

SPECIAL COMMITTEE ON REAL PROPERTY TAX REFORM

Council of the County of Maui

MINUTES

January 20, 2026

Online Only via Teams

CONVENE: 9:03 a.m.

PRESENT: VOTING MEMBERS:

Councilmember Alice L. Lee, Chair
Councilmember Keani Rawlins-Fernandez, Vice-Chair
Councilmember Gabe Johnson, Member
Councilmember Yuki Lei K. Sugimura, Member

NON-VOTING MEMBERS:

Councilmember Tamara Paltin, Member

STAFF: Kirsten Szabo, Legislative Analyst
James Krueger, Senior Legislative Analyst
Peter Hanano, Legislative Attorney
Maria Leon, Committee Secretary
Lei Dinneen, Council Services Assistant Clerk
Ryan Martins, Council Ambassador

Residency Area Offices

Roxanne Morita, Council Aide, Lāna'i Residency Area Office
Chaelin Ryu, Council Aide, South Maui Residency Area Office

ADMIN.: Marcy Martin, Director, Department of Finance
Kari Stockwell, Real Property Tax Administrator, Department of Finance
Kristie Wrigglesworth, Deputy Corporation Counsel, Department of the Corporation Counsel

OTHERS: Testifiers
Tom Croly
Michael Williams, President, Maui Tomorrow Foundation
James Langford

(16+) additional attendees

PRESS: *Akakū: Maui Community Television, Inc.*

CHAIR LEE: . . .(gavel). . . Will the Special Committee on Real Property Tax Reform meeting of January 20th, 2026, please come to order. It is 9:03 in the morning. My name is Alice Lee, I'm the Chair of this Committee. This online meeting is being conducted in accordance with the Sunshine Law. As a reminder, when your name is called, if you are not in the Council Chamber, please state your location and identify by name who,

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if anyone, is in the room, vehicle, or workspace with you today. Minors do not need to be identified. The Voting Members are Vice-Chair Keani Rawlins-Fernandez, Councilmember Gabe Johnson, Councilmember Yuki Lei Sugimura, and myself. Non-Voting Members are Member...Members Cook, Paltin, Sinenci, and U'u-Hodgins. If this Committee continues, we're...we're going to try to appoint Member Kauanoe Batangan to this Committee. Representing the Department of Finance, Marcy Martin, Director, morning; Kari Stockwell, County Real Property Tax Administrator, good morning; Corporation Counsel Kristie Wrigglesworth, Deputy Corporation Counsel, morning. Our Committee Staff...Jean Pokipala; Peter Hanano, Legislative Attorney; Kirsten Szabo, Legislative Analyst; James Krueger, Senior Legislative Analyst; Maria Leon, Committee Secretary. Good morning to all. Please see the last page of the agenda for information on meeting connectivity. Thank you, Members, for attending today's meeting. We have one item on the agenda this morning, and it is RPTR-7, Bill 142 (2025), On the Home Exemption and Long-Term Rental Exemption from Real Property Tax. Let's begin with public testimony.

MR. KRUEGER: Chair, we currently don't have any individuals signed up to testify at the beginning of the meeting. Would you like me to--oh, there is an individual raising their hand right now. Shall I proceed with calling them, Chair?

CHAIR LEE: Yes.

MR. KRUEGER: That would be Tom Croly, to be followed by Michael Williams.

CHAIR LEE: Okay. I need to give instructions first. Yeah, well, this is the job. Testifiers wanting to provide testimony should sign up with the Staff, join the online meeting via the Teams link, or call in to the telephone number noted on today's agenda. Written testimony is encouraged, and can be submitted via the eComment link at mauicounty.us/agendas as well. Under the Sunshine Law, the Chair will receive oral testimony for agenda items at the beginning of the meeting, and as the item is called up. For individuals wishing to testify via Teams, please raise your hand by clicking on the raise-your-hand button. If calling in, please follow the prompts via phone; star-5 to raise and lower your hand, and star-6 to mute and unmute. Staff will be...will add names to the testifier list in the order testifiers sign up or raise their hands. For those on Teams, Staff will lower your hand once your name is added. Staff will then call the name you're logged in under or the last four digits of your phone number when it is your turn to testify. At that time, Staff will also enable your microphone and video. Please ensure your names appear in Microsoft Teams as the names you prefer to be referred to as, or as anonymous if you wish to testify anonymously. If you're in person, please notify Staff that you would like to testify anonymously. Otherwise, please state your name for the record at the beginning of your testimony. Oral testimony is limited to three minutes. If you are still testifying beyond that time, I will kindly ask you to complete your testimony. Once you are done testifying, or if you do not wish to testify, you can also view the meeting on *Akakū* Channel 53, Facebook Live, or mauicounty.us/agendas. We will do our best to take each person up in an orderly fashion. We'll now call on testifiers wishing to testify at the beginning

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of the meeting, which means this will be your only time to testify because we only have one item. Staff, please call the first testifier.

MR. KRUEGER: Chair, the first person signed up to testify is Tom Croly, to be followed by Michael Williams.

... OPEN PUBLIC TESTIMONY AT BEGINNING OF MEETING ...

MR. CROLY: Aloha, Chair. Tom Croly. You've heard from me many times in this meeting and...and in others. I am...I'm very grateful for this Committee, and I hope that it does continue because I do believe that there are several issues that we still need to work out in real property tax. And...and I really appreciate the opportunity for the Council to do this outside of budget session. So, thank you for...for creating this Committee, and...and, again, I hope that it continues. Today, you're going to work on Bill 142, and it looks like there's really only one proposal brought forward. And I can't say that I'm in full support of it as the solution to this problem. And I think everyone understands the problem, and the problem is that the tax classification that we apply to a property can change the property tax bill by as much as 10X...it can be ten times higher in one particular classification versus owner-occupied classification. And that...being off that much, it can last for, in a current situation, up to 18 months. It could be wrong for up to 18 months. What's being proposed could bring that down to as little as six months in some cases, and maybe that's the best we can do. But it...it...it also could be ...*(inaudible)*... off for...for as much as one full year. And...and I see this as more of an accounting issue than I do anything else. We really need the help of...of the Real Property Tax Department to say, hey, we can change this more efficiently. But right now they can't because of the way the accounting works. They have to have the numbers in by a certain date, and...and so forth. And I understand the problems from...from their perspective, but I don't think that what is proposed today really solves the problem. And it does seem that we have put aside the issue of changing the real property tax classification for properties that are going to go into the long-term rental classification. I...if...if I understand what's being proposed, and Councilmember Paltin will explain it better, I...I...I think that...that...that we're taking that away. And again, if we want to use the lower property tax rate that is being provided to people providing long-term rentals, delaying that implementation of it of up to 18 months, really makes that a more difficult thing for people to accept. So, I...I...I know we can solve this problem, but...but we're not going to be able to do it with just the Council taking action here. It's going to take work on the Real Property Tax Department saying, we can do it some other way. ...*(timer sounds)*... That's...that's the end of my time. I'm sure...I hope that we will talk about more issues in the future. Thank you, Chair.

CHAIR LEE: Thank you, Tom. I see a hand. Member Johnson?

COUNCILMEMBER JOHNSON: Thank you, Chair. Just to clarify on that point that you made, Mr. Croly, about it being an accounting issue. I totally hear where you're coming from on that. What's your suggestion...or how do you feel about the idea that

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I proposed, if we had a supplementary fund where they would...the...the Administration would...could manage it so that they could cover the costs for those...that unit to go from like a short-term rental into a long-term rental? So, that they use that supplementary fund to pay that bill, and make it a wash for that new buyer.

