# M I N U T E S

of the

## PUBLIC HEARING HELD ON

April 24, 2019

THE COUNCIL OF THE COUNTY OF MAUI, STATE OF HAWAII, CONVENED A PUBLIC HEARING ON WEDNESDAY, APRIL 24, 2019 AT 6:01 P.M., IN THE COUNCIL CHAMBER, KALANA O MAUI BUILDING, WAILUKU, HAWAII, WITH CHAIR KELLY T. KING PRESIDING, FOR THE PURPOSE OF RECEIVING TESTIMONY ON THE PROPOSED REAL PROPERTY TAX RATES FOR THE COUNTY OF MAUI FOR THE FISCAL YEAR JULY 1, 2019 TO JUNE 30, 2020.

CHAIR KING: Aloha this is the Maui County Council public hearing of April 24, 2019 and we're here to get public input on the real property tax rates. My name is Kelly King. I'm the Chair of the Maui County Council.

And today we have, well, I'll let our Deputy Clerk do roll call please.

## ROLL CALL

PRESENT: COUNCILMEMBERS G. RIKI HOKAMA, ALICE L. LEE, MICHAEL J. MOLINA, TAMARA A.M. PALTIN, SHANE M. SINENCI, YUKI LEI K. SUGIMURA, VICE-CHAIR KEANI N.W. RAWLINS-FERNANDEZ AND CHAIR KELLY T. KING.

EXCUSED: COUNCILMEMBER NATALIE A. KAMA.

DEPUTY COUNTY CLERK MARGARET C. CLARK: Madam Chair, there are eight Members present, one Member excused. A quorum is present to conduct the business of the Council.

CHAIR KING: Okay, thank you. Before we proceed with today's agenda, may I ask everyone to silence your noisemaking devices. So, if you have a cellphone or a, an iPad, please put it to silence. And, we'll try to maintain decorum.

We're also, we'll try to get through, we have about the same size crowd as we had the other night for our public hearing. And so, we're going to limit public testimony to three minutes. At the, when you're at the podium when the, when the timer up there goes from green to yellow, when it turns yellow, you'll have thirty seconds left to conclude.

And then for Councilmembers, if you have a question of the testifier, please turn your light on and raise your hand and I'll call on you. I'm not going to ask in between because Councilmember Molina estimated we saved about thirty minutes by not asking every time. So, we're going to go ahead and get started checking in with our District Offices.

Ms. Deputy Clerk.

## NOTICE OF PUBLIC HEARING

DEPUTY COUNTY CLERK: Madam Chair, the Notice of Public Hearing on the Real Property Tax Rates for the County of Maui for the Fiscal Year July 1, 2019 to June 30, 2020 was published in the April 11, 2019 and April 17, 2019 editions of the Maui News.

In accordance with Section 3.48.565 of the Maui County Code, the public is invited to provide testimony before the Council regarding the Real Property Tax Rates for the County of Maui for the Fiscal Year July 1, 2019 to June 30, 2020.

Individuals who wish to offer testimony in the chamber, please sign up at the desk located in the eighth-floor lobby, just outside the chamber door. When testifying, please state your name, the name of any organization you represent, and also identify to the Council if you are a paid lobbyist.

At this time, Madam Chair, we've been made aware that Molokai has one testifier signed up to testify.

CHAIR KING: Okay, we'll go to our Molokai Office first.

MS. ZHANTELL LINDO: Aloha, Chair. This is Zhan at the Molokai District Office. We do have some testifiers, but they are not ready at this time. So, we're asking if you can come back to us a little bit later.

CHAIR KING: Okay, sure. We can do that.

Any other District Offices?

DEPUTY COUNTY CLERK: We are not aware of testimony in the other District Offices at this time.

CHAIR KING: Okay. I'm going to call the next, the first testifier, followed by the next testifier so the second person can be ready to approach the podium. The first testifier is Thomas Croly, followed by Angela Vento.

## TESTIMONY

MR. THOMAS CROLY:

Aloha, Chair.

CHAIR KING: Aloha.

MR. CROLY: Aloha, Council. I told you I'd be back and here I am. I hope that, and maybe, maybe, I know how busy you've been, that you got a chance to look at the written testimony that I submitted explaining the different tax categories and so forth. It's so important to understand the tax categories to, to be able to put some fairness to what the rate should be in each category; and I'd be happy to answer questions about that.

Today, I submitted this piece of testimony that I hope was handed out, which has a little spreadsheet on it and a chart down below. And there's just six points that I want to make on this thing. And I do want to stress that I'm speaking solely on my own knowledge of the, of the tax rates and, and, and so forth and, and not on anyone's behalf here.

If you look at this, this chart here, it clearly shows that Maui's short term rentals are the biggest share of Maui's property taxes; paying approximately $80 million of Maui's property tax last year at last year's rates. It shows that Maui's time shares pay the most per unit; paying approximately $13,930 per unit as, as a visitor unit. It shows that, that Maui's hotels pay the least per individual hotel room unit, comparing a hotel room to a time share or to a short term rental. It also shows that Maui's resident homeowners pay the least tax on an individual unit basis.

I also want to stress, and this was one of the things that, that I said the other day when I was here, the Residential tax category, the Apartment tax category and the Agriculture tax category are dominated in value by properties that are second homes, okay. These, these tax categories are not residents. These tax categories are primarily made up of values of properties that are owned as, and used as second homes.

I, the other point that, that I want to make from this is that Maui's visitor accommodations cross all tax categories; that is, we have visitor accommodations taking place in Homeowner. We actually have one hotel that's in Homeowner tax category. We have visitor accommodations in real proper, in short term rental. We have visitor accommodations in Apartment. We have them all across every tax category. So, if your goal is to tax visitors, you should make your tax increases across the board, which on the other side of this, I make the point that if we need more tax revenue, that tax revenue should come across the board. One cent, one penny additional tax rate raises one half a million dollars in tax revenue. Ten cents raises five million dollars, as long as that's applied across the board.

CHAIR KING: Please conclude, Mr. Croly.

MR. CROLY: Thank you.

CHAIR KING: Thank you very much for your testimony.

Ms. Sugimura, you have your light on. Do you have a question? Okay, thank you very much.

VICE-CHAIR RAWLINS-FERNANDEZ: Chair.

CHAIR KING: Oh, I'm sorry. Do you have a--

VICE-CHAIR RAWLINS-FERNANDEZ: No, no. The question is for you.

CHAIR KING: Okay. Vice-Chair Rawlins-Fernandez.

VICE-CHAIR RAWLINS-FERNANDEZ: Since Mr. Croly identified himself as an individual and not a paid lobbyist. I didn't hear that part in the rules, if you announced it.

CHAIR KING: He--

VICE-CHAIR RAWLINS-FERNANDEZ: If they could, if testifiers could indicate to the Council if they are a paid lobbyist.

CHAIR KING: Okay.

VICE-CHAIR RAWLINS-FERNANDEZ: And if they are being paid to be here or on the clock.

CHAIR KING: Okay, I do, Ms. Clark, did you put that into your announcement? I know it's in the notes.

DEPUTY COUNTY CLERK: Yes, Madam Chair.

CHAIR KING: Okay.

DEPUTY COUNTY CLERK: Pursuant to the Council Rules, please identify to the Council if you're paid lobbyist, for testifiers.

CHAIR KING: Okay. So, did, did all the testifiers here that? If you're a paid lobbyist or if you are being paid to be here in anyway, then you just need to disclose that, okay.

Alright, next testifier is Angela Vento, followed by Colleen Medera *[sic]*.

MS. ANGELA VENTO, WAILEA BEACH RESORT:

Good evening, Council Chair King and Councilmembers. My name is Angela Vento. I'm a, I fill none, none of those items. I'm a resident of Pukalani and a working mother and wife. My son Alex is here tonight as well, he's 16 years old, as well as several of my co-workers. I moved to Hawaii in June of 1989 and I spent 25 years in the hospitality industry during robust times as well as lean times. And currently I'm GM at the Wailea Beach Resort.

My testimony today really centers on a perspective to seek to understand. Over the years, I witnesses, witnessed decisions that have led to many unexpected outcomes. I reflected on the economy of 2008 in which the visitor industry suffered a significant hit and it took over five years to recover. Maui has been fortunate to have a best in class brand. It is important to share that we're not immune to travel perceptions.

Just last year, occupancy abruptly declined when outside events; the volcano, Hurricane Lane, and Tropical Storm Olivia impacted our islands. Additionally, the State reported visitor counts don't reflect job growth or complete tax revenues. The Transient Accommodation Tax in 2008 only made up for some of the marketing expenses. Today, it contributes a sizable portion to the General Fund of nearly $450 million; an important economic contribution.

I would note that our hotel occupancy has remained flat over the last six years. In 2012, we had the same occupancy at the Wailea Beach Resort that we do today. What I would tell you though, with an investment of $120 million, our ownership put in the property, we now have 100 more employees that work at our hotel this year than did in 2012. And with that, I really believe we've continued to grow. The growth came from that investment, but also, I want you to recall that the number of full-service hotels has really seen very little growth. It's become too expensive to be able to build them, and so renovations of our property is the only way to stay competitive.

The proposed tax increase is going to deter investment, reduce jobs and limit our ability to contribute to the community. As an example, a 500-room full-service hotel typically has about 500 employees. One retail store of similar revenues probably only has 70. Think of that. The visitor industry, we support many ancillary businesses, construction jobs, restaurants and more. 80 percent of our dollars actually go back into our communities. With an increase of 65 percent, it's going to have a rippling effect. We will reduce our community donations, which right now every year in kind we donate over $200,000.

A prime example is Hale Kau Kau. We actually work closely with St. Theresa's over the last four years. And each month we buy food and deliver meals to the community in need. In addition, we have a long list of organizations, youth, elderly, culture, that we invest in. We're looking to add renewable energy and some big project investments. With this type of property tax increase that could actually cancel or defer those projects.

And our ownership group has really seen an eye on affordable housing and just invested in buying land in Lahaina to be able to help those needs.

I really ask that you consider the property tax increases to support a healthy community, and I want to say thank you for your time and consideration.

CHAIR KING: Thank you for your testimony.

MS. VENTO: You're welcome. I do have copies.

CHAIR KING: Next testifier is Colleen Medera *[sic]*, followed by Gregg Nelson.

<u>MS. COLLEEN MEDEIROS</u>:

Good evening, everybody, Councilmembers. My name is Colleen Medeiros. I live here on Maui and I'm a short term rental homeowner. My testimony is much more simplified.

Basically, I oppose the proposed tax increase. I believe that residential short term rental owners like myself, our property tax rate should never be the same as a hotel.

We should, I believe we should always be less than a hotel, because we do not have the ability to generate the same kind of income. I mean, it's that simple. And we are not zoned as hotels. And that means we don't have the same options for use. We can't build cafes and develop storefronts and, you know, all these accessory uses that hotels have, which would generate more income.

It's, I just, it's hard for me to understand why we keep getting grouped with hotels, you know. I'm, I'm totally fine paying the TAT. I, I pay, I pay all my taxes. But to be at a rate equal to or more than a hotel, you know, you're asking people like me, small business owners, to pay more in my property tax than the Grand Wailea or the Four Seasons. That, that just doesn't make sense to me.

Secondarily, the illegal rentals. I mean, it seems to me like the situation of the illegal rentals really ought to be handled first before tax increases come along, because that it really skewing, skewing things, you know. It's, they're prob, you know, who knows what taxes they're paying or not paying. Who knows how much tax revenue. I'm, it's probably millions of dollars of tax revenue being lost by not, you know, enforcing the illegal rentals. And it affects me, because when the illegal rentals are not enforced, I feel like I'm paying the brunt of the tax burden. And they're not. It affects my rates. I mean, it's, it's a huge impact that really seems like it ought to be taken care of first.

I have a lot more to say here, but, so I guess my big, my number one suggestion for if, if, if this is going to happen is that perhaps some--

CHAIR KING: Thank you. Do we have any questions for the testifier? We have a question for you, Ms. Medeiros.

Councilmember Paltin.

COUNCILMEMBER PALTIN: I was just wondering, perhaps what?

