

COUNCIL OF THE COUNTY OF MAUI
ECONOMIC DEVELOPMENT AND
BUDGET COMMITTEE

November 8, 2019

Committee
Report No. _____

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Economic Development and Budget Committee, having met on October 3, 2019, and October 17, 2019, makes reference to a Miscellaneous Communication dated May 21, 2019, from the County Clerk, relating to the matter of tax reform, including the possibility of forming a temporary investigative group to investigate various means of tax reform.

Your Committee first discussed the value of forming a temporary investigative group ("TIG") in April 2019. Your Committee Chair followed through on the matter, and a TIG was formed on May 16, 2019, for the purpose of making findings and recommendations on policies relating to tax reform. The Chair of your Committee was designated as the TIG Chair, with Councilmember Alice L. Lee named TIG Vice-Chair, and Councilmembers Tasha Kama and Tamara Paltin appointed as TIG members. Your Committee notes between July 17, 2019, and September 9, 2019, the TIG met seven times with Department of Finance representatives for the purposes of creating tax reform solutions, identifying barriers to creating tax reform, and drafting legislation for the Council's consideration to facilitate tax reform. TIG members were also encouraged to meet with tax reform advocates and experts for the same purposes.

By correspondence dated September 19, 2019, the Chair of your Committee submitted the TIG's final report. In its report, the TIG recommended various proposals to amend Chapter 3.48 of the Maui County Code, including to establish tiers of rates within classifications based on value ranges and to revise the organization and description of classifications.

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Your Committee notes the tiered structure for real property tax rates recommended by the TIG is similar to what the City and County of Honolulu has had since the enactment of its Ordinance 13-033 six years ago.

By correspondence dated September 27, 2019, the Chair of your Committee transmitted the following:

1. A proposed bill entitled "A BILL FOR AN ORDINANCE RELATING TO TIERS OF REAL PROPERTY TAX RATES."

The purpose of the proposed bill, known as the tiers bill, is to further principles of County property tax reform, including through the establishment of tiers of real property tax rates.

2. A proposed bill entitled "A BILL FOR AN ORDINANCE RELATING TO REAL PROPERTY TAX VALUATIONS."

The purpose of the proposed bill, known as the classifications bill, is to further principles of County property tax reform, including through the establishment of a new set of real property classifications.

By correspondence dated October 11, 2019, the Chair of your Committee transmitted a revised proposed tiers bill and a revised proposed classifications bill.

The revised proposed tiers bill states the purpose of tiered property tax rates is to promote a more progressive tax system for the County. The language creating the tiered rates was also revised to more clearly explain how the tiers would function.

As revised by your Committee, tiers would be established for the following classifications of real property:

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1. Owner-Occupied.
2. Non-Owner-Occupied.
3. Short-Term Rental.
4. Commercial
5. Industrial.

The tiers bill also eliminates the need for separate tax rates for land and building within a property classification.

At its meeting of October 17, 2019, your Committee considered a further revised classifications bill.

As revised by your Committee, the classifications bill would establish the following set of real property tax classifications:

1. Owner-Occupied.
2. Non-Owner-Occupied.
3. Apartment.
4. Hotel and Resort.
5. Time Share.
6. Short-Term Rental.
7. Agricultural.
8. Conservation.
9. Commercial.
10. Industrial.
11. Commercialized Residential.

Your Committee notes the proposed Owner-Occupied classification would function the same as the current Homeowner classification.

Your Committee further notes the classifications bill eliminates the need for condominium owners to declare the actual use of their units to the Department of Finance. Instead, condominium units will be

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classified based on their highest and best use unless an exception applies.

The Director of Finance said public-education efforts will be warranted if the bills are enacted, and your Committee agreed. In response, the Chair of your Committee submitted an editorial column to a local newspaper and will consider other education efforts, such as sending the information in a mailer and hosting presentations on the changes during the Council's budget session in April. The Chair of your Committee also encouraged Councilmembers to lead education efforts in their residency districts.

Your Committee expressed its support for the revised bills as important steps of reform by helping to ensure greater equity and transparency in the County's real property tax system. Your Committee also noted more work is necessary.

Your Committee considered the dedication of parcels for long-term affordable rental and long-term rental use to incentivize long-term affordable rentals. However, your Committee desired more time to consider the issues.

Your Committee expressed interest in creating a second TIG to further consider tiers for additional classifications and to incentivize the dedication of parcels for long-term affordable rental use and long-term rental use.

Your Committee voted 9-0 to recommend passage of the revised proposed bills on first reading. Committee Chair Rawlins-Fernandez, Vice-Chair King, and members Hokama, Kama, Lee, Molina, Paltin, Sinenci, and Sugimura voted "aye."

By correspondence dated October 28, 2019, your Committee transmitted to the Department of the Corporation Counsel for approval as to form and legality revised proposed bills incorporating your

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Committee's recommended revisions and nonsubstantive revisions, including those necessary to promote the use of plain language in legislation.

Your Economic Development and Budget Committee RECOMMENDS the following:

1. That Bill _____ (2019), attached hereto, entitled "A BILL FOR AN ORDINANCE RELATING TO TIERS OF REAL PROPERTY TAX RATES," be PASSED ON FIRST READING and be ORDERED TO PRINT; and
2. That Bill _____ (2019), attached hereto, entitled "A BILL FOR AN ORDINANCE RELATING TO REAL PROPERTY TAX VALUATIONS," be PASSED ON FIRST READING and be ORDERED TO PRINT.

