

MINUTES

FINANCE & ECONOMIC DEVELOPMENT COMMITTEE

May 4, 2022

A meeting of the Finance & Economic Development Committee of the Council of the County of Kaua'i, State of Hawai'i, was called to order by Luke A. Evslin, Chair, at the Council Chambers, 4396 Rice Street, Suite 201, Līhu'e, Kaua'i, on Wednesday, May 4, 2022, at 11:54 a.m., after which the following Members answered the call of the roll:

Honorable Mason K. Chock
Honorable Felicia Cowden
Honorable Bill DeCosta
Honorable KipuKai Kualī'i
Honorable Luke A. Evslin
Honorable Bernard P. Carvalho, Jr., Ex-Officio Member
Honorable Arryl Kaneshiro, Ex-Officio Member

Minutes of the April 20, 2022 Finance & Economic Development Committee Meeting.

Upon motion duly made by Councilmember Kualī'i, seconded by Councilmember DeCosta, and unanimously carried, the Minutes of the April 20, 2022 Finance & Economic Development Committee Meeting was approved.

The Committee proceeded on its agenda items as follows:

Bill No. 2828 A BILL FOR AN ORDINANCE AMENDING CHAPTER 5A, KAUA'I COUNTY CODE 1987, AS AMENDED, ESTABLISHING A COMMERCIAL VEHICULAR RENTAL REAL PROPERTY TAX CLASS (**This item was Deferred to the last Finance & Economic Development Committee Meeting in July 2022.**)

Councilmember Cowden moved to approve Bill No. 2828, seconded by Councilmember Chock.

Committee Chair Evslin: This is the Real Property Tax Bill relating to Commercial Vehicular Rental Real Property Tax class. We deferred this months ago to see what was happening at the State Legislature in regard to this. I believe a Bill has passed at the Legislature, although it is potentially awaiting the Governor's signature. I will hand it over to Michael A. Dahilig who can explain the status of the Bill is and possibly entertain a deferral, if needed.

There being no objections, the rules were suspended.

MICHAEL A. DAHILIG, Managing Director (*via remote technology*): Again, good afternoon, sorry, almost good afternoon, Councilmembers. Mike Dahilig, Managing Director. There has been a conversation over the past few months as this Bill has been deferred time and time again. Part of our request going back to early January was that the Council hold the Bill until we see where the measures that we introduced, with support of the rental car community and other stakeholders, were at regarding adjustments to the vehicle registration law. Fortunately, House Bill 1688, Conference Draft 1, actually made it through the full Legislature with only two (2) members of the House voting “no” on the measure. What this does is it brings parity to the vehicle registration statute by removing the exemptions that had been given for rental cars to not pay for certain beautification and derelict vehicle fees, and now treats all vehicles the same. What it also does is provides for the counties to use revenues from this for tourism-related traffic mitigation. We believe it was a compromise between all of the parties that have been in dialogue on this as a way to try to address some of the issues regarding our influx of rental car vehicles, and we are awaiting whether or not the Governor will be signing it. The Governor has until July 12th to sign this into law, and so we would ask that the Council defer this particular measure on the table until the next Committee Meeting after July 12th for a status report and other consideration of the future of this particular measure before you.

Committee Chair Evslin: Thank you, Mike. Are there any questions from the Members? Vice Chair Chock.

Councilmember Chock: Mike, can you tell us the bill number that was passed?

Mr. Dahilig: Sure, that is House Bill 1688, Conference Draft 1.

Committee Chair Evslin: Are there any further questions? Councilmember Cowden.

Councilmember Cowden: Just for full clarity, that would be addressing what we were hoping for out of these companies to assist us here and if it passes with the Governor’s signature or no veto, that we would not likely need this Bill. That is why we are pushing it out, correct?

Mr. Dahilig: That is correct. I think the broadest policy consideration has always been trying to do something to address equity in having to deal with what rental car activities are either contributing or detracting from, in terms of our quality of life. We believe that the dialogue is appropriate to continue while the Governor deliberates the future of this measure, and if the Governor does sign it into law, our intent is to open up dialogue with the Council about amending Section 5-2.6 of the Kaua’i County Code 1987, as amended, which would be a further implementation of this, should it go into effect. The thought process would be that any deliberations would look at implementing the particular measure as the act takes into effect on January 1, 2023, if it is signed by the Governor. We understand this is an important topic to keep going and discussing, including whatever incremental

changes we can do to provide better fairness in how rental cars are levied fees and are taxed appropriately. We would look at that across-the-board and not provide special accommodations for them.