MS. MEDEIROS: Well, if I could just say, I live here full time. Every penny of my money made in this business is spent here. And I think that's really important, a really important factor. And, my suggestion was perhaps if these taxes do need to get raised, perhaps full-time resident owners can have some sort of discount, something like the owner-occupied tax discount.

CHAIR KING: Okay, thank you very much for your testimony.

VICE-CHAIR RAWLINS-FERNANDEZ: Chair.

CHAIR KING: Appreciate you being here. Oh, you have a question, Vice-Chair Rawlins-Fernandez.

VICE-CHAIR RAWLINS-FERNANDEZ: Did you know that there is an owner-occupied rate that's commercial residence, and that's bed and breakfast. So, if you are owner-occupied, then you would be--

MS. MEDEIROS: I did know that, but that, that's not the category my rental is in. It is, it's not owner-occupied.

VICE-CHAIR RAWLINS-FERNANDEZ: Oh okay. Cause you, you suggested a rate for owner-occupied.

MS. MEDEIROS: I, what I meant was a different rate for full-time resident owners.

VICE-CHAIR RAWLINS-FERNANDEZ: Okay, mahalo for that clarification.

CHAIR KING: Okay, thank you for your testimony.

MS. MEDEIROS: Thank you.

CHAIR KING: Next is Gregg Nelson, followed by Fred, I can't read this, but I think it says Findlen.

<u>MR. GREGG NELSON, NAPILI KAI BEACH RESORT</u>:

Aloha, Chair--

CHAIR KING: Aloha.

MR. NELSON: --and Councilmembers. Gosh, I was, I was just here a couple days ago. Of course, the difference--

CHAIR KING: Welcome back.

MR. NELSON: Yea, the difference is during the daytime, you got to get your testimony done and race to make sure you get in within the two-hour limit on the parking, you know. Tonight, it's going to be a long, long night.

Anyway, thank you very much for this meeting. It's good to have everyone here and to be talking about this important issue. It's interesting that I followed Colleen. I live next door to the rental unit that she has and she's a great lady.

Gregg Nelson, General Manager of Napili Kai Beach Resort. And of course, I'm here regarding the property tax. I don't feel that resorts should have any increase, but I realize there's probably going to be a need for some sort of increase. I think the Mayor's proposal is probably the most reasonable.

I took some figures and looked at what I paid in property tax last year at the resort. It's, it's like $450,000. And if you just had a 50 percent increase, forget the, the, what is it 64 that was, that was proposed originally. That's an additional $225,000. I don't have that money. I am, I am hard pressed to think of where I would get that from considering also that I had a property valuation increase of about 11, 12 percent; and that represents about $65,000 already, regardless of whether there's any kind of property tax increase.

Where is that money going to come from? It's very easy to say, well, maybe just, you know, increase the room rates, make the visitors pay. I got to tell you, I'm tired of passing on expenses to the visitors. I do a lot of testimony over in Honolulu, and gosh, when it comes to TAT, their, their loving increasing that or funding for the rail; let's just pass it on to the visitors.

I have to think of other ways of doing it, which means maybe I delay renovation projects, cut down on expenses, supplies, what-not, take a look at, at wages and other benefits, or possibly even look at, at the, what we donate to the community. And, those are hard decisions to make. So, hopefully we can look at this in terms of something a little more reasonable. Thank you.

CHAIR KING: Thank you, Mr. Nelson. No questions? Thank you for coming back again.

MR. NELSON: Always.

CHAIR KING: Okay, Mr. Fred Findlen. Did I say that right?

MR. FINDLEN: Yes, you did.

CHAIR KING: Okay, followed by Jason Economou.

MR. FRED FINDLEN, HYATT REGENCY MAUI:

I certainly appreciate that, because not a lot of people do get it right, so thank you. Yes, my name is Fred Findlen, and I'm the General Manager at the Hyatt Regency Maui. I've been with Hyatt Hotels for 33 years, and I've been fortunate enough to be here on Maui for the last two and a half years.

I do want to say that we are against the 64.5 percent Hotel and Resort real property tax at assessed value. The Hotel, Resort, Short Term Rental, and Time Share classifications are the highest rates for Maui County. We respectfully request that we look at creating a more equitable share in tax rates.

Hyatt Regency Maui contributed a lot to the State last year; $24 million in direct taxes paid; TAT at 8.4, GET at 10.6. If the tax increases do go into effect, the increase to our ownership group will be an astronomical 97 percent. The challenge that we would face is that we would have to reexamine the contributions to the over 40 various organizations that we do support throughout the year. We cannot impact the customer experience, as that is the heart and soul of our business. We would have to examine all of our operational expenses, and unfortunately take a look at the benefits that we pay all of our associates.

Hyatt Regency Maui supports the welfare of 800 Maui community members and their ohana. This number does not include the many local vendors that we work with. In 2018, our team has contributed over $130,000 in donations and 450 hours of community service. Some of our service extended. We go to elementary schools and we, and we teach children how to read books. We work with high school students on how to complete an application for their job, how to write a resume, how to dress for an interview, and even have them come to the hotel to do mock interviews with our leaders. We volunteer with our muddy boots and gloves at the watershed. We volunteer at the Ka Hale A Ke Ola Homeless Shelter. We swim to help participate in the coral reef conservation and protection. We also clean the Kaanapali Beach and Canoe Beach cleanup on a regular basis. We take pride in being one of the top hotels in raising donations for the Hawaiian Visitors Charity Walk. As you are aware, in 1928 *[sic]*, we raised a record 2.5 million statewide, and 1.4 in Maui.

The hospitality industry certainly has enjoyed seven consecutive years of increases; however, the hotel sector has not necessarily benefited entirely by this grew, this growth as more and more travelers are opting to stay at alternative accommodations. Our concern also is that in a matter of time, a local event or global event could make a negative impact on the industry. Nothing can be taken for granted.

CHAIR KING: Thank you, Mr. Findlen.

MR. FINDLEN: Thank you.

CHAIR KING: Thank you for being here, your testimony.

COUNCILMEMBER SUGIMURA: Chair.

CHAIR KING: Next we have Jason, oh.

COUNCILMEMBER SUGIMURA: Chair.

CHAIR KING: I'm sorry.

COUNCILMEMBER SUGIMURA: Could I ask him what hotel or property he's from?

CHAIR KING: Oh, I'm sorry.

COUNCILMEMBER SUGIMURA: Oh, Hyatt. I'm sorry.

CHAIR KING: Oh yea, he said the Hyatt Regency.

COUNCILMEMBER SUGIMURA: Thank you. Thank you.

CHAIR KING: Okay, next is Jason Economou, Economou, followed by Tets Yamazaki.

<u>MR. JASON ECONOMOU, REALTORS ASSOCIATION OF MAUI</u>:

Good evening, Chair King.

CHAIR KING: Good evening.

MR. ECONOMOU: Good evening, Members. My name is Jason Economou and I'm testifying on behalf of the Realtors Association of Maui. I am their Government Affairs Director; that is a paid lobbying position.

I'm here on behalf of our 1,600 members. Now, I saw some testimony yesterday that said that the majority of the people testifying against proposed increases in the property tax rates are non-residents. I don't know if that's true. Majority of our 1,600 members are residents and many of them disagree with these rates.

It's a shame that Councilmember Kama is not here, because earlier today she cautioned this body against taking punitive measures when setting the vehicle weight tax rates. I would caution this body along similar lines. The measures that you are recommending, these rate increases that you discussed at your April 3 meeting of \$15.41 or \$12; they're punitive in nature. Granted, I understand the County's need for revenue, however, you can't say that these tax rates are purely designed to generate revenue when there are proposed decreases to already absurdly low property tax rates in other classifications.

So, what this really comes down to is we have lawful County sanctioned businesses, Time Shares, Hotels and Resorts, Short Term Rentals; and the proposed rates would punish these lawfully sanctioned businesses that would be passed down. The cost for rooms would go up, whereas, the level of accommodations would end up going down. The tertiary services that short term rental owners rely on; cleaners, landscapers, handymen, greeters, you name it. Any of the people that serve those businesses, their business will go down. If we just base it on statistics, there is a strong likelihood that those cleaners, landscapers, they're renters on this island. If their business goes down, their income goes down, and their housing becomes less affordable. If we're really focused on affordable housing, you can make up the revenue.

Mayor Victorino's proposals for the property tax rates are not punitive; they're reasonable. Those rates, those proposals, coupled with the increased value of assessments that we've been seeing will make up revenue. It will help the County. But, these rates will drive lawful businesses out of business. And we're at the precipice of an economic downturn. Most prominent economists in this country believe that there will be an economic downturn by the end of 2019, and if not, definitely by the end of 2020. Do we really want to harm our most profitable industry on this island with punitive tax rates?

I have submitted written copies of my testimony that goes into a bit more detail. I encourage you all to look at that.

CHAIR KING: Thank you, Mr. Economou. Let's see--

MR. ECONOMOU: Thank you.

CHAIR KING: Please, please maintain decorum in the chambers.

Next testifier is Tets Yamazaki, followed by Thomas Cooper.

MR. TETS YAMAZAKI, SHERATON MAUI RESORTS & SPA:

Thank you, Chair and County Councilmembers. My name is Tets Yamazaki, General Manager of Sheraton Maui, also representing the interest of our ownership Kyo-ya Company.

A family owned business, our owner, Kyo-ya, has been doing business in Hawaii since 1961, specifically for Maui they have, a owner of the Sheraton Maui since 1974, which is about 45 years, providing a long term employment for associates with the good benefits that has been going on for 45 years. Also, the Kyo-ya has been one of the largest taxpayer for the State of Hawaii, to the State and the County level as well.

With the increase assessed value and the proposed Council rate increase from $9.37 to $15.41, Sheraton Maui's real property tax will increase by $1.4 million, which is about 100.9 percent year . . . year. $1.4 million increase for us is a really big amount, something that we're not able to recover easily.

And with that, we might have to start to make some hard decision to hold back on things, and perhaps hold back on some employment, perhaps buy less things, or start to defer some renovation that we need to have. And also, this is the time that we start to see the decline in economy, as well as for our property, we start to see the decline in occupancy. We start to welcome less guests in our hotel, and occupancy is in decline so it's not the greatest time.

Sheraton Maui has about 400 employees, joined by thousands of people who are employed in the lodging and hospitality business. Our responsibility as a business and a community leader is to create and continue to support good jobs and long term employment that ensures that our local communities and family have a good opportunity, and good life, and a good future.

In something like this with the tax, it's going to be difficult to do that. And as I said, we might start to defer some of the renovation that start to impact our construction industry, because we're not able to hire those guys as well as not buy things. We start to hold back on things that's going to impact our retail suppliers, and so forth. So, something, the increase of this magnitude is going to be very difficult for the Sheraton Maui and for ownership. And this is not the good time. Thank you.

CHAIR KING: Thank you very much, Mr. Yamazaki.

Next testifier is Thomas Cooper, followed by Clark Johnson.

MR. THOMAS COOPER:

Aloha, Chair.

CHAIR KING: Aloha.

MR. COOPER: Aloha, Council. I'm here on my own behalf. I'm not a paid lobbyist. Thank you for your time for allowing us to speak on this matter. My name is Thomas Cooper and I've been a resident of Maui for over 27 years now. I'm employed by the hotel resort industry where I've been fortunate to have had a great job for over 21 years. This job provides a 401K profit-share plan, as well as an affordable healthcare and dental care. I appreciate the facts that the company I work for participate in multiple charity events which benefit our communities here on Maui.

I think it is important that these tourists-based businesses be taken into consideration when a tax such as this is proposed and could have a negative impact on the number of visitors that will continue to come or look elsewhere for opportunities that would save them money on their vacations.

I would strongly urge we look for alternative ways to create tax revenue such as resolving the illegal vacation rentals. I just happen to have one right next door to my house, and there is several others in our neighborhood of Napili alone. These types of illegal vacation rentals don't pay tax and make for less long term rentals for residents.

Maybe an alternative such as an anonymous hotline with advertising and flyers with proper authorities' information on it, along with more enforcement would be a better measure. I believe tourists pay enough as it is with the already higher prices and taxes here in place in Hawaii and feel anything more might impact the people who live and work here if the visitor numbers drop because of this. Again, thank you for your time. And we look forward to seeing a plan that works for everyone.