MR. CROLY: That...that might help specifically with making it fair, okay, giving...giving the person money back, essentially like a refund. What I am concerned about, though, is when underwriters look at granting a loan, one of the things the underwriters look at, at the...at the time that they're granting the loan, is --

COUNCILMEMBER JOHNSON: Um-hum.

MR. KRUEGER: -- what are the taxes going to be? And...and they may say to a potential borrower, hey, you have an obligation here of \$1,500 a month in taxes, and we're going to take that away from the amount that we're going to be able to lend you. So...so, that's...that's the only problem that I see with...with that.

COUNCILMEMBER JOHNSON: I...I think what we would do is...you know, we wouldn't give the money back, it's just that owner would pay the owner-occupied rate, and the Government would subsidize the rest with that fund. But okay, I...I hear where you're coming from, but that's kind of the suggestion. Thank...thanks for allowing me that clarifying question, Chair.

CHAIR LEE: Any more questions, Members...or Non-Members? Okay. Thank you very much. Next testifier.

MR. KRUEGER: Chair, the next person signed up to testify is Michael Williams, to be followed by James Langford.

MR. WILLIAMS: Good morning, Chair --

CHAIR LEE: Morning.

MR. WILLIAMS: -- Councilmembers. My name is Michael Williams, and for today's purposes, I'm the President of Maui Tomorrow Foundation. And I sent all of you the first working version of the revenue tax estimator that we've been able to create with the help of the Department. And it's...I know we can tweak it better, and we'd be happy to have a webinar with you...you people if...if...you know, if any of you want to try it out with us. But I think it's going to be incredibly useful for building not only the Mayor's budget, but your budget and your post-changes because you can...you can change the tier thresholds for the rates in any of the property classes, and immediately see what the effect on revenue would be in that particular class and tier. So, the only other thing I...I have to say this morning is, Kirsten asked me to be sure to tell you that I...I think the long-term rental exemption category needs much more work because there are thousands of genuine long-term rentals in the County that are classified as Non-Owner Occupied because they don't have a one-year written lease,

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because they have tenant turnover, maybe because the...the owner is trying to dodge taxes...could be lots of reasons. But we need to make the definition easier to make so that all of the genuine long-term rentals, as many of them as possible, could classify as long-term rentals, and get the lower rate and the lower...and the extra exemption. And then...then in the Non-Owner Occupied class, you would have, literally, nothing but...but second homes. Right now, there are...there are literally thousands of...of genuine long-term rentals that are in the Non-Owner Occupied class, and it's...something that needs to be fixed. I talked to Marcy Martin and Kari Lake [sic] about it several times. The Administrative headaches are real, the Department, you know, needs to be consulted if...if we try to fix this. But it's a problem that I think should be addressed, hopefully before the end of this year, so that you can have it effective for next year. And that's it.

CHAIR LEE: Thank you, Mike. Questions, Members? Okay. Thank you very much. Next testifier.

MR. KRUEGER: Chair, the last person signed up to testify is James Langford.

MR. LANGFORD: Aloha.

CHAIR LEE: Aloha.

MR. LANGFORD: Hi, Chair.

CHAIR LEE: Hi.

MR. LANGFORD: *(Audio interference)* here again. Hello, Council folks. So, testifying on Bill 142. And I wanted to offer, much like Michael, in building that spreadsheet. I...I would obviously love to offer my software to help supplement solutions for you folks. I did run Councilperson Johnson's solution through my software, and that mitigates pretty much all of the drama that would come with any pushback you might have *(audio interference)* to implement this Bill 142. Also, the last time I was in the Chambers, I...we were talking about this, and the pushback was that the County's software doesn't do that. So, because it's all publicly-available information, I went and wrote and posted the...how to do all sides of all the options at that time. So, if you folks need me to rewrite the...or write that aspect of the accounting software to implement whatever pushback you're getting, much like the spreadsheet that Mr. Michael...the last testifier...I think *(audio interference)*, it...I...I...I can write it in about ten minutes. So, yeah, I mean this...and my rate is very fair. So, *(audio interference)* so...so happy to...to maintain that aloha, and to help generate...I'm really expert at generating tax revenue and sales *(audio interference)* timeshare industry is the standard, and has been generating hundreds of millions to Hawai'i--actually more than that--but since 1998. So, I...I do have the capacity, and wherewithal, and mental health *(audio interference)*, you know, *(audio interference)* given the generational wealth building that...that this Bill 142 kind of allows for our *(audio interference)*. And that's my testimony. Happy to be available if you folks need me *(audio interference)* solution, so...

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CHAIR LEE: Thank you. Members, any questions? If not, thank you very much. Staff?

MR. KRUEGER: Chair, there are no other individuals signed up to testify on this item. If there's anyone else who would like to testify on RPTR-7, please identify yourself now. On Teams, you can do that by raising your hand. We'll do a countdown...three, two, one. Chair, there is no one else to testify.

CHAIR LEE: Members, any objections closing public testimony and accepting written testimony for this item...this one item?

COUNCILMEMBERS: No objections.

CHAIR LEE: Okay. So ordered.

... CLOSE PUBLIC TESTIMONY AT BEGINNING OF MEETING ...

ITEM 7: BILL 142 (2025), ON THE HOME EXEMPTION AND LONG-TERM RENTAL EXEMPTION FROM REAL PROPERTY TAX

CHAIR LEE: Okay. Members, on our agenda is Bill 142 (2025), which adjusts filing deadlines for the home exemption and the long-term rental exemption. So, applications filed on or before December 31st or June 30th apply to the next tax payment. And it...expands home exemption eligibility to include long-term County residents who purchased property previously used for transient accommodations. The proposed CD1 from Councilmember Paltin narrows and modifies the scope by removing the next tax payment option for the long-term rental exemption, adjusting the home exemption deed filing requirement, revising the expanded home exemption qualifications by reducing the residency requirement from five to ten...from ten to five years, and removing the prior transient accommodations use requirement, and making technical and nonsubstantive updates to conform to other enacted legislation. Member...not Member, but Director Martin, do you have any opening comments?

MS. MARTIN: Thank you, Chair. We have reviewed the Bill number 142, CD1, and we...we do have some comments on the bill when the time comes.

CHAIR LEE: Oh, now's the time.

MS. MARTIN: Okay. Well, originally, we had provided language for the half-year exemption --

CHAIR LEE: Oh, excuse me. Do...do you mean you want to make comments on the ASF? You want to wait for that? Is that you're asking?

MS. MARTIN: Yes.

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CHAIR LEE: Okay. All right. Member Rawlins-Fernandez, now would be a good time to...well, let me just ask. Member Paltin, we need...I was going to ask Vice-Chair Keani Rawlins-Fernandez to...to make your ASF motion, but we need a main motion first. Is that what you were planning to do, or have you changed your mind?