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This report is submitted in accordance with Rule 8 of the Rules of the Council.



KEANI N.W. RAWLINS-FERNANDEZ, Chair

edb:cr:19037aa:jgk

ORDINANCE NO. _____

BILL NO. _____ (2019)

A BILL FOR AN ORDINANCE RELATING TO
TIERS OF REAL PROPERTY TAX RATES

BE IT ORDAINED BY THE PEOPLE OF THE COUNTY OF MAUI:

SECTION 1. Article X, Chapter 3.48, Maui County Code, is amended to
read as follows:

“Article X

Determination of Rates and Tiers

3.48.560 Definitions. Unless a different meaning is clearly indicated by the context, as used in this article:

A. [“Net taxable lands” means all other real property exclusive of buildings.

B.] “Net taxable real property” means [, as indicated by the context,] the percentage of the fair market value of property determined under section 3.48.180, which the director of finance certifies as the tax base as provided by ordinance less exemptions as provided by ordinance and, [in all cases which appeals from the director's assessment are then unsettled, less fifty per cent] 50 percent of the value in dispute[.] for all cases in which appeals from the director's assessments are unsettled.

B. “Tax rate” means the dollar amount of tax levied under this chapter per \$1,000.00 of net taxable real property, computed to the nearest cent.

3.48.561 Tax rate tiers. A. Classifications are established in section 3.48.305.

B. To establish progressive property taxes and notwithstanding any provisions to the contrary, three equivalent or ascending tiers of tax rates for properties classified as owner-occupied, non-owner-occupied, short-term rental, commercial, and industrial must be established. The tiered rates apply to three corresponding ascending or equal ranges of property values. The rates, tiers, and value ranges are set forth in the

annual budget. Any reference to "tiers" in this chapter incorporates value ranges.

3.48.565 Increase or decrease. The council may increase or decrease the tax rate and tiers, if applicable, for [buildings and for all other real property, exclusive of buildings for net taxable land and net taxable buildings of] each class of net taxable real property established in accordance with section 3.48.305. A resolution setting the tax rates and tiers shall be adopted on or before June 20 preceding the tax year for which property tax revenues are to be raised according to the following procedures:

A. The council [shall] must advertise its intention to increase or decrease tax rates and tiers and the date, time, and place of a public hearing in a newspaper of general circulation. The date of the public hearing shall be not less than ten days after the advertisement is first published and [shall] must set forth the tax rates and tiers to be considered by the council.

B. After the public hearing provided for in subsection A [of this section], the council [shall] must readvertise and reconvene within three weeks to adopt a resolution fixing the tax rates and tiers for the tax year for which property tax revenues are to be raised. The advertisement [shall] must state the new rates and tiers to be fixed and the date, time and place of the meeting scheduled for fixing [such] the rates[,] and tiers. The date, time, and place of the meeting [shall] must also be announced at the public hearing required by subsection A [of this section]. If the resolution fixing the tax rates and tiers is not adopted within three weeks from the public hearing required by subsection A [of this section], the council [shall] must again advertise and meet as required by subsection A.

C. If adopting an increase or decrease in the tax rates and tiers as provided by subsections A and B [of this section], the council determines [that] it requires a further increase or decrease in tax rates and tiers or fails to act in any specified period, the council shall readvertise and follow the requirements of subsections A and B.

3.48.575 Use of increased or decreased rates and tiers. If the tax rates and tiers for the tax year are increased or decreased, the council [shall] must notify the director of finance of the increased or decreased rates and tiers, and the director [shall] must employ [such] rates and tiers in the levying of property taxes as provided by this chapter.

3.48.580 Calculations submitted by director. A. [The director of finance shall, on] On or before April 19 preceding the tax year, the director of finance shall furnish the council with a calculation certified [by him] as being as nearly accurate as [may be,] possible, of the estimated revenues derived using the rates and tiers set forth in the proposed budget, separately stated for each [category] classification established in accordance with section 3.48.305, for net taxable [lands and for net taxable buildings.] real property.

B. [The director of finance shall, on] On or before May 1 preceding the tax year, the director of finance shall furnish the council with a calculation certified [by him] as being as nearly accurate as [may be,] possible, of the net taxable real property within the County, separately stated for each [category] classification established in accordance with section 3.48.305 [for net taxable lands and for net taxable buildings] plus such additional data relating to the property tax base as may be necessary.

3.48.585 Validity. Insofar as the validity of any tax rate and tier is concerned, the provisions of sections 3.48.565 and 3.48.580, as to dates, shall be deemed directory; provided, that all other provisions of sections 3.48.565 and 3.48.580, and all provisions of section [3.48.570 and] 3.48.575 shall be deemed mandatory.

3.48.590 Minimum real property tax. Notwithstanding any provision to the contrary, [there shall be levied upon] each individual parcel of real property taxable under this chapter is subject to a minimum real property tax as set forth in the annual budget, except for the following:

[1] A. Those tracts leased under section 207 of the Hawaiian Homes Commission Act, 1920, as amended;

[2] B. Any parcel used for farming taro where the assessed value times the current agricultural class tax rate is less than the minimum real property tax;

[3] C. Portions of real property designated as kuleana land and granted an exemption as provided for in section 3.48.554;

[4] D. Homes[,] or portions [thereof,] of homes granted an exemption under section 3.48.475 to be levied a real property tax of \$150 per year; and

[5] E. Remnant parcels granted an exemption under section 3.48.552 to be levied a real property tax of \$150 per year.”