CHAIR KING: Thank you, Mr. Cooper. I just had one question. Have you reported the illegal rental?

MR. COOPER: We've reported them to our association, who handles it from there.

CHAIR KING: Okay.

MR. COOPER: He's been fined at least one time that I know of.

CHAIR KING: Okay. So, the Planning Department would be, if you wanted to report to the County.

MR. COOPER: Yes, ma'am.

CHAIR KING: But thank you. Thank you for following up on that.

MR. COOPER: Thank you.

CHAIR KING: Next testifier is Clark Johnson, followed by Lisa Paulson.

<u>MR. CLARK JOHNSON</u>:

Good evening. Aloha, Chair, Councilmembers. I'm Clark Johnson. My wife and I have a short term rental in Makena and our current property taxes are $43,000 a year for three bedrooms. I'm here tonight because we're opposed to further increases in our property taxes.

My wife Sue was partially raised on Maui. She's a graduate of the University of Hawaii. We have deep local roots. My father-in-law, Christopher Cockett, spent his entire 91 years on Maui, except for four years attending Kamehameha and in military service. My in-laws obtained our land in the 50's and built the house in 1969. They were the first permanent residents in Makena. There was no mail or paper delivery, newspaper delivery. The waterpipes were on top of the road and every water was hot in the house. So, they were true pioneers.

So, our children grew up visiting Maui and papa taught everyone, the boys to fish and, and enjoy the Hawaiian heritage. We maintain and respect the Hawaiian heritage in our home. We're members of Keawala`i Church. We donate our home each spring to their, to their silent auction and we also support the Maui Food Bank and other local charities.

Our inheritance allows us to maintain this very special resource. We, we rent in order to afford the current property taxes of 43,000 and also keep the house up with maintenance and some improvements. If we increase our property taxes to $65,000 which is proposed, or as proposed, it would seriously jeopardize our ability to continue to own this property. The, we can't just arbitrarily increase our, our rates because it's a competitive market there.

Discovery Resort has approached us about making an offer to buy the property, and they want to turn it into a conference center. But, we don't want that. We want to continue it in its tradition. So, we ask that you keep our property taxes at the same current level that they are. Thank you for your consideration. Our property taxes are four times what they, or double what they were four years ago. Thank you for your consideration.

CHAIR KING: Thank you, Mr. Johnson; appreciate your testimony.

Lisa Paulson, are you here? Oh, there you are. Followed by Rob Hoonan. And if there's anybody in the back who wants to come forward, we have seats in the second row here. There's some open seats. Aloha.

MS. LISA PAULSON, MAUI HOTEL & LODGING ASSOCIATION:

Aloha. Good evening, Chair and Members of the Council. I did pass out my testimony. I'm just going to highlight some of it, because it is quite lengthily. And I do have some attachments that I think you may help find helpful in my testimony. My name is Lisa Paulson. I'm the Executive Director of Maui Hotel & Lodging Association and I am a paid lobbyist. We are the legislative arm of the visitor industry. Our membership includes 191 property and allied businesses in Maui County.

We, we oppose the proposal to raise the Hotel/Resort and Short Term Rental real property taxes. We're requesting a more equitable tax structure to be considered. The Hotel/Resort, Short Term Rental, and Time Share classifications are the highest tax rates for Maui County.

The industry is the number one private sector employer in Maui County, but it is a generous supporter of the local community. On average, each hotel donates 80,000 a year to charitable organizations as well as an average of 625 hours of staff time donated to volunteering in the community. We have our upcoming Charity Walk that we host; the Hotel Association, and last year, we raised $1.4 million to support 100 designated Maui County non-profit organizations. I've attached the list of who we're supporting this year. We grant over $35,000 each year in scholarship to public school seniors and scholarships to UH Maui College students. Just this month we distributed $150,000 in checks to organizations that assist with our homeless population.

Based on the increase in this year's property assessed values, an additional $14 million will be generated at the current RPT rates. In addition, we've heard from some Councilmembers that we should be level with other real property tax rates and other State of Hawaii counties. When you add our three industry rate classifications together, our industry rate is higher than Kauai and close to Hawaii Island; that chart is attached to my testimony.

Additionally, other counties property valuations and overall contribution to their County's revenues are far lower than what Maui's industry provides. Our industry provides 42.5 percent towards total real, real property tax revenues, where Oahu provides 15.4 percent, Kauai 19.3, and Hawaii Island 5.1.

In conclusion, the hospitality industry has enjoyed seven consecutive years of, of record increases. But, we must be mindful that the hotel sector has not benefited entirely from this growth, as more and more travelers are opping, opting to stay in alternative accommodations; many that are illegal and not paying their fair share of taxes. We're concerned with the potential combination of an economic slowdown, higher taxes from the State and County and loss of marketing funds to our Visitor Bureau. There are thousand of individuals from every County district who are your constituents, who are employed by the lodging and hospitality businesses that are very dependent on their living from the visitor industry--

CHAIR KING: Please conclude.

MS. PAULSON: --and to support their families. Thank you.

CHAIR KING: Okay, thank you, Ms. Paulson. Any questions? No questions? Thank you for being here.

MS. PAULSON: Thank you.

CHAIR KING: To share your testimony. Next testifier is Rob Hoonan, followed by Jana Lynn Arai.

<u>MR. ROB HOONAN, WAILEA BEACH RESORT</u>:

Aloha, Chair.

CHAIR KING: Aloha.

MR. HOONAN: Council. Thank you very much for this opportunity. My name is Rob Hoonan. I am a 45 year Maui resident currently living in Haiku. I am a father of three young adults who are just starting to join the workforce here on Maui. Currently, I'm the Director of Engineering at the Wailea Beach Resort. I've been fortunate to be in this hospitality industry since 1981.

I'm testifying tonight against the proposal to raise hotel and resort property taxes by 64.5 percent. Hawaii and Maui especially, already have some of the highest property tax rates for hotel and resort accommodations. If passed, this real property tax will increase and put a inequitable share of tax revenue burden on our industry and potentially force us to reduce operational costs that would impact our guests experiences, and in an economic downturn, possibly impact jobs.

In our globally competitive industry, constantly escalating costs to do business here challenge us every day. We have other destinations out there that people have choices and could go to. We need to stay competitive. This will hurt us. It's important to understand how committed our industry has been to a strong and important Maui County.

Beyond providing the many jobs created in our industry, we are leaders in sustainability, we are, and protecting the environment. We are constantly reducing our carbon-footprint and investing in the, that effort. We are leaders in water conservation, recycling, and waste stream management. These initiatives reflect our continued commitment to being stewards of this island home of ours.

We are involved with the development of our youth and community workforce through our involvement in high schools, UHMC travel and training classes, sustainable science degree programs, and trade related internships. We believe in investing in the education and growth of our, of our community and our employees.

Projects to, projects to continue to improve our properties benefit other industries; construction, suppliers, farmers, we support Maui. Passing along a 64.5 real property tax increase to hotels and resorts will make it difficult to sustain this. Remember, our employees are your neighbors, and their employment in the visitor industry is necessary for them to support their families. Thank you very much for this opportunity.

CHAIR KING: Thank you, Mr. Hoonan.

MR. HOONAN: Any questions?

CHAIR KING: You're awfully young. I didn't realize you were so young.

MR. HOONAN: That age thing came up again. Thanks. Thank you very much.

CHAIR KING: Okay, thank you. Next testifier is Jana Lynn Arai, followed by Shelley Hee. And then after the next two testifiers, we're going to go to Molokai and then we'll come back to the chambers.

MS. JANA LYNN ARAI, RITZ-CARLTON KAPALUA:

Good evening Council Chair Kelly King--

CHAIR KING: Good evening.

MS. ARAI: --Vice-Chair Keani Rawlins-Fernandez and Councilmembers of the County of Maui. My name is Jana Lynn Arai. I am a resident of Maui County and I have worked in the hotel industry for the last 15 years. I am here on my own account and I'm not a paid lobbyist.

For the past 15 years, I have had the privilege to work in two different resorts on, in the hotel industry on Maui. I am currently the Food and Beverage Sales Manager at the Ritz-Carlton Kapalua. Like many other Maui residents, I feel very fortunate to have been born and raised on this beautiful island. Maui is both beautiful, is beautiful both inside and out. The people who live here and the oceans that surround us make this island one of the best of the world. Like many other local, local girls, I did leave for four years to go to college in, at Seattle. And after my first week away, I vowed to myself that I would come back home and raise my family on Maui.

With the cost of living so high in our State, I opted to join the hospitality industry after graduating. Both my husband and I have worked in the hospitality industry on this island for over 15 years. This has allowed us to be able to remain on the island we both grew up on, purchase our own home, and provide a good life for our children.

The Ritz-Carlton Kapalua provides me with great benefits and an income that allows me to support my family. In addition, this company encourages and promotes many efforts to give back to the community. We participate like other resorts on the island. I'm in many community services activities like highway cleanup, Charity Walk, beach cleanup, food drives for Women Helping Women, we donate food to the fire station and police station to name a few. In addition, our company offers competitive pay wages and great retirement and medical benefits. I am proud to work for a company that provides careers that will allow our residents like myself to maintain on the island.

I am here today to express my concern that this big increase in the tax rate will affect my property's ability to continue to do these community service activities. Like other resorts, we, in order to have the 64 percent increase, we would have to look at ways to decrease our expenses throughout the resort. It is my request and hope that the County Council will oppose this tax rate, so we can continue to do more than just fill the hotel but continue to donate our time and resources to those less fortunate and to create good jobs for our community and support the industry. Thank you for your time.

CHAIR KING: Mahalo, Ms. Arai. Thank you for your testimony.

And then we'll go to Shelley Hee. We'll address the Molokai testifiers and then the next testifier after that is Al Corella.

MS. SHELLEY HEE, NAPILI KAI BEACH RESORT:

Aloha, Chairwoman and Councilmembers.

CHAIR KING: Aloha.

MS. HEE: I am Shelley Hee and I live in Lahaina, West Maui. I am a native of Waianae, Oahu and relocated here in Maui in late 1999. I am the Finance Controller for Napili Kai Beach Resort.

Napili Kai has always supported our community and encourages our staff members to participate in community activities. I have been around for a while and have participated in many over the years. And several of my favorites are, of course the Hotel Industry Walk, an advisor to the Pastor of Maria Lanakila Parrish as the Finance Chair, Halloween keiki parades on Front Street with the Soroptimist and Rotary Clubs. Though my favorite, top favorite is visiting Kalaupapa and assisting the Lion's Club with their annual Christmas party for the residents. No words can express the feelings that I receive when there, but possibly love, pono and blessed.

The property tax assessment that has been issued for the next year represents a 13.2 increase for Napili Kai. The rate increase proposed for Napili Kai will almost double our property tax expense. I calculate this additional expense per employee at approximately 2,300. I support the Mayor's proposed rate increase of two and a half percent, increasing our costs minimally by $400 per employee.

If the high, higher tax rate burden is approved, Napili Kai will need to curtail these costs to meet our operational objectives. This could include our involvement in such activities. I kindly ask that you take heart to my testimony when approving the property tax rate. Mahalo.

CHAIR KING: Mahalo, Ms. Hee. Thank you for your testimony.

Okay, Ms. Deputy Clerk, can we go to our Molokai Office? We have four testifiers waiting to testify.

DEPUTY COUNTY CLERK: Molokai District Office, please identify yourself and introduce your first testifier?

MS. LINDO: Aloha, this is Zhan from the Molokai District Office, and our first testifier is Judy Caparita.

CHAIR KING: Aloha.

MS. JUDY CAPARITA:

Aloha. Hey, praise the Lord. I like what our Council, our Council rates are. I'm for all these, all the Council rates, I am for it. I'm a kupuna and you know what? We should just keep the kupunas where they at, okay. I thank the Lord for all of our blessings. We're blessed on Molokai. There is so much things that's happening that's taking away all of our blessing. So, I just want to say I love you guys, God bless. Keani, thank you, Jesus, okay, bye, bye.