COUNCILMEMBER PALTIN: Aloha kakahiaka kākou. I'm streaming live and direct from my kitchen table. There is an adult male in the house, his name is George Vierra, he tore his rotator cuff. And there is one minor canine. I was...for the ASF, basically from the last time we met, I think...was it...I forgot the date, but the...the Finance Department had a list of things that they wanted to change in my bill. So, basically, I asked Mr. Hanano if we could draft an ASF to address the things that the Finance Department pointed out, and he did. So...although he did say that it was...he was unable to do it exactly as what he said. And if you need clarification on that, we can ask him, I see he's over there at the lawyer table. Basically, what I had heard last time was like maybe wait on the long-term rental exemption. And I know it...that a lot of people are not satisfied. But as we learn at HSAC, on Hawai'i Island, this is the way that they do it every six months. And, you know, basically we also took out like if it was a short-term rental because, as we're seeing some of the CDBG-DR recipients get their shopping letters for the First-Time Homebuyers Program [sic], they don't have to buy a short-term rental. They can, if they want to. So, we wanted to remove that exclusivity. And, you know, basically tried to address the things that the Finance Department pointed out the last time that this Committee met. The things that were unable to be addressed, we can ask Mr. Hanano to give a presentation as to why. But just, you know, trying to do the work that was the...suggested by the Department the last time we met in Committee, and that's what the drafted ASF is. If you'd like to hear from Mr. Hanano, or Ms. Martin, or Ms. Stockwell on it...you know, you heard from Ms. Stockwell the last time that she planned and saved for the first year of higher taxes when they bought a home that wasn't previously owner-occupied. Most regular people in Maui County aren't aware...I...I'm even in conversation with one fire survivor whose family--and...and the wife is generational Lahaina resident--they had been paying Non-Owner-Occupied tax rates on their condominium that they were living in. And so, you know, it just goes to show that every day people with lives and families have a hard time keeping up with this stuff. I'm not sure if he'll be...him and his family, when they hopefully move back--their condominium is being rebuilt right now, they hope to move back in December--I'm not sure if they'll qualify for the Owner-Occupied because they had to move off-island because they couldn't make it where while their home gets rebuilt. So, I'm hoping, you know, the home gets rebuilt in December, somehow they can qualify for the homeowner-occupied [sic] classification because they would never have left Maui if not for their home burning down, and not being able to find another location. So, it's not as easy, as some of our testifiers that understand tax policy, for everybody else. And that's my --

CHAIR LEE: Okay. Thank you. So, I was wondering...the reason why I asked you this is because if you wanted to proceed with the ASF, I would open testimony again because this would be new information that folks can testify on. But I wasn't sure that you

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wanted to proceed because I know there were questions brought up after the ASF was created by Staff. So, perhaps, Peter Hanano, you could give us...enlighten us a little bit about whether we should proceed, and especially under the...now that we know that people are...were paying for a higher classification through no fault of their own, that they had to move...some had to move, and so that takes away the consecutive residency requirement, you know. So, how does all of this impact people who have gone through the experience of the fire, and again, through no fault of their own, had to move, so now they don't qualify for the consecutive residency requirement...and for some who were...perhaps owned or rented --

COUNCILMEMBER PALTIN: Chair?

CHAIR LEE: -- long-term from somebody else, again, cannot meet the qualifications. Did I hear--Member Paltin?

COUNCILMEMBER PALTIN: Yeah. This bill wouldn't apply to them. It was just an illustration of how little people understand...like regular everyday people understand about our tax. I'll have to work on something different from them because they were owners of their condo prior to the fire. This is for people...I think, you know, if they purchase it mid-year, or they miss filing deadline, that they could apply earlier for the owner-occupied exemption so that they don't have to...if they purchase a home that was previously a short-term rental, or a Non-Owner Occupied, or some other higher tax classification, that hopefully they won't have to wait quite as long to get the owner-occupied tax classification as they currently do. But of all the--Mr. Hanano could explain--of all the recommendations given by the Finance Department, the ones that he wasn't able to incorporate and why. That might be a good question for him.

CHAIR LEE: Okay. That's a good question for him, and also the fact that some people left the island, yeah, so they...technically, they weren't residents of the island. So, maybe he can address that as well. And then...then you...even after his explanation, you still want to proceed with the...your ASF?

COUNCILMEMBER PALTIN: I mean, I was ready to proceed it...with it without the ASF. I'm not a Voting Member, so ultimately, I'll throw that question back to you folks...if you like it, if you want to amend it further, or if you want to trash it. I'm not a Voting Member.

CHAIR LEE: Yeah, we know that, and that's why I asked the Vice-Chair to make the motion on your behalf. Okay. Peter?

MR. HANANO: Thank you, Chair. I am aware of what Finance proposed on the floor. I think it was a couple meetings ago, and, you know, I took that into consideration in drafting the ASF for Councilmember Paltin. And the reason I did it that way versus the way that they suggested it is because I feel that there might be some conflict with one of the other RPTR bills that...that was passed. I think the initial round included an exemption under 3.48.410(D), as in delta, regarding late filing and penalties. And I felt that if we included the late filing allowance in Subsection A, that might possibly

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conflict with Subsection D. And then...so, I did also create a number 3 subsection in 3.48.4...oh, I'm sorry...yeah, 3.48.450, Sub (C)(3), which would allow like a separate mechanism to qualify residents who, you know, maybe not have stayed in a house for 270 days. And, you know, I think the intent was to apply this to owners who recently purchased their home and maybe might not meet the 270-day requirement instead of, you know, letting them wait for 18 months to have their real property taxes adjusted. This, you know, mechanism will allow them to have it adjusted within...hopefully not more than six months. But I would like to hear comments from Finance on, you know, their opinion as far as what the ASF provides currently versus what they proposed. Thank you, Chair.

CHAIR LEE: So, your comments are that you recommend proceeding with the...Bill 142 and the ASF substitution, subject to the comments of Finance. Is that your position?

MR. HANANO: Well, I mean, ultimately, it's up to the body whether . . .*(inaudible)*. . .

CHAIR LEE: Okay. We know that part. We know that part.

MR. HANANO: Yes. Yeah. But as far as, you know, trying to accomplish what Councilmember Paltin is suggesting, I think this is probably the way to do it. And, you know, I would like to confer with Corp. Counsel a little bit more because they did raise some other comments on the ASF as presented today.

CHAIR LEE: Okay. Finance. Ms. Milner. Oh, Milner. . . .*(laughing)*. . . Budget--I just moved you to Budget--Martin.

MS. MARTIN: Thank you, Chair. So, I think we...we understand what Mr. Hanano is referring to, but our understanding was that the late file exemption that he's referring to is for people who qualified as of January 1. So, this would be people who purchased after January 1 and prior to July 1. And so, that's why we preferred the language that...that we had submitted. And that was the same language that the...the Big Island uses. As you can see, there's a lot of things going on, and the...you know it's the total construction of the bill. So, there's a lot to think about.

CHAIR LEE: Are you saying you don't agree with the ASF, that you had, you know, a different position on this? Like for instance, the Big Island policy?

MS. MARTIN: I think, you know, we stand by the language that we had provided originally.

CHAIR LEE: Okay. So, to be clear, just...we want to know if you agree with the proposal, or you don't agree with the proposal?

MS. MARTIN: I don't think it's a matter of us agreeing or disagreeing. We're here to provide guidance to be able to administer and implement what the policy decision is. So, we feel that we can implement the half-year exemption with the language that we provided, and that we also can implement the late-filed exemption with the language that we had provided.

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CHAIR LEE: But not with the language that's being proposed?

MS. MARTIN: Yes. We have concern with the language that's being proposed. So, I mean maybe it could be explained more, but I think even limiting the home exemption to 3.48.350(C)(3), we weren't, you know, sure that that was specific enough either because that...you know, the home exemption encompasses the whole entire section of the Code.

CHAIR LEE: Okay. So, Peter, do you want to comment now, or did...shall we ask Corp. Counsel to provide comments as well, at this point?

MR. HANANO: Yeah. I mean, you can ask for the comments, but I think...yeah, I understand what...what they're saying, and I looked at their proposal. I do have some concerns about how it's written. But I think, you know, that's something that maybe myself, Corp. Counsel, and Finance has to kind of work on to come up with something that --

CHAIR LEE: Okay. Can you guys be a little bit more specific? Because it's...it's hard to mentally picture your...your breakdown and their breakdown, and where --

MR. HANANO: Okay.

CHAIR LEE: -- the differences occur?