SECTION 2. Material to be repealed is bracketed. New material is underscored. In printing this bill, the County Clerk need not include the brackets, the bracketed material, or the underscoring.

SECTION 3. This ordinance takes effect upon its approval.

APPROVED AS TO FORM AND LEGALITY:

Department of the Corporation Counsel
County of Maui

edb:misc:037abill06:jgk

ORDINANCE NO. _____

BILL NO. _____ (2019)

A BILL FOR AN ORDINANCE RELATING TO
REAL PROPERTY TAX VALUATIONS

BE IT ORDAINED BY THE PEOPLE OF THE COUNTY OF MAUI:

SECTION 1. Article VII, Chapter 3.48, Maui County Code, is amended to
read as follows:

“Article VII

Valuations

3.48.290 Considerations by director. The director [of finance shall] must cause the fair market value of all taxable real property to be determined and annually assessed by the market data and cost approaches to value using appropriate systematic methods suitable for mass valuation of properties for taxation purposes, so selected and applied to obtain, as far as possible, uniform and equalized assessments throughout the [county] County; [provided, that the] except as follows:

A. For real property tax purposes, the value of land classified and used for agriculture, whether such lands are dedicated [pursuant to] in accordance with section 3.48.350 or not, [shall, for real property tax purposes,] must be the value of [such] the land for agricultural use without regard to any value [that such] the land might have for other purposes or uses, or to neighboring land uses, and determined as provided in section 3.48.320; and [provided further that, for]

B. For real property tax purposes, the value of land leased under [Section] section 207 of the Hawaiian Homes Commission Act, 1920, [shall be no value.] is \$0.00.

In making [such determination and assessment,] determinations and assessments under this section, the director [shall] must separately value and assess, within each class established in accordance with section 3.48.305, buildings and all other real property, exclusive of buildings.

3.48.300 Methods—Recordkeeping. [So far as practicable, records shall] Records should be compiled and kept [which shall] that show the methods established by or under the authority of the director[,] for the determination of values.

3.48.305 Classification of [land and building.] real property. A. Except as otherwise provided in subsection [3.48.305(B), land and building shall] B, real property must be

classified, upon consideration of [the real property's] its highest and best use, into the following general classes:

1. [Residential.] Owner-occupied.
2. [Apartment.] Non-owner-occupied.
3. [Hotel and resort.] Apartment.
4. [Time share.] Hotel and resort.
5. [Commercial.] Time share.
6. [Industrial.] Short-term rental.
7. Agricultural.
8. Conservation.
9. [Homeowner.] Commercial.
10. [Commercialized residential.] Industrial.
11. [Short-term rental.] Commercialized residential.

B. In assigning land to one of the general classes, the director [shall] must give major consideration to:

—the districting established by the land use commission [pursuant to] in accordance with chapter 205, Hawaii Revised Statutes,

—the districting established by the County in its general plan and comprehensive zoning ordinance,

—use classifications established in the [general] Hawaii state plan [of the State,] and [such]

—other factors that influence highest and best use, except [that]:

1. [A parcel] Real property that is used [exclusively] as the owner's principal residence and has been granted either a home exemption in accordance with sections 3.48.410 and [3.48.475, shall] 3.48.450 or an exemption in accordance with sections 3.48.410 and 3.48.475 must be classified as ["homeowner"] "owner-occupied" without regard to its highest and best use.

2. Real property improved with a dwelling, as defined in the comprehensive zoning ordinance, that would not be classified as "owner-occupied," "hotel and resort," "time share," "short-term rental," "commercial," "industrial," or "commercialized residential" must be classified as "non-owner-occupied."

3. Multi-dwelling-unit improvements containing five or more dwellings that would not be classified “short-term rental” must be classified “apartment.”

[2.] 4. A parcel that serves as the owner's [primary] principal residence and has been granted a bed and breakfast home permit, a [transient vacation rental] a short-term rental home permit, or a conditional permit allowing a transient vacation rental use [pursuant to title 19 of this code, shall] in accordance with the comprehensive zoning ordinance, must be classified “commercialized residential” without regard to its highest and best use[.] and does not qualify for a home exemption.

[3.] 5. A parcel that is subject to a time share plan as defined in section 514E-1, Hawaii Revised Statutes, as amended, [shall] must be classified as “time share.”

[4.] 6. Unless classified as “time share,” “hotel and resort,” or “commercialized residential,” lodging or dwelling units, as defined in [title 19 of this code,] the comprehensive zoning ordinance, occupied by transient tenants for periods of less than six consecutive months [shall be classified as “short-term rental”], including a parcel that does not serve as the owner's [primary] principal residence and has been granted a short-term rental home permit[, a transient vacation rental permit,] or a conditional permit allowing transient vacation rental use [pursuant to title 19 of this code shall] in accordance with the comprehensive zoning ordinance, must be classified as “short-term rental” without regard to its highest and best use[.], and does not qualify for a home exemption.

[5. A unit and its appertaining common interest that are part of a planned development where transient vacation rentals are permitted, in accordance with chapter 19.32 of this code, shall be classified in accordance with subsection 3.48.305(C)(2)(a). The planned development shall form an entity that shall annually report to the director on a form prescribed by the director, the actual use of each unit in the planned development along with any information deemed relevant by the director to determine the actual use of each unit. If the required annual report is not filed on or before December 1, the director may classify all units in the planned development in accordance with subsection 3.48.305(A) for the following assessment year. The entity shall report any change in actual use of a unit in the planned development within thirty days of that change. The director may investigate any unit and, if it is determined by

the director that the actual use differs from the use reported, reclassify and reassess the unit.