CHAIR KING: Aloha, Ms. Caparita. Any questions? No questions? Thank you very much, Ms. Caparita.

Next testifier.

MS. LINDO: Okay, Chair, our next testifier is Cora Schnackenberg.

MS. CORA SCHNACKENBERG:

Aloha. I am in agreement with our Council Council's proposed rates. For those that have testified about helping non-profit organizations and volunteering, you know, all of those, you can write off for your taxes. So, I, I mahalo everyone from the County Council. Mahalo for all the work you're doing. Aloha.

CHAIR KING: Mahalo, Ms. Schnackenberg. No questions?

Okay, next testifier.

MS. LINDO: Our next testifier is Liko Wallace.

MS. LIKO WALLACE:

Aloha, Council.

CHAIR KING: Aloha.

MS. WALLACE: I just wanted to come and talk about the tax rates that have been presented. I am in favor of the Council's decisions on all of the taxes that have been proposed whether it's up or down. I disagree with the Mayor's, anyway, kind of hard talking on the phone, but mahalo.

CHAIR KING: Mahalo, Ms. Wallace.

Ms. Lindo, next testifier please.

MS. LINDO: Our next testifier is Fay Pacheco.

MS. FAY PACHECO:

Good afternoon, Councilmembers. My name is Fay Pacheco. I would like to speak in support of RPT increases proposed, especially Time Shares, Short Term Rentals, and Hotels. It seems fair that all visitor accommodations contribute a little bit more to preserving and assuming the paradise they make their money on is kept in fact, intact and beautiful. I agree on the decreases proposed and appreciate this opportunity to submit my, my, sorry, thank.

CHAIR KING: Ms. Lindo, are you still there.

MS. LINDO: Yes. We have no, no more testifiers at the Molokai Office.

CHAIR KING: Okay, thank you very much. I think the last testifier cut off at the end, but I hope she was finished.

MS. LINDO: Yea, she's fine.

CHAIR KING: Okay, thank you, Ms. Pacheco.

Okay, no, no more testifiers. Do we have any, any of our other District Offices, Ms. Clark?

DEPUTY COUNTY CLERK: Madam Chair, there's currently no one signed up--

CHAIR KING: Okay, great--

DEPUTY COUNTY CLERK: --in the other districts.

CHAIR KING: --we'll continue in the chambers with Al Corella, followed by Kristin Selund.

MR. AL CORELLA:

Good evening, Chair.

CHAIR KING: Good evening.

MR. CORELLA: Good evening, Councilmembers. My name is Al Corella and I vehemently oppose the, any tax rate for increase for the short term rental properties. There's a move afoot to increase property taxes on short term rentals by 66 percent. This proposal is a killer of small business. Taxes are assessed for the betterment of the community. However, the current proposal is not for improvement, but punitive, punitive in nature for the small business owner. There is no substantive data to support the notion that this increased taxation will convert short term rental properties into long term rental properties.

I own one short term rental property and the income derived from this small business helps me provide for my family. It's just like most people have jobs for subsistence, short term rentals is my job and my livelihood. It is also the livelihood of the management, housekeepers, and maintenance people hired by these properties.

In closing, Maui will price itself out of the tourist market. And it is a well-known fact that tourism is Maui County's, I'm sorry, it's, it's, tourism is Maui County's economy. It's the number one. So, again, I oppose this proposal and I want to thank you for your time and attention. And if you have any questions, I'll be more than glad to respond to them.

CHAIR KING: Mahalo, Ms., Mr. Corella.

MR. CORELLA: Thank you.

CHAIR KING: Okay, Kristin Selund. Did I pronounce that correctly? Little bit off. Followed by, I can't read the last name, Eduardo Yep, yea. Yepez? Okay, thank you. Alright. Thank you, go ahead.

MS. KRISTIN SELUND, ANDAZ MAUI:

Good evening, Madam Chair and Councilmembers. My name is Kristin Selund.

CHAIR KING: Selund.

MS. SELUND: I'm the Director of Finance at Andaz Maui, Wailea Resort. We oppose the proposal to raise, by 64.5 percent, the current Hotel and Resort real property tax rate. At Andaz Maui, we were thrilled to open our doors in 2013. And since then, we have contributed an additional 5.3 million in property tax revenue to Maui County, and also more than 37 million more in TAT, GET and Use tax. Between that and the proposed assessed property value increases for next year, which will raise our property taxes by 28 percent with no additional rate increase alone, we think we have contributed a lot and are proud of that contribution and are happy for that.

We also actually agree with Mayor Victorino's proposed increases, because we understand there may be a need for an increase. But, we don't think the 64.5 percent in reasonable and something that our business can bear. When we have that type of increase, we have to look at ways to offset that. And we might have to look at, like others have mentioned, what we do in the community. We pride ourselves in daily work that we do and partner with the community. We work with the Pu'u Kukui Watershed, Kihei Elementary. We support paddlers' canoe clubs around, daily Charity Walk events, we have; and, and we're proud of that. We may have to review some of those donations, some of that hours spent in the community, unfortunately.

Anyhow, we would just love for you to reconsider the proposed 64.5 percent increase, especially with light of the economic slowdown that is impending here. Hawaii Tourism Authority just announced the Q1 results and RevPAR in the State declined 3.3 percent. So, it's happening, and we have to be in front of it. We do appreciate your consideration and hope you would reconsider Mayor Victorino's proposal. I would like to address any questions you may have.

CHAIR KING: No questions. Thank you very much for being here--

MS. SELUND: Thank you.

CHAIR KING: --Ms. Selund.

And the next testifier is Edward or Eduardo Yepez. Followed by Angelina Sado.

MR. EDUARDO YEPEZ, RITZ-CARLTON KAPALUA:

Aloha, Councilmembers. Aloha, Council Chair. My name is Eduardo Antonio Yepez-Gomez. I am actually from Mexico. I came here when I was a fairly young child. I am not a paid lobbyist, but I do work for the Ritz-Carlton Kapalua. Currently, I'm a server, so which means that I rely mostly, my income on tips. And I am actually raised on the island, so I went through the school system here, graduated Maui High School in 2009; "Go Sabers".

I, I feel like with these tax increases, I strictly am opposed by it because as a server I make my income through these tips. So, these people who are coming to Maui, they're already paying these tax on paradise. They come here envisioning what they want to see as paradise; what they envision when we are told through the movies, through the stories. And my personally, I've seen people from the eastern seaboard during the winter times when we make most of our income through people who don't want to spend their Christmas in the cold and they rather see sand and hula skirts.

I think that the problem that we see is with the opposed, with the taxes that they're trying to raise, we're no longer able to accommodate these people with the prices that are going to be more equivalent to what they can afford. They, on, along the whole eastern seaboard, they would much rather we, it'd be much more accommodable for them to go to the Virgin Islands, to Puerto Rico, to other islands, than to bring the revenue here where we can actually use it for families like myself. Which, I grew up in a very low state, way like low-wage State. My mom earned $15 an hour working at a cash register for Maui Tacos for about 15 years. So, I was really raised upon people coming here and enjoying something that they can't have anywhere else.

So, I provide that to the guests that I see every day. And I'm actually, I have a saying that I don't, I don't think it's very fair to say and I don't think it's very right to say; when people ask me where am I from, I tell them I'm here, I'm actually from here. And they look very shocked to know that I'm actually from here. And it's like, that's cause I'm an endangered species. You don't see people from Maui staying here this long anymore, because we can't afford to. So, it, if, if we're raising the taxes, it's making it harder for me to stay here. It's making it harder for me to provide for my family.

And, I, I can't, I can't express anymore disbelief in how high, I do believe in paying more taxes, I do believe in, in helping our economy grow. And I'm more for infrastructure cause I believe Lower Honoapiilani Road needs to rebuild; it needed for like 25 years already. And I grew, I grew up on that side, on the west side most of my life. So, I can tell you that I am more than happy to look down into a tax raise that's that it's more, it's more relatable. It's actually, you know, reasonable is the word. And, that's, over 60 percent raise is a little, a little absurd, a little . . . But, I'm more than happy to look in other, into other opportunities. And, and if you guys have anything else to say or any questions, feel free to let me know.

CHAIR KING: Thank you for be, can you just do me a favor and spell your last name for me?

MR. YEPEZ: Yea, it's Y-E-P-E-Z; Yepez.

CHAIR KING: Oh okay.

MR. YEPEZ: Any questions?

CHAIR KING: No questions.

MR. YEPEZ: Thank you.

CHAIR KING: Thank you for your testimony.

Next, we have Angelina Sado, followed by Pamela Tumpap.

MS. ANGELINA SADO:

Good evening. Aloha, Chair King--

CHAIR KING: Aloha.

MS. SADO: --and all Councilmembers. My name is Angelina Sado and I work in the hotel industry for, at Destination Residences Hawaii. My jobs allow me to provide my family and provides me excellent benefits such as healthcare and retirement. On Maui, we are fortunate to have such strong visitor industry, allowing for good paying jobs for many Maui residents.

With the loss of sugar and pineapple jobs on Maui, many workers have pursued jobs in the visitor industry at the many hotel offering good paying jobs. With the Maui high cost of living and a limited diversified economy, the hotel industry is the one sector and keeps many working families such as myself afloat.

My family and I are concerned that a 60 percent increase to the hotel and resorts property tax rate to $15.41 may lead to layoff and/or reduce working hours, resulting in me, my family and friends, to potential face adverse working opportunities. I hope you understand there are limited job opportunities on Maui, especially jobs that provide good pay and good benefits. Please consider reducing the hotel property tax rate to a reasonable number that won't result in unintended consequences such as potential job losses. Thank you for allowing me to testify.

CHAIR KING: Thank you for being here, Ms. Sado.

MS. SADO: Thank you.

CHAIR KING: No questions? Thank you for your testimony.

MS. SADO: Thank you.

CHAIR KING: Pamela Tumpap, followed, okay, somebody declined. Followed by Roberto Andrion.

Aloha.

MS. PAMELA TUMPAP, MAUI CHAMBER OF COMMERCE:

Aloha, Chair and Councilmembers. I'm Pamela Tumpap, President of the Maui Chamber of Commerce. I'm a paid President, and legislative advocacy is one of my many duties. I appreciate being here tonight to talk about real property taxes, and also understand that some of the increases that the Mayor had proposed, and I'm sure that you're looking at as well, were meant to fund affordable housing and rentals. And that's something that we care passionately about, however, we also feel that we need more equitable real property tax solutions in looking at the overall funding for our County.

You know, the homeowner rates have been historically low. And all of us as residents, every business has, a business isn't a, a person in and of itself, they have people that work for them. We're all residents here. We all use County infrastructure, roadways, parks, fire, police, other services, and so we want to see a more equitable solution that looks at homeowner rates, because this category was decreased. But, by slightly increasing the homeowner rate category, the County could have additional funds with minimal impacts on homeowners.

For agriculture, the valuations slightly increased. So, we see a reduction here where a level increase would generate more revenue for the County and not impact farmers given what they're currently used to paying. So, it would allow them to pay the same level without targeting higher increases for others.

On commercial and industrial rates, the proposed real property tax rates will have a significant impact for our micro and small businesses.

Many in the overall commercial and industrial rate category, some saw decreases that were larger properties; like golf courses, grocery stores. But, that doesn't mean everybody in that category saw a valuation decrease, which then disproportionately hits the smaller and micro businesses harder than maybe others. And many of them are lessees, which means their landlords will have to pass on the real property taxes to them. So, that's concerning to us.

On the hotel and resort rates, the valuations for Hotels, Resorts and Time Shares, and Short Term Rentals are increasing. And if the property tax remains the same as 2019, our FY 2019, we would get an additional 14 million just at that same level. As we know, the visitor industry directly or indirectly employs 75 percent, three quarters of our community. And it's really important to understand the impact of these proposed increases on the industry, which will lead to raising room rates and cause visitor spending in other areas to decline, including local and small businesses. It creates a trifecta effect, given other things; real property tax increase, potential MVB downturn in marketing funding and other issues at the State level, like increasing the minimum wage. Time share, for years, has taken extreme hits and yet they help shore us up in times of the economic downturns. So, we feel that that rate prior had been more levelized. And in short term rentals, we're all concerned about that impact. But, increasing the rate at that level is only hurting the legal short term rentals where we really need to look at enforcing those who are illegal. And we've got ways to generate significant revenue.