MR. HANANO: Right. Okay. So, for example, their proposal was to put the exemption language in Section 3.48.410(A)...Sub A., basically adding language in there, "the exemption from taxation granted in Sections 3.48.50 [sic] through 3.48.460 must be allowed, provided that the claimant has filed a claim for the home exemption on or before December 31st for the first half payment, or June 30 for the second half payment on such as...such form as shall be prescribed by the Department." So, their suggestion was to put it in Subsection A, and then also adjust Subsection B to allow...to require that the deed must be recorded by the deadlines...the two deadlines.

CHAIR LEE: And what's...what...what's wrong with that now?

MR. HANANO: The problem I see is the conflict between Subsection A and D because, I guess...you know, Subsection A could apply to people who might try to file under Subsection D.

CHAIR LEE: Okay. I saw a hand. Vice-Chair Rawlins-Fernandez.

VICE-CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair. I just want to check with you. I know...mahalo for that explanation on the differences between the original bill that was introduced in October and the ASF that's been posted for today's meeting. Did you want to open and close public testimony before we get into deliberation?

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CHAIR LEE: Well, actually, what I was trying to do earlier was get a confirmation from Member Paltin, which she did say she wants to advance the ASF. So, I thought perhaps, maybe given the...the issues that have come up with Finance, that maybe she wanted to defer this item. But if not, if she wants to continue with it, which she said she does, then I will open public testimony again.

VICE-CHAIR RAWLINS-FERNANDEZ: Oh, mahalo, Chair. I...I think we have to take public testimony either way, if...if we're going to defer, or if we're going to advance the legislation.

CHAIR LEE: Well, we wouldn't be taking up the ASF, yeah, so...if we defer the item. But anyway, we're going to take up public testimony again, but now we're just trying to get some clarification on the two points of view. So, questions for Mr. Hanano, anybody...or Finance?

VICE-CHAIR RAWLINS-FERNANDEZ: Did you want to open and close testimony?

CHAIR LEE: No clarification questions?

VICE-CHAIR RAWLINS-FERNANDEZ: Oh, none.

CHAIR LEE: None?

VICE-CHAIR RAWLINS-FERNANDEZ: I mean not for before testimony. I have questions for after testimony.

CHAIR LEE: Okay. And then we haven't heard yet from Corp. Counsel. Do you have any comments?

MS. WRIGGLESWORTH: Thank you, Chair. Corp. Counsel did sign...sign this as to form and legality, but there does seem to be some language that needs to be sorted out based on the discussion that we just had. Also, with PAF potentially passing on the floor this Friday --

CHAIR LEE: Can you speak right next...can you speak into your mic, please?

MS. WRIGGLESWORTH: Yeah. Sorry, I'm trying to get the...with PAF 26-004 potentially passing on the floor, then this might need to be revised as well.

CHAIR LEE: What needs to be revised?

MS. WRIGGLESWORTH: The bill that we're taking up today.

CHAIR LEE: Okay.

MR. HANANO: Yeah. I think, Chair --

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CHAIR LEE: Well, it's going to be substituted, right?

MR. HANANO: Chair, on...on that point, if you recall, a bill was submitted to correct the "repeal by implication" issue on this section, 4...3.48.410. So, what she's saying is basically we need to...if, you know, in the future, the bill that's going to be heard on Friday before Council, if that eventually passes, then we're going to have to amend this anyway to reflect the current law.

CHAIR LEE: Okay.

MR. HANANO: Yeah.

CHAIR LEE: . . .*(laughing)*. . . This is not a simple situation. Okay. I'm going to proceed then. Member Sugimura, did you have a clarifying question?

COUNCILMEMBER SUGIMURA: I couldn't understand the last sentence or so that Mr. Hanano said. So, if he could say it in the mic...if you could speak in the mic?

MR. HANANO: I'm sorry. Yeah. So, there is a bill that's going to be on the agenda on this Friday, January 23rd Council meeting. And that bill is basically to correct a situation where one of the previous RPTR bills repealed some of the language in one of these sections because the way the bill was drafted, it didn't include current sections of the Code. So, what Ms. Wrigglesworth is saying is that if this bill passes, it's going to have to be tweaked to account for the current law if, you know, that bill that's going to be heard on Friday passes second reading, yeah.

COUNCILMEMBER SUGIMURA: Oh, okay.

MR. HANANO: So, just kind of a housekeeping measure.

CHAIR LEE: Yeah, it was a bill that we all failed to recognize as deficient. And it was actually not initiated in our Committee, it was initiated by the Department, but we didn't catch it until just recently by Mr. Hanano. That's actually a separate matter, but it kind of affects what we're doing today. Okay, no more clarifying questions? Then, Staff, could you call for --

COUNCILMEMBER PALTIN: Oh, I --

CHAIR LEE: Oh, I'm sorry.

COUNCILMEMBER PALTIN: -- I do have a clarification.

CHAIR LEE: Okay. Member Paltin.

COUNCILMEMBER PALTIN: Yeah. When I said moving this ASF forward, I didn't mean that you guys couldn't amend it. Like if Corp. Counsel, or Finance, and Peter Hanano come to an agreement about where exactly the implementation should be in the Code,

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I'm open to the ASF being amended. I'm not trying to say like you have to pass it as...as is, or I'm going to pick up my toys and take them home, and not let you guys pass it. So, I just wanted to clarify that. Like this is the ASF that Mr. Hanano worked on, based on what the Finance Department said, to the best of his ability. If things get pointed out that, you know, it could be put here because of what...I'm not married to this language, it can be amended.

CHAIR LEE: Yeah. Good. Any more clarifying questions? If not, let's call for public testimony.

MR. KRUEGER: Chair, proceeding with testimony on RPTR-7. If there is anyone else who'd like to testify on this item who hasn't already testified on this item, please identify yourself now. Chair, I...I have raised...I see raised hands from James Langford and Tom Croly. These individuals already testified on this item, so I'm just going to call them to make sure there's no other individuals with them that are wishing to testify on this item. Mr. Langford, is there someone else with you who's wishing to testify on this item?

MR. LANGFORD: Oh, I'm sorry, I thought there was testimony opened on the ASF, different than Bill 142. So, that's where my confusion was on it. And I drafted the language for the Section B and posted it on Facebook to help. I was going to read that in the testimony so that *(audio interference)* --

CHAIR LEE: And that is allowed.

MR. LANGFORD: -- save y'all some time and money.

CHAIR LEE: Why not?

MR. LANGFORD: Oh.

MR. KRUEGER: Chair, apologies. Could...could Staff request a brief recess, maybe two minutes?

CHAIR LEE: Okay. Two-minute recess. . . .*(gavel)* . . .

RECESS: 9:44 a.m.

RECONVENE: 9:53 a.m.

CHAIR LEE: . . .*(gavel)* . . . Will the Special Committee on Real Property Tax Reform please reconvene. Thank you, everyone, for your patience. We will continue now with opening the floor for public testimony if you have not already testified on these items.

MR. KRUEGER: So, Chair, proceeding with testimony. Tom Croly still has his hand raised. I'm not sure if there's another individual with him who...who wants to testify, but Mr. Croly has already testified on this item.

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CHAIR LEE: Well, let's see what he is asking about. Mr. Croly.

MR. CROLY: Hello, Chair. I think that I was designated as a resource to this Committee. So, I had comments to make, and that's why I raised my hand. If those are inappropriate, no problem. So, it...it's...it's your call.

CHAIR LEE: So, Staff, you didn't talk to me about that one. . . .*(laughing)*. . .

MR. CROLY: . . .*(laughing)*. . .

CHAIR LEE: No, no, no. What I'm saying is that this...it'll be his second time. Okay.

COUNCILMEMBER SUGIMURA: Oh, but as a resource.