6.] 7. Unless classified as “time share” or “commercialized residential,” properties occupied by transient tenants for periods of less than six consecutive months, have eight or more lodging or dwelling units as defined in [title 19 of this code,] the comprehensive zoning ordinance, and employ more than twenty full-time persons, [shall] must be classified as “hotel and resort.”

[C. When property is subdivided into condominium units, each condominium association or any entity filing a condominium property regime, shall file an annual report with the director of all units in the association, by tax map key number, before December 1 of each calendar year.

1. The director shall prescribe the form of the list and any supporting evidence as necessary. The list shall include whether the unit is vacant, owner occupied, or rented long term or short term, by month.

2. Each unit and its appertaining common interest shall be:

a. Classified upon consideration of its actual use into one of the general classes as follows:

i. Homeowner. Only those units owned and occupied as a principal home and for which a home exemption claim was filed and granted shall be classified as “homeowner.”

ii. Apartment. Only those units occupied by the owner for personal use or by a lessee for a term of six consecutive months or more shall be classified as “apartment.”

iii. Commercial. Only those units occupied by the owner or a lessee for business or mercantile activities shall be classified as “commercial.”

iv. Hotel and resort. Unless classified as “time share” or “commercialized residential,” properties that are occupied by transient tenants for periods of less than six consecutive months, have eight or more lodging or dwelling units as defined in title 19 of this code, and employ more than twenty full-time persons, shall be classified as “hotel and resort.”

v. Time share. Units occupied by transient tenants for periods of less than six consecutive months that are subject to a time share plan as defined in section 514E-1, Hawaii

Revised Statutes, as amended, shall be classified as "time share."

vi. Commercialized residential. Units that serve as the owner's primary residence and that have been granted a bed and breakfast permit, a transient vacation rental permit, or a conditional permit allowing transient vacation rental use pursuant to title 19 of this code, shall be classified as "commercialized residential."

vii. Short-term rental. Unless classified as "time share," "hotel and resort," or "commercialized residential," lodging or dwelling units, as defined in title 19 of this code, occupied by transient tenants for periods of less than six consecutive months shall be classified as "short-term rental," including properties granted a short-term rental home permit, transient vacation rental permit, or conditional permit allowing transient vacation rental use.

b. Deemed a parcel and assessed separately from other units.

3. The director may, after investigation, reclassify and reassess any unit in a condominium association found to be in violation of the owner's certification of actual use.

4. A condominium owner, the condominium association or any entity filing a condominium property regime, or both, shall notify the director of any change in a unit's classification within thirty days of that change.

5. If the required annual report is not filed on or before December 1, the director may classify all units in the project in accordance with subsection B for the following assessment year.

D.] C. Notwithstanding the foregoing, a parcel that does not serve as the owner's [primary] principal residence and was, prior to May 23, 2012, granted a conditional permit for bed and breakfast or transient vacation rental use [pursuant to title 19 of this code,] in accordance with comprehensive zoning ordinance, and was classified as "commercialized residential" prior to May 23, 2012, [shall retain such] must retain the "commercialized residential" classification.

3.48.310 Assessment of lots and parcels. Whenever land has been divided into lots or parcels as provided by law, each [such] lot or parcel [shall] must be separately assessed. Each condominium unit and its appertaining common interest is a parcel and must be separately assessed.

3.48.320 Land classified as agriculture or commercialized residential and used for agriculture. In determining the value of lands [which] that are classified and used for agriculture, or classified as commercialized residential and used for agriculture, whether [such] the lands are dedicated pursuant to section 3.48.350 or not, consideration [shall] must be given to rent, productivity, nature of actual agricultural use, the advantage or disadvantage of factors such as location, accessibility, transportation facilities, size, shape, topography, quality of soil, water privileges, availability of water and its cost, easements and appurtenances, and to the opinions of [person who may be considered to have] persons with special knowledge of land values.

3.48.325 Deferred or roll back tax—Change in classification. A deferred or roll back tax [shall] must be imposed on the owner of agricultural lands assessed according to their agricultural use as provided in section 3.48.290 in the event of a change in land use classification by the authorized state agency to urban or rural districts or upon the subdivision of the land into parcels of five acres or less; [provided, that] except the tax [shall] does not apply if the owner dedicates [his] land as provided in section 3.48.350 within three years from the date of the change in land use classification and fulfills all of the requirements of the dedication. The deferred tax [shall be] is due and payable at the end of the third year following the change in land use classification, [provided that] except the land [shall] must continue to be used for agriculture during this period.

A. The total amount of deferred taxes [shall] must be computed commencing at the end of the third year following the change in classification where the land has continuously been used for agriculture; [provided, however, that] except where the land has been put to a higher urban or rural use prior to the expiration of the three-year period, the amount of deferred taxes [shall] must be computed commencing at the end of the year in which the land has been put to [such] higher urban or rural use, and [shall] will be retroactive to the date the assessment was made [pursuant to] in accordance with section 3.48.290, [provided the retroactive period shall not exceed] but for not more than ten years. Where the owner has subdivided [his] land into parcels of five acres or less, the deferred tax [shall commence] commences from the date the conversion was made retroactive to the date the assessment was made [pursuant to] in accordance with section 3.48.290, but for not more than ten years.