Councilmember Cowden: Thank you.

Committee Chair Evslin: Are there any further questions? Is there anyone in the audience wishing to testify?

LONNIE SYKOS: For the record, my name is Lonnie Sykos. I have to say that I am utterly confused as to why this Bill is here. My question is, is this a policy attempt simply to increase your tax revenues by increasing tax revenues on rental cars, or as you allude to, but never actually address, are you attempting to reduce the number of rental cars on the island? I am asking you, Mr. Chair, because I cannot address any of the other people, or if you are the Chair. So, my actual question is, why are you trying to do this? Is it to reduce the number of rental cars, or simply to get more tax revenue? If it is the latter, if it is to reduce the number of rental cars, what is the mechanism created that is going to track what the effect is? So, you do have the authority to raise property taxes and some user fees, so it is possible to increase the taxes so high that the number of cars rented is reduced. I would point out that the newspaper informed us recently that we are at eighty percent (80%) hotel capacity compared to pre-pandemic levels, but that hotel rates are up about eighty percent (80%). So, if you quadruple the price of a rental car, and I am asking you this as an actual question, if you quadruple the price of a rental car through taxation, how many fewer rentals will that result in? As a member of the public, I am telling you zero (0). If someone is willing to pay a two hundred fifty-dollar (\$250) increase in the price of their hotel room over the last two (2) years, why are they not going to pay another fifty dollars (\$50) for a car? It is "chump change." So, I do not understand why this is before the Council. Apparently, this is not going to reduce the number of rental cars and as an exercise in creating revenue—it is a nightmare. Why are you picking on them? They did not bring the tourists here, the airplane did. They are not putting tourists up in the hotel. They are not feeding the tourists in a restaurant.

Committee Chair Evslin: Lonnie, your three (3) minutes are up, but you can come back for another three (3) minutes.

Mr. Sykos: I would be happy to.

Committee Chair Evslin: Bruce, did you want to testify?

BRUCE HART: For the record, Bruce Hart. It is an interesting aspect of what has happened to the rental car industry on Kaua'i or throughout Hawai'i. I have two (2) friends who are making a lot of money. It is a new small business, and it is not limited. There are a lot of people who have low-income who have figured out they can make more income this way. If I look at it from an aspect of what Mr. Sykos was talking about, and I see it as beneficial in the sense that people are making money and small businesses are growing. If you see it from a perspective of...there are more rental cars on the road, and we as a County

have to repair the roads, so you see I am just pointing out there are several aspects to this, so it is not just as simple as it might seem to some people. The County has to support our visitors in the sense of infrastructure, but are we really into reducing the number of rental cars, or putting more pressure on small businesses? I want you all to think about it. Thank you.

Committee Chair Evslin: Lonnie, did you want to take an additional three (3) minutes?

Mr. Sykos: For the record, Lonnie Sykos. To all the Councilmembers, I appreciate everything that you do to try and increase the quality of life on Kaua'i. I realize that these are issues/problems that have taken this rental car thing...it is like a 40-year issue. Since rental cars and destination tourism arrived on Kaua'i, it has been an ever growing issue of too many people and too many cars, which completely blew up because of the pandemic, and then there was nobody, and we got to see a different reality. Now we are back to the separate reality of too many people, too many everything. To blame the rental car companies for the fact that there are too many tourists, you folks are the ones responsible. I can think back to ten (10) years ago, the County Council made a big deal about cutting the Mayor's travel budget to one thousand dollars (\$1,000) a year. We have the former Mayor here, he has traveled all over the world, Philippines, how many times? Japan, New York City, Portugal—all on County money? Economic Development, so what did we economically develop? The export of land title, that is the new economy on Kaua'i. That is our export agricultural crop. Dirt—the title to dirt. Our number one agricultural export is our soil. So, we, the County Council, the people of Kaua'i, have spent thirty (30) years trying to attract tourism, and by creating a visitor destination, we guaranteed that real estate was going to blow up. That is the only reason to create a visitor destination site, is to acquire the surrounding real estate and sell it. It is not a global phenomenon; it is a global industry. You can get a thousand PhDs in this. How are we going to address the fact that we chose to attract more people than our island can handle and blaming a rental car company is foolishness. Sorry. Thank you.

Committee Chair Evslin: Thank you, Lonnie. While the rules are still suspended, Mike, if you want to come back and if you could answer Lonnie, he was asking about the intent of the Bill and Bruce asked the impact to small "Turo" users. For Lonnie and Bruce, we have talked in depth about this Bill over the last six (6) months, so we are rehashing a bit, but I realized we have not talked about it for a while, so Mike, if you could explain the intent of it here.