COUNCILMEMBER PALTIN: Resource is during --

VICE-CHAIR RAWLINS-FERNANDEZ: Chair?

COUNCILMEMBER PALTIN: -- after testimony is closed.

VICE-CHAIR RAWLINS-FERNANDEZ: Chair?

CHAIR LEE: Pardon me? Wait, wait, wait. Let...let's see what Member Paltin said.

VICE-CHAIR RAWLINS-FERNANDEZ: No, no, I got the answer. I got it.

CHAIR LEE: Oh, okay. You got the answer.

VICE-CHAIR RAWLINS-FERNANDEZ: Yeah, I going say the same thing she is...or she did. May I request Mr. Croly serve...continue to serve our RPTR as a resource person?

CHAIR LEE: Okay.

VICE-CHAIR RAWLINS-FERNANDEZ: Okay.

CHAIR LEE: Any objections?

COUNCILMEMBERS: No objections.

CHAIR LEE: So ordered. Okay. So, you had comments?

MR. CROLY: Oh. Thank you. Thank you, Chair.

CHAIR LEE: Member *[sic]* Croly.

MR. CROLY: Yes.

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CHAIR LEE: Mr. Croly.

COUNCILMEMBER PALTIN: Testimony closed?

MR. CROLY: . . .*(laughing)*. . . Yeah.

COUNCILMEMBER PALTIN: Because resource is --

MR. CROLY: Oh, yeah, first you have to *(audio interference)* --

COUNCILMEMBER PALTIN: -- after the testimony closed.

CHAIR LEE: Vice-Chair Rawlins-Fernandez.

VICE-CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair. I...I...I can start us off with questions as the Committee Vice-Chair. Okay. So, I...from --

CHAIR LEE: I think they...she's asking you to...me to close testimony.

COUNCILMEMBER SUGIMURA: Yeah.

VICE-CHAIR RAWLINS-FERNANDEZ: No objections.

CHAIR LEE: Yeah, any objections to closing public testimony and accepting written testimony? Yeah.

COUNCILMEMBERS: No objections.

... CLOSE PUBLIC TESTIMONY ON RPTR-7 ...

CHAIR LEE: So ordered. Okay, Vice-Chair Rawlins-Fernandez.

VICE-CHAIR RAWLINS-FERNANDEZ: Okay. All right. Are you going to give us a time limit, or that's all right? *(Audio interference)* --

CHAIR LEE: Well, within reason. You know we...we...this is not a simple matter, so it's hard to squeeze it into three minutes. Go ahead.

VICE-CHAIR RAWLINS-FERNANDEZ: Okay. My first question was for the Department, and in their opening remarks, you folks said that the language that you offered Member Paltin? Or was that the Committee? Because I looked at Granicus, and I couldn't find it. Or was it, perhaps, to Mr. Hanano?

MR. HANANO: Actually, it was...I think a verbal recommendation on floor.

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VICE-CHAIR RAWLINS-FERNANDEZ: Oh, got it.

MR. HANANO: I...I can't remember what meeting it was.

VICE-CHAIR RAWLINS-FERNANDEZ: It was in...on October.

MR. HANANO: Proba...probably.

VICE-CHAIR RAWLINS-FERNANDEZ: In...in October.

MR. HANANO: Yes.

VICE-CHAIR RAWLINS-FERNANDEZ: Okay. So, I'll go look for that. And then my follow-up question is for our resource personnel, Mr. Croly.

CHAIR LEE: Mr. Croly? There he is.

VICE-CHAIR RAWLINS-FERNANDEZ: Okay. Did...did you have additional feedback that you wanted to share with the Committee?

MR. CROLY: Thank you. Thank you, Member Rawlins-Fernandez. You know, as...as you all know, I study this stuff really closely, and I try to fully understand the Code. And...and our entire exemption code is full of so many kind of special exemptions that it...it...it really is very confusing. And as was pointed out by Corp. Counsel, changes that we make in one section affect another, and...and...and do the two conflict, and so forth. And that's why I really want to advise the Council to not take action today on this ASF, and...and go...state your...your goals, and go back to square one with the Department to try to meet those goals. Councilmember Johnson has brought forward a proposal, and so forth. I...I...I just feel like we're not even close where we need to be in solving the problem that we have set out to try to solve here. So, that's...that's just where...where I was because if I don't understand it--I've actually been getting text from people who are...who are watching this, saying, what are they saying? You know, are...am I going to lose my homeowner exemption? So, it's...it's so confusing to folks because of how this goes that...that I...I really don't think that...that you're ready to...to make any decisions on...on this at this point. And that was all I wanted to bring forward to you at this point. Thank you for the opportunity.

CHAIR LEE: Vice-Chair Rawlins-Fernandez?

VICE-CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair. That concludes my questions for now. I'm...I am in October, and I...I see that Bill 144 was also taken up mid-November. So, I'm checking the meeting minutes for that. I just wanted to see the exact language.

CHAIR LEE: Member Paltin?

COUNCILMEMBER PALTIN: I think it was the December 9th meeting, actually. I mean the bill was introduced in October, you guys met November 13th and December 9th. My

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recollection was, it was the last meeting that you folks had that...where the language was orally presented. So, I think, to me, it was December 9th. That was the last meeting of your Committee, right?

CHAIR LEE: Was it? Yes.

COUNCILMEMBER PALTIN: So, that's where it would be, probably, December 9th.

VICE-CHAIR RAWLINS-FERNANDEZ: Chair, we didn't take up Bill 144. Is it 144 or 142?

CHAIR LEE: 142.

VICE-CHAIR RAWLINS-FERNANDEZ: Oh, okay.

COUNCILMEMBER PALTIN: But we could also ask Finance Director if they have the verbiage that they presented orally or verbally, and they can repeat it for you.

CHAIR LEE: Do you want, Finance, to repeat the language? Director Martin? Either one. Or Kari, you.

MS. STOCKWELL: Okay. So, A would read, none of the exemptions from taxation granted in Sections 3.48.466, 3.48.475 through 3.48.50...500, 3.48.549.

CHAIR LEE: Kari. Kari. How long is that paragraph? Maybe she can email it to everybody.

VICE-CHAIR RAWLINS-FERNANDEZ: Is...is it just adding the new section in Subsection A?

MS. STOCKWELL: So, it'd be adding a section that...in Subsection A that says --

VICE-CHAIR RAWLINS-FERNANDEZ: . . .*(inaudible)*. . .

MS. STOCKWELL: -- from taxation granted in Subsection 3.48.450 through 3.48.460 shall be allowed for the next tax payment date, provided that the claimant shall...have filed a claim for the home exemption on or before December 31st for the first half payment or June 30th for the second half payment on such form as shall be prescribed by the Department. And then you would have to amend 3.48.450(B)(3), that would say that where the taxpayer has acquired a home or deed made on or after July 1st, 1951, the deed must have been recorded by the respective dates set forth in 3.48.410(A).

VICE-CHAIR RAWLINS-FERNANDEZ: Those are very easy amendments, Chair. . .*(laughing)*. . . It's just adding June 30 to Subsection A of 410, and to 450, the home standards for evaluation. That's all they're doing is after...adding to December 31st or June 30.

CHAIR LEE: Okay.

VICE-CHAIR RAWLINS-FERNANDEZ: Yeah?

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CHAIR LEE: But...but my understanding, though, the ASF proposed by Member Paltin would lessen the time...the length of time. And...in other words, that what you think is half a year is more than half a year. So, let...let Mr. Hanano explain that.