B. Any other provisions to the contrary notwithstanding, the deferred or roll back tax [shall apply] applies only if a change in land use classification has been made as a result of a petition by any property owner or lessee and [shall apply] only upon lands owned by the owner or lessee who has petitioned for the change in classification. The deferred or roll back tax [shall] does not apply to lands owned by any other or lessee who has not petitioned for the change in classification, [provided] if the owner or lessee [shall continue] continues to use the land in its agricultural use for a period of three years after the change in land use classification is made, or where the change in classification is initiated by any governmental agency or instrumentality.

C. The deferred or roll back tax [shall] must be based on the difference in assessed value between the highest and best use and the agricultural use of the land, at the tax rate applicable for the respective years.

1. Where the owner subdivides [his] land into parcels of five acres or less, the deferred tax [shall be] is due and payable within sixty days of [such] the conversion, subject to a [ten] 10 percent [per year] annual penalty.

2. Where the owner changes the land use classification, the deferred tax [shall be] is due and payable within three years of [such] the conversion, except that where the land has been put to its higher urban or rural use, the tax [shall be] is due and payable at the end of the year in which the land has been put to [such] higher use, subject to a 10 percent [per year] annual penalty.

D. Any other provisions to the contrary notwithstanding, the land [shall] must continue to be assessed in its agricultural use as provided in section 3.48.290 until the land is put to its higher urban or rural use for a period of three years following the change in classification, whichever is shorter; [provided, that] except for purposes of determining the amount of deferred taxes to be assessed to the owner or lessee, the retroactive period [shall include] includes the period during which the land is continued to be assessed in its agricultural use following the change in classification. Any tax due and owing [shall attach] attaches to the land as a paramount lien in favor of the [county] County as provided for by this chapter.

3.48.330 Unusable or unsuitable land for agricultural use. Where lands located within agricultural districts are put to agricultural uses, that portion of [such] the lands not usable or suitable for any agricultural use, whether dedicated pursuant to section 3.48.350 or not, the tax upon such unusable or unsuitable

land [shall] may be deferred and [shall be] payable upon conversion as provided under sections 3.48.290 through 3.48.340.

3.48.340 Valuation of buildings—Additions, modifications, or new work. A. In determining the value of buildings, [consideration shall be given to] the director must consider any additions, alterations, remodeling, modifications or other new construction, improvement, or repair work undertaken upon or made to existing buildings [as the same] because they may result in a higher assessable valuation of the buildings; [provided, however, that] except any increase in value resulting from any additions, alterations, modifications or other new construction, improvement or repair work to buildings undertaken or made by the owner-occupant [thereof pursuant to] in accordance with the requirements of any urban redevelopment, rehabilitation, or conservation project under the provisions or [Part] part II of [Chapter] chapter 53 of the Hawaii Revised Statutes shall not increase the assessable valuation of any building for a period of seven years from the date of certification as provided in this section.

B. [It is further provided that the] The owner-occupant [shall] must file with the director, [of finance,] in the manner and place [which] that the director may designate, a statement of the details of the improvements certified in the following manner:

1. [In the case of] For additions, alterations, modifications, or other new construction, improvement, or repair work to a building [that are] undertaken [pursuant to] in accordance with any urban redevelopment, rehabilitation, or conservation project as mentioned in this section, the statement [shall] must be certified by the mayor or any governmental official designated by [him] the mayor and approved by the council, that the additions, alterations, modifications, or other new construction, improvement, or repair work to the buildings [were] was made and satisfactorily [comply] complies with the particular urban redevelopment rehabilitation[,] or conservation act provision, or

2. In the case of maintenance or repairs to a residential building undertaken pursuant to any health, safety, sanitation, or other governmental code provision, the statement [shall] must be certified by [the mayor, or any governmental official designated by him and approved by the council,] a County inspector, that the building was inspected [by them] and found to be substandard when the owner-occupant made [his] the claim, and the maintenance of

repairs to the buildings were made and satisfactorily comply with the particular code provision.

3.48.345 Water tanks. Any provision to the contrary notwithstanding, any tank or other storage receptacle required by any government agency to be constructed or installed on any taxable real property before water for home and farm use is supplied; and any other water tank, owned and used by a real property taxpayer for storing water solely for [his] the taxpayer's own domestic use, [shall] must be exempted in determining and assessing the value of [such] the taxable real property.

3.48.350 Dedicated lands. A. A special land reserve is established to enable the owner of any parcel of land within an agricultural district, a rural district, a conservation district, or any urban district to dedicate [his] land for a specific ranching or other agricultural use and to have [his] land assessed at its value in such use; provided, that if the land is located within an urban district:

1. A lessee of the land with a term of ten or more years remaining from the date of the petition shall also be deemed an owner of the land within these provisions;

2. The land dedicated must be used for the cultivation of crops such as sugar cane, pineapple, truck crops, orchard crops, ornamental crops, or the like;

3. The land dedicated must have been substantially and continuously used for the cultivation of crops such as sugar cane, pineapple, truck crops, orchard crops, ornamental crops, or the like for the five-year period immediately preceding the dedication request; [provided further,] except that land situated within an agricultural district may be dedicated for a period of twenty years and [shall] must be taxed at [fifty] 50 percent of its assessed value in [such] the use.

B. If any [other] owner desires to use [his] land for a specific ranching or other agricultural use and to have [his] the land taxed at its assessed value in this use or [fifty] 50 percent of its assessed value as the case may be, [he shall] the owner must also petition the director [of finance] and declare in [his] the petition that [his] the land can best be used for the purpose for which [he] the owner requests permission to dedicate [his] the land and that if [his] the petition is approved [he will use his] the land will be used for this purpose.