CHAIR KING: Thank you, Ms. Tumpap.

MS. TUMPAP: Thank you.

CHAIR KING: Any questions? No questions? Thank you for being here.

MS. TUMPAP: Thank you. Aloha.

CHAIR KING: Appreciate your testimony. Aloha. Next testifier is Roberto Andrion, followed by Chef Gregory Grohowski.

<u>MR. ROBERTO ANDRION, ILWU LOCAL 142</u>:

Good evening, Chair Kelly, Members of the Council. My name is Roberto Andrion. I'm a Maui Division Director for ILWU 142. The ILWU Local 142 appreciate the efforts made to the proposed 2020 Budget but has concerns regarding the various proposed real property tax increase; particularly the hotel and the resort increase of over 60 percent, from 9.37 to 15.41.

While we applaud the slight decrease in residential, apartment property tax rate, we cannot in good conscience support such a massive property tax increase to the hotel industry. As many of you know, a majority of ILWU Local 142 members of Maui work in the visitor hospitality industry consisting of significant percentage of the entire private sector workforce on Maui. In fact, the private sector workforce accounts for nearly 25,000 jobs in accommodations, hospitality, and food service according to the Department of Labor and Industrial Relations; jobs that rely heavily on the tourism industry. Further, with the loss of sugar and pineapple on Maui, including other agriculture jobs, more and more Maui residents are relying on jobs, rely vastly on tourism spending.

With such enormous property tax increase, hotels will be forced to either lay off workers or pass along tax increase to visitors who will reach the breaking point and stop coming to Maui altogether. Additional revenue may be, may be generated by increasing hotel property tax, but the loss of revenue will occur as visitor arrivals decline and workers are laid off, resulting in less consumer spending and ultimately less tax revenue.

The ILWU 142 understands the need to generate revenue for a successful operating budget. But unfortunately, the proposal 2020 Budget will have dire consequences that could potentially result in job loss, less revenue generated, defeating the purpose of raising the rate in the first place.

Until Maui's economy expands the other sectors that provide good paying jobs, attacking that one sector that does is ill-advised. The Maui, the ILWU Local 142 urge the real property tax rate for the hotel/resort industry to be set as a reasonable rate that won't result in unintended consequences. Madam Chair, thank you for your time. Councilmembers, thank you as well.

CHAIR KING: Thank you for your testimony. And, Mr. Andrion, did you, are you a paid lobbyist? Did you announce whether you are a lobbyist?

MR. ANDRION: I am not a lobbyist. I work for the ILWU, I'm the Division Director.

CHAIR KING: Okay, thank you. Our next testifier declined to testify, so the next testifier after that is Paul Roberts. Followed by Kalikolehua Storer.

Mr. Roberts. Is Mr. Roberts here? No? Okay. Next testifier, Ms. Storer, followed by Reiko Abrew.

MS. KALIKOLEHUA STORER, ANDAZ MAUI AT WAILEA AND HYATT REGENCY MAUI:

*(Spoke in Hawaiian.)*

Aloha, my name is Kaliko Storer. I'm from Leiali`i Lahaina. I live on the reserve in Lahaina. I'm blessed to be a part of a family from Makena. Mahalo nui. Keawalai Church is where my great-grandmother resides. Mahalo.

I am a mother of four beautiful children that all . . . olelo Hawaii. That have gone through Punana Leo, and Kula Kaiapuni, ma Nahi`ena`ena, ma kula waena, ma Lahainaluna. And I am blessed because of this opportunity. I represent the Andaz Maui at Wailea, as well as the Hyatt Regency Maui Resort and Spa in Lahaina. I'm blessed to serve as a conduit, as a bridge, as a Hawaiian cultural and training specialist and given the beautiful opportunity to walk in two worlds, of both inherited mana and acquired mana.

I help to oversee in Lahaina well over 800 associates. The Andaz Maui at Wailea, close to 500 associates. We make a very intentional and deliberate decision to malama our source, and that is our water source. Here in the second wettest spot on earth, Pu`u Kukui Watershed Preservation above us at Mauna Kahalawai. We are very well-educated on how much water we get a year. We are very well educated because of the opportunity that our hokele gives us to know what exists in the wao akua, what exists in the wao kele, what exists in the wao kanaka.

I was there yesterday with Pomaikai Elementary School. And what did we do, three different worlds with one collective effort; is to malama aina and ensure that our water source is here today, it is here tomorrow, it is here in our aquifers 25 years from now, and it is here for not just us kanaka, but for malihini to be given to the opportunity to sit in our world and learn. So, mahalo nui. I am in support of the Mayor's proposed increase for tax. Mahalo.

CHAIR KING: Mahalo, Ms. Storer.

MS. STORER: Any questions?

CHAIR KING: Any, please remain quiet if you can.

MS. STORER: Aloha.

CHAIR KING: Thank you for your testimony. Next testifier is Reiko Abrew, followed by Kathleen Lewis.

MS. REIKO ABREW, RITZ CARLTON KAPALUA:

Aloha, Council Chair. Aloha, County Councilmembers. Mahalo for this opportunity to express my strong opposition to the proposed extreme increase in the hotel and resort real property tax rate.

My name is Reiko Abrew. I have been working at the Ritz Carlton Kapalua for the past 15 years, currently in Revenue Management. The hospitality industry has allowed me and countless Maui families to return from the mainland to provide a good life for our family at a good wage. I pride myself on working for the visitor industry that gives back so much to the community, as evidenced in our record-breaking funding every year of the Visitor Industry Charity Walk and countless other charities and nonprofits on Maui.

Although Maui has seen tremendous growth in the last few years, we have also benefited from hurricanes in the Caribbean, violence in Mexico. But now that these areas are fully up and running, we have seen increasing softening in demand. In fact, just today, the Hawaii Tourism Authority reported a lackluster first quarter for Hawaii hotels, with a decline in both room revenue and occupancy by 4.7 percent, compared to the same time last year.

Many of our partners, including online travel agencies like Expedia and Booking.com, have been reporting declines in the Hawaii market while the Caribbean and Mexico are up by double digits.

I touch on these points because travelers have many options, and as we all know, Hawaii is a very expensive vacation destination. Increases in competition and higher costs for our hotels may result in decreases in investments back into our hotels, our employees, and our community.

It's my humble request that the County Council oppose this extreme tax increase, so we can continue to support our employees and our community. Mahalo for your time.

CHAIR KING: Mahalo for your testimony. Okay, next testifier is Kathleen Lewis, followed by Catherine Clark.

Can I please ask folks to refrain from clapping?

MS. KATHLEEN LEWIS:

Good evening.

CHAIR KING: Good evening.

MS. LEWIS: I am represent, my name is Kathleen Lewis and my husband and I own a 850-square foot condo in Maui Kamaole, where, that we rent as a short term rental. And we have been coming to Maui for probably 35, 40 years, and feel like we belong here, although we don't live here full-time. And we were totally amazed when we got the information that we were kind of being put on the same playing field as a hotel in having fees raised dramatically, the taxes raised dramatically.

And we tried to think how would we come up with that extra money and be able to do what we're doing? Because contrary maybe to what people think when you have a, one short term rental, you're not getting rich. You're paying condo fees, you're paying the highest rate already of taxation on property taxes here because we are non-residents. And we do it because we love coming here and it's a way we can afford to come here on a more regular basis than we could if we didn't have our own place.

And I guess what I'm saying is that how we have looked at it is we're not on the same playing field or should not be as a hotel. We have no way to cut back, absolutely none, other than to fold up. And, we would really hate to do that. We love it here. We feel a part of Maui even though we aren't residents. And, also, a lot of you may not know it, but there is a big connection where we live in Reno in Lake Tahoe, between that area, you'd be surprised at all the bumper stickers that we see on Nevada cars that have a "Love Maui" or the little island decals. So, we feel a real good connection and just hope that you people will think it through, really think it through. Because I know as, we're not the only ones on short term rentals that aren't going to be able to make it if the taxes increase as they are said to, or being set forth.

So, that's it. Thank you very much for hearing what we had to, I had to say. My husband can speak for himself. And, we hope we'll come up with something far more reasonable than what we've been reading. And, thank you.

CHAIR KING: Mahalo, Ms. Lewis.

Next testifier is Catherine Clark, followed by Roger Lewis.

(Councilmember Kama arrived at the public hearing at 7:20 p.m.)

MS. CATHERINE CLARK:

Aloha, Council Chair and Councilmembers. My name is Catherine Clark. I am testifying as an individual. I work within the short term rental industry. What will the properties in the short term rental category do if the property tax rates are increased over 60 percent? It could go one of two ways. Nightly rates could increase so occupancy decreases, resulting in fewer dollars being spent in the community which trickles down to fewer jobs. Nightly rates could remain at current rates, but unit owners could make cuts on either, other items such as fewer furniture purchases, condo owners cutting out their local managers and managing their condo from the mainland, or perhaps fewer updates to their units. This option also results in fewer dollars going into the community.

It's important to understand the model that most condos and short term rental homes operate by. It's possible to generate enough revenue to pay the property expenses. But, regardless of nightly rates, these are not big money-making operations. Between 30 and 40 percent is sliced directly off the top of the posted rates to go to the local property managers and the local, and/or mainland agents that represent the properties. The next slices go to property tax, property maintenance, cleaning, gardening, and many other expenses that come with the short term rental. But, these are dollars going into our local community. Hearing a nightly rate of 600 per night can lead to visions of big dollars. But this amount does not go to the owner. There are many slices before they even see a penny.

For the condos and homes, those slices are distributed here in the community. When you hear those high, high nightly rates, think of it as dollars going into the local economy as this is certainly not going into the owners' pocket. So, at a rate of $15.41, one of the proposed rates, it would take some short term rentals as many as 60 occupied nights just to pay the property tax. So, if they had 100 percent occupancy, they wouldn't have paid the property tax till the end of February, and then they've got everything else to pay on top of that.

So, I encourage you to share the pain a little more equitably. Please don't lump it all onto the short term rental category. We've seen in the past the devastating impact that even a small decrease in tourism could bring. If you're seeking fewer tourists, this just might work. But, unfortunately, it would also come with fewer local jobs. Thank you.

CHAIR KING: Thank you, Ms. Clark.

Next testifier is Roger Lewis, followed by Sidney Sparkman.

<u>MR. ROGER LEWIS</u>:

I'm Roger Lewis. I'm here representing the short term rental people. And as you heard, I have permission to voice my own opinion about it.

CHAIR KING: You're representing, but you're not a paid lobbyist I assume?

MR. LEWIS: I, well, no, she doesn't pay me.

CHAIR KING: Okay. Just checking.

MR. LEWIS: You've heard from a variety of people about the impact of what the rate increase would be. And it did shock me to read about the, the large percentage increase that would happen in an extremely short time period. That certainly to me sounds quite unreasonable to expect a small group of people on the island who really have quite an impact on the economy of the island to be burdened with such a, an increase in taxation. And, you've, you've heard what impacts are going to be, so I'm not going to reiterate it with regard to my own situation.

But, I'm going to leave with a reminder of history. And I'm reminded of over 200 years ago when a certain government imposed a large tax on its residents, and as a result of that the government got bitten pretty badly. And it all started with a lot of tea that went into the bay. So, I'm hoping that that Maui would not suffer the same kind of, of negative response and loss of taxation because of an action that, that they took. Thank you very much.

CHAIR KING: Thank you, Mr. Lewis. Seeing no questions, thank you for your testimony.

Next we have Sidney Sparkman, followed by Craig Harris declined, followed by Dick Mayer.

<u>MR. SIDNEY SPARKMAN, SGS HAWAII INC.</u>:

Thank you very much for giving me this opportunity to speak tonight, all of you. And more importantly to, to thank the resort industry for what it's done for my family and what it's done for our company. I own a company called SGS Hawaii, landscape management. We employ about 100 employees. We work specifically with resort properties.