MR. HANANO: Thank you, Chair. So, both proposals...you know, the...the goal is to have the taxpayers' real property taxes adjusted by the next tax payment. So, it depends on when you purchase your home. Under the current law, you know, a homeowner could wait up to 18 months to get the home exemption applied to their tax bill. And so, this...this bill...or this proposal is...intent is to reduce it to at least not more than six months.

CHAIR LEE: Versus Finance?

MR. HANANO: Oh, no. I think they...they accomplish the same goals, it's just how we want to do it is the question. And the concern that I stated before is under Subsection 3.48.410(D), they...there is a provision that allows late filing for homeowners who currently, I guess, qualify for the home exemption.

CHAIR LEE: Okay. Because we want to be clear exactly what we...the differences are, yeah?

MR. HANANO: Right.

CHAIR LEE: So, obviously, Member Paltin's one gives...more lenient...a more lenient position to the taxpayer. Member Paltin, you want to explain further what's the difference between your proposal and Finance's proposal?

COUNCILMEMBER PALTIN: My understanding is it's procedural, and how the verbiage and the section implementation is. It's not...it's not different in desired or expected outcome, I think it's a verbiage implementation difference. But I don't know if you want to take a 20-minute break, and see if Mr. Hanan...the lawyers and the Finance leaders can get together and hash out why they think each other's one is not the right place to put the stuff. Because I...I don't really care about how it's implemented. That should be under Finance's purview. I would like them to implement it in a way that they feel is most doable to them, given all the current things. I'm not saying that this is the be-all/end-all. As Mr. Croly said, obviously, we're very far from where we want to be. But in the interim, if we can take a half step in the right direction, I think, you know, the people that are hanging on paycheck to paycheck would welcome a six-month reprieve rather than no reprieve at all as Members of this Committee continue to work on other solutions. I'm about ready to tap out after this legislation because I got a lot of other stuff I'm working on, but I don't think that there's any difference in expected or desired outcomes. I think the difference is verbiage, and where to put it, and things like that.

CHAIR LEE: Okay. Thank you. The reason why I prefer not to take a recess is that we need to hear this discussion, okay. On the one hand, Finance is proposing something that

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is already in effect on the Big Island, yeah. So, it's...it's not a matter of having to create a new system. Is that right, Marcy?

MS. MARTIN: Yes. But I...I think the confusion is that the late-file exemption that we have already passed, it's for people who qualify as of January 1. There's only one owner, and they are getting the owner-occupied class for the full year. They are getting the exemption for the full year. So, that program is for those people.

CHAIR LEE: Versus?

MS. MARTIN: Versus this program is a half-year exemption, and it's for people who are applying between January 1 and June 30th, and they're going to get a half-year exemption. So, I...I don't want to comingle the two...two programs. I'd like to keep them separate.

CHAIR LEE: Okay. So, in response, Mr. Hanano?

MR. HANANO: I mean, Chair, to be honest, I'm okay with it if Corp. Counsel is okay with it because I understand what they're saying...I understand what Finance is saying.

CHAIR LEE: See how simple that was? Okay, let's make it more complicated. Questions, Member...Vice-Chair Rawlins-Fernandez.

VICE-CHAIR RAWLINS-FERNANDEZ: Oh, okay. I...I can make motions. I guess...okay. To qualify --

CHAIR LEE: Okay, before you begin...before...before you --

COUNCILMEMBER SUGIMURA: Gabe Johnson has his hand up --

CHAIR LEE: -- before I call on Gabe. Marcy Martin. Okay. So, I just wanted to make sure, are you talking about...you're taking the ASF into consideration, or you're not taking it into consideration? Okay. You're commenting on which...which proposal? The original one, or the one with the ASF?

MS. MARTIN: I'm commenting on the ASF and...and the language that, you know, we would like to see from 3.48.410.

CHAIR LEE: Okay. Okay. We better have a motion, and then...and then after that, the motion...the amend...amendment motion proposal so we can get into it. Vice-Chair Rawlins-Fernandez.

VICE-CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair. Before I make the motion, just a quick question for our OCS Attorney. It's a procedural question. I have the ASF opened, not the...not Bill 142. And Section 2 starts with B, and not A. So, because it's beyond the scope of...or it's not part of the...the bill, Subsection A--and that's the section that we would need to amend in order to pass this, as the Finance Department is

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recommending to us, to make everything consistent, otherwise it's not going to be--would we be able to add Section A to this bill?

MR. HANANO: You know, I...I don't think it's a problem. But what I would suggest is probably defer this and, you know, we can come up with another ASF with all the language, and everything. I mean, we have, I think, at least one more meeting...RPTR meeting. That's what I would suggest.

CHAIR LEE: Vice-Chair Rawlins-Fernandez?

VICE-CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair. I...so, I've introduced and have passed several bills in this Committee. And I've worked, you know, outside of open meeting time to kind of nail down the exact language in the...the sections because there's some...sometimes I miss things. I know, shocker, but I do miss things sometimes.

CHAIR LEE: . . .*(laughing)*. . .

VICE-CHAIR RAWLINS-FERNANDEZ: And the Department has helped to, you know, identify sections because they work with this section of the Code all the time. So, they know if there's a section that's like not really on my radar that I need to make sure is part of my bill in order for, you know, the...the machine to work properly, and not be missing screws. And so I...I guess I would like try to encourage everyone to be able to work together offline before the next RPTR meeting.

CHAIR LEE: Excuse me. Member Paltin has been working with Finance all along, as far as I know, and Mr. Hanano as well.

VICE-CHAIR RAWLINS-FERNANDEZ: Oh, just one last time before the meeting.

CHAIR LEE: Oh, one more time?

VICE-CHAIR RAWLINS-FERNANDEZ: Yeah, one last time before we --

CHAIR LEE: Okay.

VICE-CHAIR RAWLINS-FERNANDEZ: -- before RPTR has another meeting, and then that way we can make sure that we have all the pieces.

CHAIR LEE: Okay.

VICE-CHAIR RAWLINS-FERNANDEZ: Because this one was missing the Section A, that...that's why I brought it up. Mahalo, Chair.

CHAIR LEE: Good. Member Sugimura, did you have any comments or questions?

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COUNCILMEMBER SUGIMURA: I think we should work on it, as everyone is saying, and take Member...I mean, Mr. Hanano's recommendation of deferring it, and let's just get it so we're all correct.

CHAIR LEE: Okay. Member Johnson?

COUNCILMEMBER JOHNSON: Oh, saving the best for last, huh, Chair. . . .*(laughing)*. . .

CHAIR LEE: . . .*(laughing)*. . .

COUNCILMEMBER JOHNSON: I...I'm sorry, my hand is up. You know how it is when you're online, and I wish in the Chambers, you can see my hand, but...you know, I think I would support deferring, and...and asking the Administration to reconsider the idea of the funding for this. Have a program where you could have funding to...to meet the differences. I agree with...with our...our...our friend Tom Croly, you know, he...he said there's a lot of...lot of cooking on this bill that needs to happen beforehand. The idea...the whole...look, the whole idea of six months...yes, it is better than what we have, but I don't think you give a thirsty man a sip, you give him the cup. And our folks are hurting, right? If...if...you know, when Bill 9 starts taking into effect, there's going to be a lot of homes that are paying really high property tax rates that could open up to a local family who's long-term, and they should be able to pay the lower property tax rates. So, I know that we...we really want to help those folks. Our people are hurting. We could do better. I...I encourage, I...I implore, I beg the Administration to please do the...the yes-and. You want two separate programs? Sure. But you should also create a fund that helps those folks that are needing it, to...that they can't do the full...the full payments of those high property tax rates. So, please...please reconsider, Department, and...and look and see if we can do that fund. The idea that the...it's a...it's a supplemental fund that you...the...the Administration could be in charge of, and just covering those costs for the...our...our...our people. So, I just want to say please, once again, Administration, consider it. It sounds to me like a lot of the folks...even Corporation Counsel is saying to defer it. It's confusing. Tom Croly follows this stuff. This is his bread and butter. He was say...saying it's even confusing for him. So, I want to just add that in there, Members. I really would want the Administration to look at creating a fund for this. Thank you, Chair.