C. If the owner desires to change from one specific ranching or other agricultural use to another ranching or other

agricultural use [he shall so] the owner must petition the director [of finance] and declare in [his] the petition that:

1. [His] The land can best be used for a ranching or other agricultural purpose other than that for which [he] the owner originally requested permission; and

2. [He] The owner will use [his] the land for that new purpose if [his] the petition is approved.

D. Upon receipt of a petition as provided [above] in subsections B and C, the director [shall] must make a finding of fact as to whether the land in the petition area is reasonably well suited for the intended use. The finding [shall] must include and be based upon the productivity ratings of the land in those uses for which it is best suited, a study of the ownership, size of operating unit, the present use of surrounding similar lands, and other criteria as may be appropriate. The director [shall] must also make a finding of fact as to whether the intended use is in conflict with the overall development plan of the state. If both findings are favorable to the owner, the director [shall] must approve the petition and declare that the owner's land is dedicated land; [provided, that] except for lands in urban districts, the director [shall] must make further findings respecting the economic feasibility of the intended use of the land. If all three findings are favorable, the director [shall] must approve the petition and declare the land to be dedicated. [In order to] To place prospective buyers on notice of the roll back liability, the petitioner [shall] must within thirty days of notice of approval record the dedication in accordance with the procedures of the bureau of conveyances.

E. The approval by the director of the petition to dedicate [shall constitute] constitutes a forfeiture on the part of the owner of any right to change the use of [his] the land to a use other than agriculture for a minimum period of ten years or twenty years, as the case may be, automatically renewable indefinitely, subject to cancellation as follows:

1. In the case of a ten-year dedication, the owner may after the ninth year and years thereafter, give notice of cancellation by filing with the director[,] a written notice of cancellation[,] on or before December [31st,] 31, to be effective as of July [1st] 1 of the following tax year;

2. In the case of a twenty-year dedication, the owner may during the nineteenth year and years thereafter give notice of cancellation as provided by this subsection;

3. In the case of a change in a major land use classification not as a result of a petition by any property owner or lessee such that the owner's land is placed within an urban district, the dedication may be canceled within sixty days of the change by the owner. Upon any conveyance

or any change in ownership during the period of dedication, the land [shall] will continue to be subject to the terms and conditions of the dedication unless a release has been issued by the director.

Any other provision to the contrary notwithstanding, an approved change in use as provided in subsections C and D [shall] does not alter the original dedication period.

F. Failure of the owner to observe the restrictions on the use of [his] the land [shall cancel] cancels the dedication and special tax assessment privilege retroactive to the date of the dedication, but in any event [shall] must not exceed the term of the original dedication; and all differences in the amount of taxes that were paid and those that would have been due from assessment in the higher use [shall be] are payable with a [ten] 10 percent [a year] annual penalty from the respective dates that these payments would have been due. The additional taxes and penalties, due and owing as a result of a breach of the dedication, [shall be] constitute a paramount lien upon the property as provided for by this chapter.

1. Failure to observe the restrictions on the use means failure for a period of twelve consecutive months to use the land in that manner requested in the petition or the overt act of changing the use for any period, [provided that] except a change in land use classification upon petition by the owner of [such] the dedicated lands, or the petition by the owner for a change in use as provided in subsection C, and the owner's subsequent change in use of [such] the dedicated lands, [shall] does not [be deemed to] constitute a failure of the owner to observe the restrictions on the use.

2. If an owner is permitted to change [his] use as provided in subsections C and D, [he shall] the owner must be allowed thirty-six months from the date of the approval of [his] the petition to convert to the new ranching or agricultural use. If the owner fails to make the conversion within the specified time limit, [he] the owner will be subject to the taxes and penalties provided above. For purposes of assessment of taxes and penalties, the conversion period shall be considered in addition to the specified dedication period, except, however, in the case of the leased lands whose term expires prior to or in conjunction with the end of the dedication period, the conversion period [shall] must be considered as a part of the dedication period. The petitioner [shall] must submit progress reports of [his] efforts in converting from one agricultural use to another agricultural use to the director [of finance] by the anniversary date of the

petition approval and yearly, thereafter, as long as [such] the conversion period remains.

Any other provisions to the contrary notwithstanding, when a portion of the dedicated land is subsequently applied to a use other than the use set forth in the original petition, only [such] the portion as is withdrawn from the dedicated use and applied to a use other than ranching or other agricultural use [shall] may be taxed as provided by this subsection.

G. The director [shall] must prescribe the form of the petition. The petition [shall] must be filed with the director of finance by September [1st] 1 of any calendar year and [shall be] approved or disapproved by December [15th.] 15. If approved, the assessment based upon the use requested in the dedication [shall be effective] takes effect on January [1st] 1 of the next calendar year.

H. The owner may appeal any disapproved petition as in the case of an appeal from an assessment.

I. "Owner," as used in this section, includes lessees of real property whose lease term extends at least ten years from the date of the petition, in the case of a ten-year dedication, or lessees of real property whose lease term extends at least twenty years from the date of the petition, in the case of a twenty-year dedication.

