one (1) vote. Today, it looks like it will get three (3) votes. I think on the path that we are on, it will hopefully pass next year. Thank you.

Committee Chair Kaneshiro: Councilmember DeCosta.

Councilmember DeCosta: Thank you. I like your process there Councilmember Evslin. Maybe you will get some support and wheels spinning. I am going to go with Councilmember Cowden. We do not have it set in stone where the funding is going to go. When I saw the Fire Chief ask for a position and more funding needed for their entire union contract, it worries me where that money gets absorbed. We spoke to the Mayor and I believe the Mayor asked TVRs during COVID-19 to pay their taxes and they did. I think they bounced back somewhat, but they have only been bouncing back less than a year. I look at the fuel prices and inflation, and we may take an economic turn for the worst. I think it is premature for us to raise taxes right now. I think we have enough money in the Housing Development Fund. Adam has plenty to work with. I think next year we are going to have a good Council and this can be put on the table. Here is your punchline, Councilmember Evslin... it is going to be out there now. We give the public a website to watch the Council Meeting of today’s process... the idea is going to be out there on social media and people are going to chime in and talk. We are going to get our feedback that way. Right now, we do not have that feedback. I just want to make sure that we do not make premature decisions. Remember, we are not saying that we do not support public housing or rental availability. I can tell you right here that I have rental units. Do you know where my rental units go? It goes to low-income families. I follow the County Code. Do all of you have rental units? Do you follow the County Code and give it back to local families? It is easy to talk a good story here. I told you all this and I am going to be passionate about it. I do not want to see one local family lose their beach house because it was passed down five (5) or six (6) generations and they are barely making enough to pay their taxes. Over here, we are going to raise the taxes for the person who has a second home from Colorado or California, and right there, we price our local family right out of the home that has been in the family for four (4) or five (5)
generations. I am going to support this next year when Councilmember Evslin introduces it again and everyone is doing better economically. Thank you.

Committee Chair Kaneshiro: Okay, is there any further discussion before we vote on this proposal? Again, it takes five (5) votes to pass, if not, we will continue to move on.

The motion to increase the Vacation Rental tax rate by $1 to $10.85, providing a real property tax revenue increase of $4,512,639, with $22,563 automatically contributed to the Public Access, Open Space, Natural Resources Preservation Fund. Of the remaining revenue $100,000 will go to the Office of Economic Development-Special Projects account for an EV Charger Rebate Program, and the remaining $4,390,076 to the Housing Revolving Fund for Special Projects, was then put, and failed by the following vote:

FOR MOTION: Chock, Evslin, Kuali‘i TOTAL – 3,
AGAINST MOTION: Carvalho, Cowden, DeCosta, Kaneshiro TOTAL – 4,
EXCUSED & NOT VOTING: None TOTAL – 0,
RECUSED & NOT VOTING: None TOTAL – 0.

Committee Chair Kaneshiro: Are there any further proposals for real property tax rates? If not, can I please get a motion and a second to accept the proposed Real Property Tax rates in Resolution No. 2022-10?

Councilmember Kuali‘i moved to accept the proposed Real Property Tax rates submitted by the Mayor in Resolution No. 2022-10, seconded by Councilmember Carvalho.

Committee Chair Kaneshiro: Is there any discussion? If not, could I get a roll call vote.

The motion to accept the Real Property Tax rates submitted by the Mayor in Resolution No. 2022-10 was then put, and carried by the following vote:

FOR MOTION: Carvalho, Chock, Cowden, DeCosta, Evslin, Kuali‘i, Kaneshiro TOTAL – 7,
AGAINST MOTION: None TOTAL – 0,
EXCUSED & NOT VOTING: None TOTAL – 0,
RECUSED & NOT VOTING: None TOTAL – 0.

JADE K. FOUNTAIN-TANIGAWA, County Clerk: Seven (7) ayes.

Committee Chair Kaneshiro: Okay, that is our Decision-Making. We do not need any additional motions because we did not make any changes. The Committee’s Decision-Making session is now complete. Before we adjourn, I would like to go over a few more housekeeping items. I will be canceling the Decision-Making sessions scheduled for Monday and Tuesday, May 16th and 17th. On May 25, 2022, the Committee of the Whole will
be formally approving all decision-making items by procedurally amending and approving the budget bills and real property tax resolution, along with receiving the Committee's report detailing the various pluses and minuses. I would respectfully like to ask Councilmembers to refrain from making their final commentary that week and make your final comments during the second and final reading of the budget, which will take place on June 1, 2022.

As I mentioned, after Committee, the Council will then approve the Fiscal Year 2022-2023 budgets on second and final reading, which will be accompanied by the Council's budget message on June 1, 2022. On June 1st, Councilmembers will be able to make their final remarks on the budget in accordance with our Council Rules.

Thank you to Mayor Kawakami and his Administration for making this, my eight and final year as the Budget Chair, a smooth one. I would also like to thank my colleagues at the table for working diligently and with respect to uphold the integrity of this decision-making process. Lastly, I would like to thank Council Services Staff for helping all Councilmembers navigate this process and for providing such exceptional support.

This has been a very efficient journey and I am thankful that we are one step closer to passing the Fiscal Year 2022-2023 Operating and CIP budgets, and approving the Real Property Tax rates. With that, the Committee of the Whole's decision-making session is now adjourned.

There being no objections, the meeting was adjourned at 12:20 p.m.

Respectfully submitted,

[Signature]
Scott K. Sato
Deputy County Clerk

[Signature]
Darrellyne M. Caldeira
Council Services Assistant II

APPROVED at the Committee Meeting held on June 1, 2022:

[Signature]
ARRYL KANEISHIRO
Chair, Committee of the Whole