CHAIR LEE: Thank you. Any comments from the...from the Department?

MS. MARTIN: Thank you, Chair. So, I think, you know, what Gabe and Tom are talking about is really outside of Real Property. The purpose of Real Property is to provide a stable, predictable, and elastic source of revenue for the local government. And all of our tax relief programs are retroactive, almost like a...a reimbursement, right? They're as of a date, and then you're taxed later, and you...you've done something, and then you're compensated for that something in the next year. The...the entire program is based upon that. So, what is being suggested, of giving somebody something the day that they buy really is more like giving them money because they promised to do something. But they really don't qualify for what they're getting, you know, up until the day they purchase. And then at that point...you know, we don't want to give

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somebody \$10,000 and have them own it for one day...and owner occupy it one day, and then the next day, turn around and do another activity. You...you kind of want to hold them accountable so that it's fair to all the people who are already in the system, you know, for that time period that that money covers. And if you wanted to provide them something that would help them qualify, you're...you're actually, you know, prequalifying somebody for something that hasn't happened yet. And I kind of liken this to some of the other affordable housing programs we have, right? Where you apply, you...you get a voucher, right, and then you take that voucher in to somewhere, and they say, okay, well, if this happens, if this happens, if this happens, you get it. And then they put some kind of condition on that, that you have to do this activity for so long into the future. We have programs like that, but those programs aren't in real property, they are usually some other form. Yes, we would, of course, help on trying to implement that because we see the value in that, but that...if it reduced taxes, right, it would be more of a payment or a credit. It wouldn't be an adjustment to the taxes, right? It would be like a subsidy, or a grant, or something. So, you know, we would be interested in...in helping that, but I don't feel like would fall within the Code just because of the nature of that being kind of a precursor to an event that would be coupled with a promise of the future.

COUNCILMEMBER JOHNSON: Chair, can I respond?

CHAIR LEE: Member Johnson?

COUNCILMEMBER JOHNSON: Thank you, Chair. You know, this Administration was the one who proposed Bill 9, and it was contentious...but at the end of the day, there needs to be companion bills that follow Bill 9 along. I would hope the Administration would want to support companion bills, and...and ways that we could sort...get people in these homes, if that's available for them. Just want to remind you, you're looking at the Big Island model, California does it this way too. California has...has that. So, there's other municipalities, other areas that can...that can do it. And if...if the Administration gives us this big Bill 9, I mean there's other things that we need to adjust to...to that big bill. So, I just wanted to bring that up. Thank you.

CHAIR LEE: Thank you. Mr. Hanano, any final comments before we --

VICE-CHAIR RAWLINS-FERNANDEZ: Chair?

MR. HANANO: Nothing further, Chair. Thank you.

CHAIR LEE: Vice-Chair Rawlins-Fernandez?

VICE-CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair. I just...what I hear the Department saying is that they support this initiative, that, you know, it's important, but where we're trying to stick it in may be a round peg into a square hole. And so, like we...we need to figure out a better mechanism for achieving what it is that we're trying to do. That...that's what I heard the Department saying?

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CHAIR LEE: Marcy?

MS. MARTIN: Yes, that is correct because we are very different than California. California doesn't assess properties, they tax on acquisition, which is very unfriendly for affordable housing. They don't have a homeowner class. So, they do do it on a day you buy, but there are pluses and minuses to that as well. So, I...I...I think that, you know, if...if that is the desire, I think it needs to be handled with another mechanism. Because then I just think you're always chasing. Because if...if...if the ultimate goal is to have someone to be able to prequalify, then you...for sure, you're outside of the realm of...of real property because they don't even own the property yet, so...

VICE-CHAIR RAWLINS-FERNANDEZ: Mahalo, Director. And I...you know, I'm...I'm supportive of an idea that Member Johnson proposed, of like having a fund. Figuring out how that fund and the mechanism would work internally is for us to, you know, try to work out with the Administration. And I...and I understand, you know, the greatest benefit to our...our residents, our property taxpayers is, you know, for on the...the day of closing, that they would immediately start paying, you know, that...the...the tax classification that they actually are in on that day. And so, I hear what Mr. Croly is saying and, you know, like in...if we were to invest an incredible amount of money into Staff and software, we could...we could, you know, probably do that. But we, as Government, need to balance how we make that work, and what is the most feasible to charge everyone in order to fund the systems that we have in place, and to make it as...as fair as possible. You know, with the mention of Bill 9, and in preparation for some of those units being long-term or homeowner, I definitely support figuring out a mechanism for that as well. So, I...I think we're all generally on the same page. I think we just have to, you know, figure out the different systems that will achieve our...our shared goals. Mahalo, Chair.

CHAIR LEE: Yeah, I agree with you. I...you know, there's...there's work to do. What...from the Administration's point of view, they wanted us to make the changes within the framework they already have. We are saying, let's change the framework. Let's create something different and new. So, that's the hard part because we don't do that on a daily basis. Any more comments, questions?

VICE-CHAIR RAWLINS-FERNANDEZ: And...and, Chair, just...you know, any time we change frameworks, then there's bugs in it, and then we have to get the bugs out. . . .*(laughing)*. . . So...because we...we have done some radical changes, such as, you know, introducing the tiers that we work with the Department on instituting. And there were bugs there, and...as well as the real...long-term rental classification and exemption. There were a lot of, you know, room for improvement in that first couple of years. And I think we...you know, we got it down like really well, and now we're improving it some more. So, just like with any, you know, systems, it...it's ever-evolving, just as society is, and we just have to keep up with what we're doing. Mahalo, Chair.

CHAIR LEE: Thank you. Anybody else? Last comments. Member Paltin.

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COUNCILMEMBER PALTIN: Thank you. I just had a question because my recollection was that we were...for the Front Street Apartment rebuild, questioning a fund that nobody knew how it was created. So, my question was, can the Administration just create a fund, or does that have to be a legislative act?

CHAIR LEE: Is this for Marcy? Is this for Ms. Martin?

COUNCILMEMBER PALTIN: Probably for Corp. Counsel.

CHAIR LEE: Corp. Counsel, and then Vice-Chair Rawlins-Fernandez.

VICE-CHAIR RAWLINS-FERNANDEZ: Yes, you need legislation.

CHAIR LEE: Corp. Counsel, go ahead --

COUNCILMEMBER PALTIN: Okay.

CHAIR LEE: -- answer.

MS. WRIGGLESWORTH: Yes, there would have to be a change in...in the law for a new program.

COUNCILMEMBER PALTIN: Okay. And then for, I guess, Finance, those programs that were being referred to...like if there's a fund that we create, have...where have you seen them in the past? Is it Human Concerns, or is it under Housing, or...because you said it wasn't in the real property tax world...or real...Real Property Division world. Did you have a suggestion of where it should be...what world...what Department?

CHAIR LEE: Ms. Martin?

MS. MARTIN: I feel that, you know, the administration of it, you know, it would be quite a lot of work, right? Because, you know, we...we see right now what's happening with the people applying for tax relief who are...are buying...or who are applying for relief who are buying property. You get a lot of applicants, you know. So, it probably would go within some of the...the housing programs that already exist, right? It would be a component to that.

COUNCILMEMBER PALTIN: Like a tack-on to the first-time homebuyers, or something like that?