J. "Agricultural use," as used in this section, [shall include] includes aquaculture.

K. A special land reserve is established to enable the owner of any parcel of land within an urban district to dedicate [his] land for a specific livestock use, such as feed lots, calf-raising and [like] similar operations in dairy, beef, swine, poultry, and aquaculture, but excluding grazing or pasturing, and to have [his] the land assessed at its value in [such] the use; [provided, that:] except as follows:

1. A lessee of the land with a term of ten or more years remaining from the date of the petition [shall] may also be deemed an owner of the land within these provisions;

2. The land dedicated must be used for livestock uses, such as feed lots, calf-raising and like operations in dairy, beef, swine, poultry, and aquaculture, but excluding grazing or pasturing;

3. The land dedicated must have been substantially and continuously used in the livestock uses enumerated in subdivision 2 of this subsection; and

4. [Such] The livestock use must be compatible with the surrounding uses.

3.48.355 Golf course assessment—Basis. A. Property operated and used as a golf course [shall] must be assessed for property tax purposes on the following basis: The value to be assessed by the director [shall] must be on the basis of its actual use as a golf course rather than on the valuation based on the highest and best use of the land.

B. In determining the value or actual use, factors to be considered [shall] must include[, among others,] rental income, cost of development, sales price, and the effect of the value of the golf course on the value of the surrounding lands.

3.48.360 Golf course assessment—Conditions. [In order to] To qualify in having land assessed in valuation as a golf course, the owner of any parcel of land desiring or presently using [his] land for a golf course [shall] must as a condition precedent qualify as follows:

A. Dedication of [Land.] land.

1. The owner of any parcel of land for a golf course shall petition the director of finance and declare in [his] the petition that [he will dedicate his] the parcel of land will be dedicated for a golf course.

2. The approval by the director [of finance] of the petition to dedicate the land [shall constitute] constitutes a forfeiture on the part of the owner of any right to change the use of the land for a minimum period of ten years, automatically renewable indefinitely, subject to cancellation by either the owner or the director [of finance] upon five years' notice at any time.

3. The failure of the owner to observe the restrictions on the use of [his] the land to that of a golf course [shall cancel] cancels the special tax assessment privilege retroactive to the date of the dedication, but not more than ten years prior to the tax year in which the exemption is disallowed. All differences in the amount of taxes that were paid and those that would have been due from assessment in the higher use [shall be] are payable with a [six-percent-a-year] 6 percent annual penalty from the respective dates that these payments would have been due. Failure to observe the restrictions on the use means failure for a period of over twelve consecutive months to use the land in that manner requested in the petition as a golf course by the overt act of changing the use for any period. Nothing in this subdivision [shall preclude] precludes the [county] County from pursuing any other remedy to enforce the covenant on the use of the land as a golf course.

4. The director of finance [shall] must prescribe the form of the petition. The petition [shall] must be filed by September [1st] 1 of any calendar year and [shall be] approved or disapproved by December [15th of such year.] 15. If approved, the assessment based upon the use requested in the dedication [shall be effective] takes effect on January [1st] 1 of the next calendar year.

5. The owner may appeal any disapproved petition as in the case of an appeal from an assessment.

6. "Owner," as used in this section includes lessees of real property whose lease term extends at least ten years effective from the date of the petition.

7. The amount of additional taxes due and owing where the owner has failed to observe the restriction on the use [shall attach] attaches to the property as a paramount lien in favor of the [county] County as provided for by ordinance.

B. Covenant [Not to Engage in Discrimination.] not to engage in discrimination. The owner [shall] must covenant in [his] the petition with the director [of finance] that [he] the owner will not discriminate against any individual in the use of the golf course facilities because of the individual's race, sex, religion, color, or ancestry.

3.48.365 Lands dedicated for residential use. A. "Owner," as used in this section, means a person who is the fee simple owner of the real property, or who is the lessee of real property whose lease term extends at least ten years from the date of the petition.

B. A special land reserve is established to enable the owner of any parcel of land within a hotel, apartment, resort, commercial, or industrial district to dedicate [his] the land for residential use and to have [his] the land assessed at its value in residential use; [provided, that:] except as follows:

1. The land dedicated [shall] must be limited to a parcel used only for single-family dwelling residential use;

2. The owner of the land dedicated [shall] must use it as [his] the owner's home; and

3. Not more than one parcel of land [shall] may be dedicated for residential use by any owner.

C. If any owner desires to use [his] land for residential use and to have [his] the land assessed at its value in this use, [he shall so] the owner must petition the director [of finance] and declare in [his] the petition that if [his] the petition is approved, [he] the owner will use [his] the land for single-family dwelling

residential use only and that [his] the land so dedicated will be used as [his] the owner's home.

D. Upon receipt of [any such] a petition, the director [of finance shall] must make a finding of fact as to whether the land described in the petition is being used by the owner for single-family dwelling residential use only and as [his] the owner's home. If the finding is favorable to the owner, the director [of finance shall] must approve the petition and declare the land to be dedicated.

E. The approval of the petition by the director [of finance] to dedicate [shall constitute] constitutes a forfeiture on the part of the owner of any right to change the use of [his] the land for a minimum period of ten years[, automatically renewable thereafter for additional periods of ten years subject to cancellation by either the owner or the director of finance].

F. Failure of the owner to observe the restrictions on the use of land or the sale of the property [shall cancel] cancels the special tax assessment privilege retroactive to the date of the dedication, or the latest renewal ten-year period; and all differences in the amount of taxes that were paid and those that would have been due from assessment in the higher use [shall be] are payable with a [ten] 10 percent penalty from the respective dates that these payments would have been due. Failure to observe the restrictions on the use means failure for a period of over twelve consecutive months to use the land in the manner requested in the petition or the overt act of changing the use for any period, or the sale of the real property. Nothing in this subsection [shall preclude] precludes the [county] County from pursuing any other remedy to enforce the covenant on the use of the land.

