

PUBLIC HEARING

JUNE 15, 2016

A public hearing of the Council of the County of Kaua'i was called to order by Arryl Kaneshiro, Chair, Budget & Finance Committee, on Wednesday, June 15, 2016, at 2:01 p.m., at the Council Chambers, 4396 Rice Street, Suite 201, Historic County Building, Lihue, and the presence of the following was noted:

Honorable Ross Kagawa
Honorable Arryl Kaneshiro
Honorable KipuKai Kualii
Honorable Mel Rapozo

Excused: Honorable Mason K. Chock
Honorable Gary L. Hooser
Honorable JoAnn A. Yukimura

The Clerk read the notice of the public hearing on the following:

“Bill No. 2633 – A BILL FOR AN ORDINANCE AMENDING CHAPTER 5A, SECTION 5A-11A.1, KAUA'I COUNTY CODE 1987, AS AMENDED, RELATING TO THE BENEFICIAL TAX RATE FOR PROPERTY USED FOR LONG-TERM AFFORDABLE RENTAL,”

which was ordered to print by the Council of the County of Kaua'i on May 18, 2016, and published in The Garden Island newspaper on May 24, 2016.

The hearing proceeded as follows:

SCOTT K. SATO, Deputy County Clerk: We have no registered speakers and received no written testimony.

Committee Chair Kaneshiro: Anyone in the audience wishing to testify on this? You may come up.

ALICE PARKER: Alice Parker. I believe this would be very beneficial. I know it was in effect some years ago because my neighbor was renting a long-term affordable rental and had a better tax rate. I do not know if it is sun-downed or what, but we should have it forever and ever, and ever. Thank you.

Committee Chair Kaneshiro: Tina, you may come up.

TINA SAKAMOTO: Good afternoon. My name is Tina Sakamoto. The Long-Term Affordable Rental Program, tenant-occupied, is a County program, which offers the homestead tax rate to those real property owners who provide affordable rental units for one (1) year or longer at a rental rate set by the County

and these rental rates are set annually. For the last two (2) years, the County Housing Agency, Housing & Urban Development (HUD) rent charts have shown reduced allowable rent amounts for Kaua'i. Here is an example: for a three-bedroom home or unit where the tenant pays any of the utilities, in 2015, the allowable rent to participate in this program was one thousand five hundred fifty-two dollars (\$1,552). In 2016, the chart showed one thousand four hundred thirty-two dollars (\$1,432), which is one hundred twenty dollars (\$120) per month in reduction. For this current fiscal year, 2017, the rent is again lowered to one thousand four hundred eleven dollars (\$1,411). That is one hundred forty-one dollars (\$141) less per month than two (2) years ago in 2015. So in other words, an owner must lower the rent in order to participate in this County's program, while the cost and expense of maintaining the rental house has increased, such as insurance for fire, liability, hurricane, flood, rubbish fees, repair and labor, and materials. Real property tax assessments have increased the real property tax. This is in addition to any mortgage that is on the home. So I ask that you carefully analyze Kaua'i's affordable rental market and use the Housing Agency's HUD affordable rental housing chart only as a guide when determining the Long-Term Affordable Rental Program allowable rent amounts. If the real property tax homestead tax rate does not provide a benefit to the owner to participate in the affordable rental program, the result very well may be that the owner will then leave the program and rent the home at a higher market rate. There are houses available now and owners willing to participate in the program, but it is up to you to provide the realistic incentives to create the long-term affordable housing rentals. Thank you.

Committee Chair Kaneshiro: Thank you. Anyone else in the audience wishing to testify on this?

JULIE SOUZA: *Aloha.* My name is Julie Souza. I am testifying in regards to long-term rentals. I realize we do have a chart of what the rates are throughout the island of Kaua'i, but I feel that the rates should be designated for the position or the district that you are in. I am the only one that has a long-term rental down at the beach and I cannot piggyback on this tax break for me. It is impossible to try to rent this cottage with how Tina has specified the amount of tax that we are paying, the insurance that we are paying, and try to stay within that one thousand five hundred dollar (\$1,500) rate for a two-bedroom and two-bath on the beach. So I would really hope that you can come out with a different tax rate or a rental rate for the people of Kaua'i, for the districts that you are in. *Mahalo.*

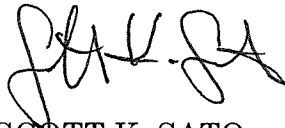
Committee Chair Kaneshiro: Thank you. Anyone else wishing to testify on this for the first time?

LONNIE SYKOS: For the record, Lonnie Sykos. As I have listened to this discussion here through the months, it seems that one of the issues that the owners are facing is the methodology used by HUD to figure out affordable rates. So the cost of living has been positively impacted as in it being less expensive, due to the lowering of the price of fuel oil, gasoline. That has had a huge ripple impact through our economy, but it does not impact everything, so the HUD

numbers do not appear to be realistic in our rental market and it also does not appear that the HUD numbers are very low. It is just that they are a little bit too low and people decided to go into long-term rental and figured out what their costs were going to be, and having the HUD number go down has ruined most people's financial equation for how it is that you can afford to have an affordable rental. Perhaps what we should be looking at is either replacing the HUD figure or adding some type of addendum to it, in order to at least maintain, plus the value of cost of living increases at historic levels. That at one thousand five hundred dollars (\$1,500), they could afford to rent their units out, but at one thousand four hundred dollars (\$1,400) or one thousand three hundred dollars (\$1,300), they have to absorb that out of their own pocket. That is not sustainable in the long-term for housing and I encourage the Council to look into different methodologies to come up with what the affordable rental rate is. Thank you.

There being no further testimony, the public hearing adjourned at 2:09 p.m.

Respectfully submitted,



SCOTT K. SATO
Deputy County Clerk

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