The resorts have given us an opportunity to transition many farmers that came over, worked in sugarcane and pineapple into a different type of gardening, a different of farming. So, they've come into a really clean environment, a nice environment, an environment that makes them feel special; ohana. And so, it goes further than just a paycheck because these are really, really nice facilities for a lot of the people that were left without jobs when, when giant farms closed down.

The resort industry also has given us an opportunity to push the limits with technology in terms of landscape management. We were able to, to research and find better methods that allow us to be more environmental, ergonomic, efficient. We've, we're using smart controllers to management our irrigation now, so we can, you know, really zero in on what we need to use as opposed to what we waste. We're also utilizing better plants; the resorts are pushing that now.

I started an industry in 1993 here on Maui, and I saw what I, what I considered waste. You know, we spent a lot of money on, you know, plants that we really didn't need to have. Now we're going into more coastal, more native plants, and the resorts are wanting that. You know, that's nice because our, our tourists are changing, they're travelers. They come here, they want to learn. And so, the resorts are now making that part of their system. We have cultural advisors that are teaching people about better methods of doing the things we do.

And, and so, to me, the resort industry has, has done so much more than just employ people. And we've heard the statistics tonight. It's, it opens up opportunities for people to learn. And I think that's real important because we're about a guest experience. Most, most people come here, they may only come once. But, if they go home, they need to feel good about their experience, not bad. So, we're, we're already charged enough. It's very expensive. We all live here. We know how expensive it is.

Just for Grand's, I got on, I got onto the County website to see how much the tax assessments had increased from 2018 to 2019. So, I picked on five resorts in Wailea and I was shocked. The average, let's see how much did they go up? I saw over a 40 percent increase in property valuations on many resorts of, of the five and an average of $72 million increase in property values from 2018 to 2019; 72 million average. And so, it doesn't make sense to hit them again with the 64 percent raise. I mean, that just doesn't make sense. You're already getting more revenue, what's the point of going back up?

I think that, that this ought to be though out a little bit different. And I know as a businessowner I can't just go charge my clients more money; I just can't do it; 64 percent would put me out of business. So, we have to look at efficiency models. We have to look at our company. What can we do better? I think that's something else the County ought to do too; look internally. What can you do better? What can the County do better? Anyway, thank you all very much. And hopefully you'll rethink this. Aloha.

CHAIR KING: Thank you very much for your testimony.

Mr. Mayer, if you wouldn't mind indulging us, it's, we have to gavel back in at 7:30 and then recess again from the, the earlier Budget Committee. So, if you can wait for us to do that, then we can--

MR. DICK MAYER: I just have somebody to pick up at the airport about 8 o'clock, but I just wanted--

CHAIR KING: Okay, I can let you go, but I just, you know, we--

MR. MAYER: Go ahead, go ahead.

CHAIR KING: Okay. I didn't know if we were going to have questions. If you want, if you want the extra attention, so.

MR. MAYER: Take your break.

CHAIR KING: Okay. Ms. Clark, is there any problem with gaveling back in two minutes early?

DEPUTY COUNTY CLERK: Well, we'll need to recess this meeting first--

CHAIR KING: Right.

DEPUTY COUNTY CLERK: --and then switch to, switch the Granicus system as well.

CHAIR KING: Okay. Okay so, we're going to, we're going to recess, I'm going to recess the public hearing just for a few minutes, and then we'll reconvene the Budget Committee meeting, and then recess out of that, and reconvene the public hearing again. So, that's the process. Okay, so the public hearing for April 24 is in recess at the call of the Chair.

(THE MEETING WAS RECESSED BY THE CHAIR AT 7:29 P.M., AND WAS RECONVENED AT 7:31 P.M., WITH ALL MEMBERS PRESENT.)

CHAIR KING: Now we are back in session with the Maui County Council public hearing on real property tax. And I'm Kelly King, Chair of the, this Committee, I mean, Chair of the Council. And our first, our first testifier is Dick Mayer, followed by Emmanuel Baltazar.

Mr. Mayer.

MR. DICK MAYER:

Thank you very much, Chair, for explaining it all to us.

CHAIR KING: Did you get it?

MR. MAYER: I got it. Okay. I'm very much concerned about an equity issue here. Up to now, everybody's been speaking about the hotel rates being too high. I'm going to ask that they be made even higher, and other rates as well. But, I think it should be recognized that, I've been on Maui now 52 years, and I've watched Maui transform from a rural community to a community now that's totally dependent on tourism. And with the number of side effects that are not always positive for local residents; housing costs, lack of adequate infrastructure, etc. And I would urge that you begin looking at the total budget for the County and make changes in the tax structure.

The first one would be a lower property tax rate for, and I have this on that green sheet of paper that some of you have in front of you, a lower tax rate on homeowners. I would raise the homeowner exemption from 200,000 up to the least 300,000 or possibly 400,000. And the cost of doing that would be somewhere on the order of $14.8 million. That would be a subsidy essentially to homeowners that I think they very much need at this time. And it could be done either by giving them a rebate on the original tax notices that went out or by sending out new tax notices to the 25,000 people for roughly 12 to 14,000. You could tell them what their new assessment would be.

Second reform would be to take homes which are now rented long term to residents and give them also a lower tax rate than present. Many of them now are, are paying higher tax rates and I think what we need to do is encourage people who have short term rentals to transform them into long term rental units. And, I think both those are subsidies that I think the County very much needs.

Now, on the other side, to raise revenues, I would urge you to consider raising the revenues on Hotels, Time Shares and Short Term Rentals. Where you see down below there, "Policy Reform C", Maui's hotel room rate right now is 41 percent less than the one propose, being proposed now for Honolulu. Hotels in Honolulu are doing very well. Seven new hotels and, and resort properties are now being planned and in the process of going through their entitlement process here on Maui. There is no shortage of investors who want to invest here. We heard a lot of people talk about what's going to happen to the employees. What I'm hoping for is that we finally get redress on the huge amounts of money leaving this island and going to Blackstone and other big developers around the country. That needs to change.

The property assessments are the other part of that. The Grand Wailea Hotel last year sold for 1.1 billion, and yet its assessment last year was 330 million, one third, less than one third of the value of that hotel. You have two provisions in the County Code which speak to that, and I'm going to read the second one, because of time. "Except as exempted or otherwise taxed, all real property shall be subject to a tax upon one hundred percent of the fair market value". We're far from that. I don't have time. I have some other items there on the other areas as well, that hopefully you'll read and carefully consider.

CHAIR KING: Thank you, Mr. Mayer. Any questions? We have a question for you.

Councilmember Sinenci.

COUNCILMEMBER SINENCI: Thank you, Chair. Thank you, Mr. Mayer, for being here. Did you have another policy reform, that you wanted to?

MR. MAYER: Yea, I did with regard to time shares. Time share rate, I think should be equalized with the hotel rate. That's a lawsuit. I think the County could get rid of that lawsuit by equalizing them. And if possible, that would mean raising it to a rate equal to the hotel rate and I would urge that to be $16 per thousand.

Similarly, for the short term rentals, many of them are condominiums, or 11,000 according to the Real Property Tax Division units, are short term rentals; mainly in condominiums. They're acting very much like hotels. They're very much owned by people outside the State, through big entities. And those rates should also be comparable to time shares and hotels. So, I would urge you not to necessarily consider lowering them, but to raise them to a level that we can afford now to put in the infrastructure to fix all those bathrooms which are deteriorating along the beaches, to put, post lifeguards, do all the things that the tourists are demanding, which we are right now unable to provide.

CHAIR KING: Okay, thank you for being here, Mr. Mayer.

MR. MAYER: Thank you.

CHAIR KING: Next testifier is Emmanuel Baltazar, followed by Margit Tolman.

MR. EMMANUEL BALTAZAR:

Respected and distinguished guests of the County headed by Council Chair King. I am Emmanuel Baltazar. I'm representing the Filipino community and Grand Wailea Resort and Spa. I'm here to testify opposing the proposed increase on the hotel and resort real property tax rates.

I've worked in hotels for 11 to 12 years, and . . . most of my family; nine immediate family is working in this . . . prestige hotel, the Grand Wailea Resort and Spa. Most of the Filipino people are working in the tourism industry. Working in the hospitality industry has allowed me and my family to provide a good life for my ohana and myself, an honest day's work and the ability to be a part of something bigger than myself, knowing that I work at the place that's give back to the community, supports its employees. It's a good steward of the aina. It's very important to me. For more than 12 years, working in Grand Wailea and my family, we are living testimonies of all these things that they're giving back to the community.

I'm really concerned for the increase of this tax. We might lose our job. They might cut hours. Way back in 2008, 2009, I was there working once a week; only one schedule per week, even one schedule for two weeks. I don't want to see this happen. I don't want to go back to the compensation office at six o'clock in the morning, falling in line with a lot of people for compensation benefits.

When we close, the sudden closing of HC&S, Filipinos have been affected and targeted at time. Take a look way back in 1902 to 1946. Our ancestors from the Philippines migrated in the State of Hawaii, Maui and Molokai. And they are so hardworking, very respectful and obedient people. If we will do this from the tourism industry, we will lose our job. Most of the Filipinos are working in the tourism industry. It's hurting for me, being a Filipino leader in the community that will happen again; what happened to the more than 700 employees of HC&S. Please, I'm . . . in your heart, take a look on us. Take a look our future. In every single decision that you will make, think three times or ten times for our future. Thank you. I entertain any questions.

CHAIR KING: Mahalo for your testimony, Mr. Baltazar.

MR. BALTAZAR: Thank you.

CHAIR KING: Next, next testifier is Marget *[sic]* or Margit Tolman, followed by Scott Shapiro.

MS. MAGIT TOLMAN:

Aloha kakou ahi. My name is Margit Tolman. I'm a small business owner in Paia Town. I manage short term rental homes for many years. I started with a little travel agency. The increase, proposed increase for the tourism industry, the lodging industry cannot be absorbed. We cannot downsize. My business is small. I have only a few employees. They will not have a job. It will be your decision.

My owners, they cannot absorb 60 percent increase. My oldest owner is 94 years old. He bought his property 50 years ago; two small, little oceanfront homes. He shares it with other visitors. He just makes his property taxes now. He . . . able to pay more. He will be able to sell; that's his only option.

I sent you my testimony. I told you my story about my vacation rental. I'm fortunate that I'm, I have a licensed vacation rental home. My giving back to the community was to have it long term rented, keep one little studio short term and provide two affordable housing. This will be gone. It's up to you.

I like Mike Victorino's proposals, and I trust him. He's long enough in this County and, and service. He knows what he does. A slightly increase is fine. I'm happy to pay my taxes. The tax has doubled already. Last year, we got 28 percent increase. We have no home anymore. It's up to you. Thank you.

CHAIR KING: Thank you, Ms. Tolman. Seeing no questions, thank you for your testimony.

Next testifier is Scott Shapiro, followed by Ken Smith.

MR. SCOTT SHAPIRO:

Good evening, everybody. My name is Scott Shapiro. I'm here on behalf of myself. Hotels are essential to our community and to our economy, as well as on Oahu. Hotels here pay $9.37 per $1,000 in assessed value. On Oahu, they pay 12.90 per $1,000. An increase to $13 per $1,000 in value, assessed value here on Maui would be a 38 percent tax increase, not a 64 percent tax increase.

I've heard a lot of the hotel manager, hotel staff how community programs may be cut, employees may be let go, expansion plans may stop. I even heard one of us talk about what the bottom line is, how much money they're making. I did some calculations, and these were passed out to you guys. Maui's, we all know Maui's average daily rate is the highest in the United States; number one, No Ka Oi, we're the best. Number three, internationally, for similar places.

One of my calculations figured out how many room nights there are on Maui. There was a Maui Now article in January of 2019 that says Maui has 26 percent of all Hawaii hotel rooms. That equals about 11,400 hotel rooms; times 365 days at an 80 percent occupancy rate equals 3.3 million room nights. If you were to increase the tax by $20 million, and that's a lot of money, and divide that by 3.3 million room nights, that's an average of $6 per night, per room. I just googled tomorrow night at the Grand Wailea; $659 per night.

So, 659, 667, I think somebody is still going to come to Maui if it changes by $6 a night. I just like to be on par with Oahu at their rates, which are, potentially will be up to 13.90 per thousand. Thanks.