G. The additional taxes and penalties, due and owing as a result of failure to use or any other breach as a result of failure to use or any other breach of the dedication, [shall be] constitute a paramount lien upon the property as provided for by ordinance.

H. The director [of finance shall] must prescribe the form of the petition. The petition [shall] must be filed with the director of finance by September [1st] 1 of any calendar year and shall be approved or disapproved by December [15th.] 1. If approved, the assessment based upon the use requested in the dedication [shall be effective] takes effect on January [1st] 1 of the next calendar year.

I. The owner may appeal any disapproved petition as in the case of an appeal from an assessment.

J. After the effective date of this subsection, no parcel of land may be dedicated for residential use pursuant to this section, and no existing dedication authorized by this section may be renewed. This section will be repealed on December 31, 2020.

3.48.366 Land dedicated for fast track housing. A. A special land reserve is established to enable an owner of land on which a residential workforce housing project has been approved for fast track housing by the council [pursuant to] in accordance with chapter 2.97 [of this code] to dedicate the project site for fast track housing and be exempt from real property taxes until the project is complete.

B. If the owner desires to dedicate the project site for fast track housing, the owner [shall] must petition the director and affirm the owner [shall] will complete the fast track housing [pursuant to] in accordance with the application approved by the council in accordance with chapter 2.97. [of this code.]

C. Upon confirmation of the council's application approval for fast track housing, the director [shall] must approve the petition and declare the property to be dedicated to fast track housing.

D. The approval of the petition by the director of finance to dedicate a property for fast track housing [shall constitute] constitutes a forfeiture on the part of the owner of any right to change the use of the project site as set forth by chapter 2.97. [of this code.]

E. Failure of the owner to commence construction within the time period set forth by chapter 2.97 [of this code shall forfeit] forfeits the special tax assessment privilege retroactive to the date of the dedication, and all real property taxes that would have been due from assessment [shall be] are payable with a 10 percent penalty from the respective dates that these payments would have been due. Nothing in this subsection [shall preclude] precludes the County from pursuing any other remedy to enforce the covenant on the use of the land.

F. The taxes and penalties, due and owing as a result of failure of the owner to commence construction within the time period set forth by chapter 2.97, [of this code, shall be] constitute a paramount lien upon the property as provided for by ordinance.

G. The director [of finance shall] must prescribe the form of the petition. The petition [shall] must be filed with the director by September [first] 1 of any calendar year and [shall be] approved or disapproved by December [15th.] 15. If approved, the assessment based upon the use requested in the dedication [shall] will be effective on January [1st] 1 of the next calendar year.

3.48.367 Land dedicated for use as residential workforce housing rental unit project. A. As used in this section, unless the context otherwise requires:

“Owner” means:

- (1) the fee simple owner of property;
- (2) a lessee of property whose lease term extends at least thirty years from the date of an application for an exemption; or
- (3) a lessee of property, with the fee simple owner's written authorization.

“Residential workforce housing unit” has the same meaning as in section 2.96.020.

“Residential workforce housing rental unit project” means any project comprised of ten or more rental units where all of the units are residential workforce housing rental units subject to the restrictions in section 2.96.070.

B. An owner may apply to the director for a property tax exemption under this section. The director will prescribe the form of the application. The application must include a declaration that, if the exemption is granted, the property will be dedicated for use as a residential workforce housing rental unit project for thirty years.

C. The director of finance will forward an application submitted in accordance with subsection B to the director of housing and human concerns. If the director of housing and human concerns determines the property described in the application will be utilized for a residential workforce housing rental unit project, the director of finance will grant the exemption by approving the application.

D. If the exemption is granted, the owner must record the approved application with the bureau of conveyances of the State of Hawaii or the land court of the State of Hawaii, as appropriate.

E. If an exemption is granted under this section, it will be automatically renewed for successive one-year terms until the dedication period has expired or the exemption is canceled under subsection F.

F. Failure to comply with this section or the declaration included in the application will result in cancellation of the exemption retroactive to the beginning of the most recent renewal period. Any additional taxes and penalties, due and owing as a result of failure to comply with this section or the declaration included in the application, constitute a paramount lien upon the property as provided for by ordinance. Nothing in this subsection precludes the County from pursuing any remedy to enforce the dedication included with the application.

G. The owner may request to be relieved from compliance with the requirements of this section or the declaration included in the application for one designated period

not to exceed thirty-six months. The director will approve the request if the owner shows the relief will more likely than not increase the property's viability as a residential workforce housing rental unit project. The dedication period will be extended by the length of the designated period and the owner must record the approved request and extension of the dedication period with the bureau of conveyances of the State of Hawaii or the land court of the State of Hawaii, as appropriate.

H. An application for an exemption under this section must be filed with the director by September first of any calendar year, and the exemption will be granted or denied by December fifteenth. If granted, the exemption will be effective on January first of the next calendar year.

I. If an application for an exemption under this section or a request for relief under subsection G is denied, the owner may appeal by the same procedure that is used to appeal from an assessment under section 3.48.595.

J. The director must report to the council on the status of all dedications at least annually.”

SECTION 2. Material to be repealed is bracketed. New material is underscored. In printing this bill, the County Clerk need not include the brackets, the bracketed material, or the underscoring.

SECTION 3. This ordinance takes effect upon its approval.

APPROVED AS TO FORM AND LEGALITY:

Department of the Corporation Counsel
County of Maui

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