MS. MARTIN: Yeah. I'd...I'd have to really dig in, you know, to figure out, you know, where that would belong. But I think, you know, we're already doing some similar things. So, again, this would be...you know, regardless, it's hard to do something at the time of...of sale because things happen very quickly, as, you know, Finance is learning as we're going through the...the program with CDBG-DR, you know. . . .(laughing). . . We are really doing everything we can to accommodate those transactions timely. So, you know, again, this is something really that kind of --

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COUNCILMEMBER PALTIN: Who administers...who administers the DHHL, like seven-year thing? Is that you folks?

CHAIR LEE: Go ahead.

MS. MARTIN: The seven year is, they stay off the roll for the first seven years. So, we're delaying the --

COUNCILMEMBER PALTIN: And...and that legislation...legislation is under your purview?

MS. MARTIN: That's...well, it's directed through the Act from...I think, from the...the State. So, they remain nontaxable for the first seven years of their lease.

COUNCILMEMBER PALTIN: So, if we did something like non-Hawaiian homelands were nontaxable for the first two years. Affordable home...any affordable home is nontaxable for the first 18 months, provided that they've been a resident of the State of Hawai'i for two years, or whatever, would that be administered through you folks?

CHAIR LEE: Director?

MS. MARTIN: Thank you. So, we are currently working on a bill with the Chair--Alice--to address that issue, and I think it will be forthcoming. So, that's already in the works.

COUNCILMEMBER PALTIN: So, then do you even need this one? Because that's what this is kind of trying to address...or is that like because this one doesn't address affordable homes, it's all homes?

MS. MARTIN: Correct. So, that bill that we're working on ties to Chapter 2.96, and where this would apply to everyone.

COUNCILMEMBER PALTIN: Hmm. And...and so, like the one that you're working on is based on income qualifications.

CHAIR LEE: Well, let me explain. This bill has to do with affordable housing projects...all affordable housing projects. And we, the Council, approve these projects well in advance. So, years later, when they're finally built, the owners may occupy in January. So, from January to December 30th...or 31st, they have to pay the Non-Owner Occupant classification, which is extremely high, and in some cases, disqualifies them from having a house. So, this is the reason why I'm trying to target that group. This wasn't meant for the fire survivors necessarily. It could, I suppose, but that...that wasn't the original intent. Marcy.

COUNCILMEMBER PALTIN: Okay. I understand that. My...my follow-up question for Ms. Martin, do you have like statistics or data on how many of our residents purchase homes annually to live in as their primary dwelling?

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CHAIR LEE: Marcy?

MS. MARTIN: We receive about 1,500 applications a year. So --

COUNCILMEMBER PALTIN: Are those --

MS. MARTIN: -- the requirement is they have...they file one year resident income taxes prior to applying so we know, at least, they've lived here, you know, one or...or two years before applying. But I did want to mention that the Department has said that they can go back to January 1 for the tax relief. So, we would give the tax relief for the whole year, which would benefit the existing owner for whatever part that they owned, right? I just want to make that clear, that we...we had talked about that.

COUNCILMEMBER PALTIN: Okay. And then the 1,500 applications that you're getting, those are brand-new owner...homeowner exemption applications that haven't ever been issued previously?

CHAIR LEE: Director?

MS. MARTIN: They could be new, or they could sell one home and move into another.

COUNCILMEMBER PALTIN: So, basically, about 1,500 of our residents per year, approximately, are purchasing new homes to live in?

CHAIR LEE: Director?

MS. MARTIN: Correct.

CHAIR LEE: Director, I've heard you say 750 before. Can you clarify?

MS. MARTIN: That was for the half year.

COUNCILMEMBER PALTIN: That's a half year.

CHAIR LEE: Oh, I see. I see.

MS. MARTIN: Yeah, so the 1,500 is half [sic]. But, you know, for our next meeting, I think we should make a chart, and share it with everybody so we can see.

CHAIR LEE: Yeah, good...good idea. Okay. Any more questions, Member Paltin?

COUNCILMEMBER PALTIN: One...one more for Ms. Martin. So, if those homeowner exemptions...the 1,500 homeowner exemptions--couple more, sorry--how many get approved? Like does everyone that apply pretty much meet the...the requirements and get approved?

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MS. STOCKWELL: Thank you. So, initially we do approve majority of applications. We then do compliance on all the applications to see if they've met the criteria. And at that point, we do catch probably about...so of the 1,500, about 5 to 10 percent every year. We do have to then...they...they didn't submit their income tax returns, they didn't file as a Hawai'i...so they sign that they do do it, we give it to them, and then upon compliance, we would remove the exemption, and go back on them if they didn't meet the requirements.

COUNCILMEMBER PALTIN: So, I just had a quick question if...of a different direction for the bill that could satisfy everyone. The issue with it right now is up to 18 months, people may be paying Non-Owner Occupied, may be playing [sic] short-term rental. If...how about the first time they apply for a homeowner exemption, and they get approved for the homeowner exemption, they get their first 18 months deferred like DHHL or a minimum tax, or something like that, then they're not waiting 18 months. Like...kind of like how when DHHL moves into their property, they're not taxed for the first seven years. If a local resident buys a property that they're going to move into, and then we defer it for the first 18 months . . .(inaudible). . .

CHAIR LEE: Director?

MS. MARTIN: So, for the Department of Hawaiian Home Land, DHHL, properties, they start as nontaxable because they're owned by the State. So, the taxes start at zero. So, when they move in, there's no taxes, and then it remains nontaxable for the seven...seven years. So, that's the...the difference, that...this is going in the opposite direction, right. The taxes are high to begin with, and then we want to reduce it. So, we can --

COUNCILMEMBER PALTIN: Or defer it.

MS. MARTIN: So, you mean like a deferral? Like put a lien on the property for the deferral?

COUNCILMEMBER PALTIN: Well, like the...the first seven years are deferred, even after there's a home on it and somebody moves in. So, I was speaking of deferral in those terms...like deferring the property taxes when a homeowner moves into a home that they've purchased. But it wouldn't be possible? Like you get...say you get 1,500 homeowner exemptions per year, and you look through them, and you approve them...and as you approve them, you defer the taxes for 18 months.

CHAIR LEE: Okay. Could you --

COUNCILMEMBER PALTIN: Is that a possibility?

CHAIR LEE: We need to wrap this up because one of the Members has to leave. So, could you give us a quick question, Director? I mean, quick answer?

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MS. MARTIN: We will think about that, and I...I...understand what you mean. So, I...I think...I think that's something we had...we had talked about in the past, and I think we can present a scenario for you all to look at.

CHAIR LEE: Okay.

MS. MARTIN: And we would be willing to do that.

CHAIR LEE: Okay.

COUNCILMEMBER PALTIN: Did seem...kind of seem like the affordable housing projects...before anyone moves into it, they're paying Non-Owner Occupied on the land, right?

CHAIR LEE: Director?

MS. STOCKWELL: That's correct. Non-Owner Occupied prior to moving in.

CHAIR LEE: Okay. We're going to have to shorten this. We will, if there are no objections, defer this item, and work on it. Okay.

COUNCILMEMBERS VOICED NO OBJECTIONS.

ACTION: DEFER pending further discussion.

CHAIR LEE: Thank you, everyone, for your participation. This meeting is adjourned.
...*(gavel)*...

ADJOURN: 10:37 a.m.

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Transcribed by: Tricia Higa

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CERTIFICATION

I, Tricia Higa, hereby certify that pages 1 through 28 of the foregoing represents, to the best of my ability, a true and correct transcript of the proceedings. I further certify that I am not in any way concerned with the cause.

DATED the 9th day of February 2026, in Mililani, Hawai'i



Tricia Higa