Mr. Dahilig: Just in response, Council and Committee Chair, we floated over this Bill for consideration last summer. At that time, you may remember that there were a number of competing measures that were not sorted out or resolved involving the issue of Transient Accommodation Tax revenue coming to the County. In the process of trying to look at addressing that, along with the fact that we had a number of people raising concerns about what tourism impacts we are feeling on the island especially after the County had been closed off to most tourism traffic for an extended amount of time, these discussion points about what we can do or what opportunities we have to use the tools that are within our bandwidth to try

to address some of these societal issues or questions that were coming up as the County started to reopen arose. When introducing the Bill, we certainly could see that the intent was layered among many levels, but as you folks have gone through the deliberations publicly with members of the rental car industry that have testified on it and received opinions from the Office of the County Attorney regarding this Bill, what it did do was spark dialogue. That dialogue led to ultimately a willingness to look at some stabilized solutions rather than what was potentially within our toolbox as a County to use, but were used with the potential that we could see protracted or challenged litigation from our rental car partners. I figured the process, as legislation often does, evolved in dialogue with our Administration to see what we could do to at least provide some solutions that everyone around the table could get and live with at a State-level, and that is what we had been doing over the last ten (10) months of bringing this back up periodically. This Bill has been brought up before you folks to give you status updates and to provide the temperature check on where we are with some of the legislative efforts we were trying to do. Again, there is nothing to suggest that any action or legislative action is going to immediately solve issues of traffic congestion or overtourism on-island, but the bottom line is, and I think Mr. Sykos did mention this, we are trying, and I do not think we should stop trying. That is where, hopefully, the continued dialogue around what would be a future measure if the Governor signs this into law, does invoke or instigate, is healthy for us as a community, as well as provides us the opportunity to make some incremental changes that bring more parity between laws that provided preferential treatment to our visitor industry, and instead provides parity amongst our residents and rental car agencies.

Committee Chair Evslin: Thank you, Mike. Are there any further questions for Mike?

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

Committee Chair Evslin: Before we entertain a motion to defer, is there any final discussion?

Councilmember DeCosta: I have two (2) points I would like to discuss. My first point, Mr. Sykos, you impress me, maybe almost too much. I want to say that I might have to differ with you today on this subject, because in the 1970s when we put our soil out there, we were an economy that was struggling; we only had sugar. We needed more people in the service industry. Yes, our beautiful beaches, our mountains, and our waterfalls, were some of the places we had to exploit so we could build a stronger, resilient economy. We have many people today who depend on those service jobs in the hotels. It is easy to play sideline quarterback after the Super Bowl has been won or lost, Mr. Sykos. We cannot play sideline quarterback fifty (50) years later and say that we made a mistake when Tony Kunimura was our Mayor. The second point I want to make is, I want to defend our former Mayor Carvalho. I think we all promote our kids to go to the college on the mainland. Arryl, you went. I went. I believe Mason went. Maybe all of you went. We go because we want to broaden our horizons and learn how people do things differently and bring back different aspects of how to do business, how to grow as a human being, and how to appreciate the

island. I believe our Mayor went to different destinations not only for a vacation, but to learn how different countries run their government, to learn how we deal with solid waste, how we deal with tourism, how we deal with agriculture, and how we deal with traditions, so I am sorry, Lonnie, if I disagree with you on this subject, but I think you needed to hear it. Thank you very much. That is all I have to say.

Committee Chair Evslin: Is there any further discussion Members?

Councilmember Cowden moved to defer Bill No. 2828 to the last Finance & Economic Development Committee Meeting in July 2022, seconded by Councilmember Kualii, and unanimously carried.


Committee Chair Evslin: The motion is carried.

The Committee proceeded on its agenda item, as shown in the following Committee Report, which is incorporated herein by reference:

CR-FED 2022-03: on Bill No. 2845, Draft 1 A BILL FOR AN ORDINANCE
AMENDING CHAPTER 5A,
SECTION 5A-11.26, AND
SECTION 5A-9.1(a), KAUAI
COUNTY CODE 1987, AS
AMENDED, RELATING TO REAL
PROPERTY TAX (*Tree Farm
Development Exemption*)
(Approved.)

There being no further business, the meeting was adjourned at 12:32 p.m.

Respectfully submitted,


Jessica Young
Council Services Assistant I

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

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LUKE A. EVSLIN
Chair, FED Committee