CHAIR KING: Thank you, Mr. Shapiro. Seeing no, oh, we have a question. We have a question for you, Mr. Shapiro.

VICE-CHAIR RAWLINS-FERNANDEZ: Aloha, Mr. Shapiro.

CHAIR KING: Vice-Chair Rawlins-Fernandez.

VICE-CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair. Aloha, Mr. Shapiro.

MR. SHAPIRO: Aloha.

VICE-CHAIR RAWLINS-FERNANDEZ: Mahalo for the calculations you provided to us. This will be really helpful. I, so, just trying to understand your breakdown. And so, for the Grand Wailea, you said it's, you calculated an additional, is that the, the $5.92?

MR. SHAPIRO: So, what I did, I, I kind of ballparked Maui versus Oahu. I picked four hotels just to kind of do a sort of apples to apples comparison on the left. You see the Maui hotels; the Hyatt, the Four Seasons, the Marriot Wailea, and the Grand Wailea. And on Oahu, there are kind of similar properties. You can't compare there, you know, we're two different islands, but those were the valuations next to those of what we are. And so, the valuation of those four hotels here on Maui is, you know, almost $1.2 billion versus Oahu of 1.5 billion. So, we're pretty close in valuations to what Oahu does.

The big difference is the, is the tax rate, the 12.90 currently on Oahu versus $9.37 here. So, that's what that shows. And I showed what the increase would be of that, and it's a four, you know, for those four hotels it would be a $4.3 million increase. And again, and that's what that $5.92 is for those four hotels, given their numbers of rooms and occupancy.

(Councilmember Paltin was excused from the meeting at 7:46 p.m.)

MR. SHAPIRO: But, on average on Maui it comes out to about $6 per night in a, in a room absorption charge that the, that just goes to the bottom line or goes to the customer, either way. I don't think it's going to make a big difference. I don't think they're going to cut employees until a recession hits, which they did the last time. And you know, employees were let go and it'll happen again. But it's not going to be because of a tax increase.

VICE-CHAIR RAWLINS-FERNANDEZ: And these calculations were during like non-recession, which we're in now? A non-recession year.

MR. SHAPIRO: These are today's, these are today's valuations.

VICE-CHAIR RAWLINS-FERNANDEZ: Oh, okay.

MR. SHAPIRO: Right off Maui County website.

VICE-CHAIR RAWLINS-FERNANDEZ: Right.

MR. SHAPIRO: And, yea, these are all current.

VICE-CHAIR RAWLINS-FERNANDEZ: Mahalo. Mahalo for your calculations. So, basically, your assessment is that a lot of the claims that are being made are a little inflated?

MR. SHAPIRO: I'm not sure. What claims did you say? I didn't, I--

VICE-CHAIR RAWLINS-FERNANDEZ: The claims of not being able to renovate, having to layoff tons of people.

MR. SHAPIRO: Well, when you look at the, if that $6 figure is accurate and I think it is, we could ask some of the hotel managers. They could probably let us know if that's accurate. It could be off a dollar maybe. But, to absorb that into a average $659 room rate, it's not too hard to take, I don't think, so.

VICE-CHAIR RAWLINS-FERNANDEZ: Mahalo, Mr. Shapiro.

MR. SHAPIRO: Thank you.

VICE-CHAIR RAWLINS-FERNANDEZ: Aloha. Mahalo, Chair.

CHAIR KING: Mahalo for your testimony.

Okay, next testifier is Ken Smith, followed by Greg Mebel. Mebel or Maybel?

Mr. Smith.

MR. KEN SMITH:

Good evening, Madam Chair. Good evening, Councilmembers. Thank you for this opportunity. I've been a resident of Maui since 1980. I've been a realtor on Maui since 1991. As my job as a realtor, I've sold many condos, many homes; locals, people on the mainland. One of the people I sold a condo to from Canada, bought a condo at Maui Kai. And he has asked me to provide you with his input on the proposed tax increase.

My name is Art Nickel. My wife and I own a Maui condo and we are also part of an onsite rental program that is a non-profit partnership of owners consisting of 44 condo units. I am very concerned about the proposed property tax increase on the Hotel/Resorts and Short Term Rentals. The majority of our owners personally enjoy our condos throughout the year and short term rent when we are not using our units to help offset some of the significant cost of ownership on Maui.

(Councilmember Paltin returned to the meeting at 7:49 p.m.)

MR. SMITH: A property tax increase further burdens owners financially and makes it less feasible to own vacation property on Maui. In addition to already coping with the extremely high cost of ownership on Maui, our partnership of owners employs a staff of over 15 people who maintain the grounds and take care of our guest and who's employment could be affected by an increase. Most of our owners do not have any margins to absorb more cost and many already operate with negative cash flow. Any additional costs will either directly, will either be directly passed onto guests who already pay 14.4167 percent in accommodation taxes or will require a reduction in cost, meaning employing less staff.

We have noticed guests from, are becoming more price sensitive and any financial increases passed on to them will result in making destinations such as California, Mexico, Florida, Caribbean or a cruise even more attractive. Maui also has many return guests, but as they see the cost of visiting here increase, it is less reason for them to come back again. Maui's amazing, but there are many other wonderful sun destinations available at significantly lower cost to the traveler.

Hotel/Resorts and Short Term Rentals are a vital employer and tax provider on Maui. Please consider the rent, the real impact any tax increase will have not only on Maui's tourism, but our entire island economy. Respectfully Art Nickel.

And, I do concur with his comments here. Any questions? Thank you.

CHAIR KING: Okay, thank you, Mr. Smith.

Our next testifier is Greg, is it Mebel?

MR. GREG MEBEL: Mebel.

CHAIR KING: Mebel, okay. Followed by Stephen West.

MR. GREG MEBEL:

Today, thank you for listening to our testimony today. Today, I'm going to speak as an individual who owns a short term rental in Paia. I agree that we should raise the taxes on Maui. I think that the Council's proposal, however, is a little much skewed on one side. We just absorbed a short term rental tax increase, a pretty good size one. We're just getting use to that. This next one is just a little too much. It's just not fair to put it all on the short term rental owners.

You know, it's easy to, to say that all this money goes off-island, but it doesn't. A lot of the short term rental owners, like me, we live here, we have families here. And we know that the infrastructure, you know, we need more money in the budget, absolutely. You know, my family is ecstatic that the Northshore Greenway is going to be completed now. We use the Paia Community Center playground all the time. We know that there needs to be more programs for homeless, for mentally ill. And we know that there needs to be money for all that. It just can't all go to these three, well in my, in this case, the, the third highest already tax class. So, that was my main point. I think other people have spoken eloquently about a lot of the numbers.

And just, one, one other thing. You know, vacation, it sort of sounds like skateboarding is not a crime, vacation rental also is not a crime. It's, you know, when it isn't regulated, it, it can get out of control. But, sort of taxing it to death or, or making it so people can't get permits, it's sort of a type of prohibition and just drives things underground. And what happens is we get less safe conditions for guests. We get less taxes actually collected. So, and we actually tried that here and it was, it didn't work so well which is why we actually have a vacation rental, a short term vacation rental program now, because of that experience. So, in any case, thank you again. I support raising some taxes for all, just not this current proposal which does it really just a little too dramatically for some of these tax classes. Thank you.

CHAIR KING: Thank you for your testimony.

VICE-CHAIR RAWLINS-FERNANDEZ: Chair.

CHAIR KING: Oh, I'm sorry. Do we have a question? Vice-Chair Rawlins-Fernandez.

VICE-CHAIR RAWLINS-FERNANDEZ: Aloha, Mr. Mapel *[sic]*.

MR. MEBEL: Aloha.

VICE-CHAIR RAWLINS-FERNANDEZ: Mebel.

MR. MEBEL: Mebel, yes.

VICE-CHAIR RAWLINS-FERNANDEZ: Mebel, okay. Mahalo for your testimony. So, just to clarify the ending part of your testimony. You said that, you know, like a tax increase like this would drive permitted vacation rentals to go, like basically, underground, I think is what you said, and to not pay the increased tax. So, am I to understand that, you know, those short term vacation rental owners would rather risk getting fined $20,000 a day than renting out their home long term?

MR. MEBEL: I think that there, so right now, I can sort of speak for my small world--

VICE-CHAIR RAWLINS-FERNANDEZ: Okay.

MR. MEBEL: --in what I say right? So, what I see is I see people doing the calculus of should we get a permit. Right now, in Paia and Haiku you can't even get a permit because there are some other decisions that just haven't been made. And so, you just can't get a permit. So, the calculus is should I go for a permit? Should I pay the extra in insurance? Should I pay the extra in taxes? Should I do what, and, and I see people who are making that calculus and saying it, it just doesn't make sense. It doesn't make sense to, to do that. And so, the County's actually losing the revenue that they could be making.

VICE-CHAIR RAWLINS-FERNANDEZ: My question was about renting it out as a long term rental. You didn't name that as one of the options.

MR. MEBEL: Right.

VICE-CHAIR RAWLINS-FERNANDEZ: Cause it does generate income.

MR. MEBEL: Yea, so some people might do long term rental. Other people would choose to do it just under the table somehow, a lot, there's--

VICE-CHAIR RAWLINS-FERNANDEZ: And--

MR. MEBEL: --a lot of that going on. And then some people would, they would just choose not to rent it. You know, they would just say, eh, you know what, we're going to leave it empty. And it would just sit empty.

VICE-CHAIR RAWLINS-FERNANDEZ: Mahalo. Mahalo, Mr. Mebel.

MR. MEBEL: Yea. Thank you.

VICE-CHAIR RAWLINS-FERNANDEZ: Mahalo. Mahalo, Chair.

CHAIR KING: Thank you.

Okay, next testifier is Stephen West, followed by Ramu Tremblay.

MR. STEPHEN WEST:

Council Chair.

CHAIR KING: Good evening.

MR. WEST: Members of the Council. My name is Stephen West. I am not a paid lobbyist. I'm a working man. I work two jobs. I work at the Grand Wailea Resort and I work for Delta.

I think what, you know, I've heard here tonight there's been a lot of misinformation, a lot of what they, what people are saying, comparing apples to apples when there's no possible way that you can do that. When you try to compare hotels on Oahu to Maui, that's impossible. And saying, we don't have an international airport here, number one. We don't have the lift to the island that, you know. And I think partly what's being done here is to, for a better word, just shut it down, just turn off the lights. And, you know, and that offends me. This, what I see here is purely punitive, purely punitive.

You know, I ran for State House in 2006. I went house to house and I seen what's going on in our neighborhoods and it makes me sick. You know, I see our neighborhoods changing. And what I would really like to see is the Council take a direction that Oahu is looking at, is, is attach these fines to the property tax of these places that are renting out illegal time, you know, illegal rentals not paying TAT. If you do that, and they don't pay their taxes, you take their home away. Cause now they don't care, they just, you know, they'll pay a fine. But, take their house away, that's something else.

I mean, we need affordable homes in our communities, but I don't think what you're doing, I think what you're doing here is not going to achieve that goal. If this Council passes this, I would strongly urge Mr. Victorino to veto it, because you don't have the votes to override him. I can tell you that right now. You don't. Come up with a plan that really benefits working people, working families, that are out there struggling, trying to pay rent. Our communities are being torn apart by outside speculators that come into our communities and buy homes and rent out Airbnb. It's not working.

So, support the industry that's supported this beautiful island all along. I ask you to do that please. I do not support this proposal in any way. Thank you.

CHAIR KING: No questions? Thank you for your testimony, Mr. West.

Next testifier is Ramu Tremblay, followed by Cassie Cockett.

<u>MR. RAMU TREMBLAY</u>:

Aloha, Chair.

CHAIR KING: Aloha.

MR. TREMBLAY: Aloha, Council. Thank you for hearing my testimony. I just want, I'm speaking on behalf of myself. And, I grew up in Upcountry Maui. My mother raised three of us on a single mom's income and I saw her work her tail off to support us.

And, I own two vacation rentals in South Maui. In 2008 or 2007, I purchased a, my first property and I was foreclosed on in 2010. And, for the next eight years, I hustled and hustled and hustled, and put away as much money as I could. And finally, was able to purchase vacation rental last year, and another one.

And so, I guess I take issue with Mr. Shapiro's statistics of $6 per occupancy night. I think that's, that number is very skewed and perhaps the hotels can bear that. But, that's not taking into account the other 10,000 or so individual units. And I take issue with the assertion that these condos are, most of them are owned by huge entities. A lot of them are owned by people like myself who are, you know, struggling, I wouldn't say struggling, but using those monies to make a living wage and put that money back into the community.

I just, I guess would ask that you consider, it's a pretty radical proposal. It's, I mean, it's essentially lumping together hotels and short term vacation rentals, individuals like myself, into one category. And, you know, again, the hotels may be able to bear that burden, I don't know. As an individual owner, I know it will be a challenge. Yea, I just ask that you, I guess, consider the testimonies that have been shared tonight. And, I thank you for the opportunity to speak.

CHAIR KING: Thank you, Mr. Tremblay. And just for the record, Mr. Tremblay, Mr. Shapiro's, I was just looking at his testimony, he wasn't talking about short term rentals. It was strictly on hotel; his statistics.

MR. TREMBLAY: Well, I mean, he basically said $6 per night, and so--

CHAIR KING: He was just talking about the hotels, not the short term rentals.

MR. TREMBLAY: Yea, I know, but essentially the hotels, the short term rental, renter, rental owners like myself, we're also going to bear that burden. And so, his assertion that it can, you know, the tax can just be absorbed by the owners, I think it's, I don't, I just don't, I don't think it's necessarily true.

CHAIR KING: No, I understand what you're saying. But, I'm just saying his testimony was strictly on the hotel, and the STR is a separate one, so it doesn't necessary, we haven't, we haven't made any decisions yet. These are all proposals, so it doesn't necessarily follow, that they're going to exactly be the same.

MR. TREMBLAY: Sure. Sure. Thank you.

CHAIR KING: Okay, thank you.

Next testifier is Cassie Cockett.

MS. CASSIE COCKETT:

Aloha, Council Chair, Vice-Chair Keani Rawlins-Fernandez, and Councilmembers of the County of Maui. Mahalo for the, for the opportunity to express my strong opposition to the proposed increase in the hotel and resort real property tax rate.

I've worked in hotels for 30 years, and currently work at the Ritz Carlton, Kapalua in the Human Resources Department. Working in the hospitality industry has allowed me to provide a good life for my ohana and myself. Knowing that I work at a place that gives back to the community, supports its employees, and is a good steward to the aina is very important to me.

I'm giving testimony today, I'm concerned that the big increase of the tax rate will affect my property's ability to do these things. Big increases in taxes, the cost will make it even more expensive for business, to do business in Hawaii. I speak with the visitors all the time who talk about how expensive it is to travel here and how there are cheaper places closer to home that they would rather go to.

Working in Human Resources, I get to see firsthand the opportunity of the work that my property does in helping the larger Maui community. I see it when we host local Maui non-profit charities for free; when we raise money for the Maui Charity Walk; when we help an employee going through hardship, like having their house burn down; and when we donate our time, room nights and other things to everyone's silent auctions and fundraisers. It is a part of what we do and what we love doing; helping our community. And I'm worried that if we keep on making it more expensive to do business here, that this kind of help will be harder to justify and to give.

It is my humble request and hope that the County Council will oppose this tax rate increase so we can continue to do more than just fill the hotel, but continue to donate to our community and the resources of helping those that are less fortunate. Mahalo.

CHAIR KING: Mahalo for your testimony, Ms. Cockett. Okay, Ms. Cockett was our last testifier.

Ms. Clark, do we have any other, additional testifiers in our District Offices?

DEPUTY COUNTY CLERK: Madam Chair, there are no other individuals in the District Offices nor the chamber.

CHAIR KING: Okay, we have one more testifier. Can you, did you fill out the slip, or can you do it? You can testify first and then fill it out afterwards. But, give us your name and--

MR. JOHN GUARD:

Thank you, Council Chair.

CHAIR KING: --and who you represent.

MR. GUARD: My name is J.B. Guard. I'm testifying on behalf of myself. I wasn't going to, a little late at night with a eight year old son at home. I--

CHAIR KING: Could you spell your last name for me please?

MR. GUARD: John Guard.

CHAIR KING: Guard.

MR. GUARD: J.B. Guard.

CHAIR KING: Oh. Oh. Okay.

MR. GUARD: So, thank you all for your time. It's a little easier to be in your seats for me now. I was on the Planning Commission when we started discussing the short term rental bill years ago, and obviously there was a lot of friction then with people not liking them in their communities. It went back and forth.

I have now seen the benefit first hand. I've been using my cottage as a vacation rental while my wife was sick on the mainland. We started doing that just to keep paddlers, friends from off-island, and having kind of PTSD of a long term tenant. Bad situation that took me six months to get out of them, get them out of my house right next door to me. Six months, lots of stress, scared for my wife, scared for my animals, when I'd go to work as a fireman.

I've seen my property taxes go from under $2,000 to $9,000, and now this other increase will be significant. I can only speak on my behalf. That's the only story I really know. I wasn't going to come here. So, at least I can speak from the heart on this one. That's a big burden and I try not to run it like a hotel. I don't want 100 percent occupancy. I like to have the ability to have friends from off-island stay at my house and not be at a hotel and, and be on the North Shore with me. And I only had to go with the TVR because we were on the mainland a lot for healthcare reasons. And now I'm also helping my parents in Kula, so I couldn't get the bed and breakfast permit, so I can't be commercialized residential.

And to be lumped in with the hotels and, I mean, yea, hotels, that was my first job out of college. That was the best thing I could do coming home. So, can they pay more, these, these entities? That's, again, I think that's for going back to the drawing board. I've been not in your exact position on the Council, but as a commission member, I know what it's like to have all of your friends at the dinner table, or yea, wives and families angry about this and that. We all want the best for Maui, but yea, I think we really need to think twice about just being punitive on people that have vacation rentals.

If it's about workforce housing, I'm all for it. And maybe if we could collect some of these fines against the illegal Airbnb's, that'd be great. Put them into Councilmember Molina's fund that he started years ago. There, there's other opportunities for all of us out there than to just go after the guys that thought they were doing the right thing by getting the permits. I, it's like shame on me for trying to do the right thing with the County. I'll open up for any questions, if you have any. But, yea, great to see you all and thank you for this evening.

CHAIR KING: Thank you, Mr. Guard. Thank you for going out there and getting the permit.

MR. GUARD: Alright.

CHAIR KING: We do appreciate it.

MR. GUARD: Thank you. Have a good night.

CHAIR KING: Okay, can you, can you fill out the form out there?

MR. GUARD: You got it.

CHAIR KING: Just so that we get you on record. Okay, I think that's, we have no more testifiers in the chambers, no one who wants to testify. And, we have our, oh, we have one more. Okay, we got just, oh okay. Did we get you signed up, Mr. Trotto?

MR. MICHAEL TROTTO:

Good evening, Chair King--

CHAIR KING: Good evening.

MR. TROTTO: --and Members of the County Council. My name is Michael Trotto, I live in Kihei. I'm speaking on, on myself. I just, I don't have numbers for you tonight. You know, I think you've probably got enough numbers to crunch for a while.

I just want to speak about owners of short term rental properties. When I first got involved, it was 1988, I came to this Council, stood at this podium. I think the only Member present would be Mr. Hokama at that time. And we talked about property taxes and this is when property values were going skyrocketed, and a lot of the families who no, through no fault of their own owned properties in places that our Finance Department decided they were very expensive, and so the property taxes went high. People sold some of those properties, and so their neighbors got their properties. So, that's, that's where this is, this is where I'm coming from.

Some of the short term rental owners today would not even be short term rental owners had it not, that had not happened. They're trying to hold onto their property so they can have it for their families to pass down. So, they got into this. And all around them they had very, all of a sudden very expensive properties with very high-end homes and all that. So, naturally, their property taxes were raised. And so, this is what they did.

So, with this proposal, when you look at the amount of property taxes you want to increase it, these are the people that could be adversely affected by it. It's not just people that have high-end or people that live on the mainland and have properties here. It's the people that have lived here. Some of these families now go way back, you know, generations, generations. And so, that's why the, they're in this position now. So, there was never any carve out for them. You know, whatever the Finance Department, Property Tax Division thought was okay, that's what they had to pay.

You know, and that, back in 1988, we talked about it and then some of the families that were really impacted, we, we established things like circuit breaker and all that to try to help. So, and now I just want you to keep that in mind when you raise these rates on short term rental. You have to take the blinders off and look at the broad picture and who, who you're affecting. And there's a lot of families, resident families, local families been here a long time that could be adversely affected by this, all of a sudden, this big increase. So, I just, that's my testimony. Thank you.

CHAIR KING: Thank you, Mr. Trotto. Thank you for your testimony.

Okay, Members, seeing no other testifiers in the chambers, we have written testimony that we've received so, with no objections we'll receive that into the record.

MEMBERS VOICED NO OBJECTION.

THERE BEING NO OBJECTION, WRITTEN TESTIMONY RECEIVED FROM THE FOLLOWING WERE MADE A PART OF THE RECORD OF THIS MEETING:

1. Thomas Croly;
2. Angela Vento, Wailea Beach Resort;
3. Jason Economou, Realtors Association of Maui, Inc.;
4. Tets Yamazaki, Sheraton Maui Resort & Spa;
5. Thomas M. Cooper;
6. Lisa Paulson, Maui Hotel & Lodging Association;
7. Rob Hoonan, Wailea Beach Resort;
8. Jana Lynn Arai;
9. Kristin Selund, Andaz Maui at Wailea Resort;
10. Eduardo Tony Yepez;
11. Pamela Tumpap, Maui Chamber of Commerce;
12. Roberto Andrion, ILWU Local 142;
13. Reiko Neizman Abrew;
14. Sidney Sparkman, SGS Hawaii, Inc.;
15. Craig Harris, Andaz Maui at Wailea Resort;
16. Dick Mayer;
17. Scott Shapiro;
18. Cassie Cockett;
19. Mark Mrantz, Aston Hotels & Resorts;
20. Elizabeth S. Wood;
21. Laurence Chapman;
22. Michele Gibson;
23. Dennis and Joan Hartsough;
24. Linda Mitchell;
25. Mark and Diane Pejkovich;
26. Robert Rubin;
27. Jason and Vivian Wold;
28. Theodore Wolfberg;
29. Douglas Mitchell;
30. Steve Cerveris;
31. Corrine Fabie;
32. Howard Gogel;
33. Jill, Gareth and Liam Sullivan;
34. Bruno Tonin;
35. Louis and Kristine Trinh;

36. Adrian and Anne Walling;
37. Alan Wilson;
38. Gerald B. Woodahl;
39. Michal Beth Elerding;
40. Dan Hartley;
41. Ilse-Mari, Denny and Elizabeth Lee;
42. Gary Wetsel;
43. Tony Wong;
44. Chris Geng, Maui Resort Rentals;
45. Robert J. Cartwright;
46. Paul Goodman;
47. Edward Almquist;
48. Janis and Wes Kaban;
49. makenasurfe206@gmail.com;
50. William Morrow;
51. Ann Shipman, Makena Surf;
52. William T. Geary;
53. Chris Harris;
54. Michael Iosua, Marriott Vacations Worldwide Corporation, Vistana Signature Experiences and Aqua-Aston;
55. Malcolm Johnson;
56. Hal Louchheim;
57. John and Dorothy Pence;
58. Elaine and William Hartleb;
59. Mary Henig;
60. Donna Hansen;
61. Halliene Walker;
62. Bob Hansen;
63. Billy Country;
64. Margaret Ann Shea;
65. Tim Stice, Hawaii Life Real Estate Brokers;
66. Edward and Maro Dimmer;
67. Mary M. Kerstulovich, Hawaii Life Real Estate Brokers;
68. Gregory Kahn; and
69. J.P. Oliver, Grand Wailea.

CHAIR KING: Okay. Thank you. And, I will go ahead and adjourn this meeting just in time for the EDB meeting to convene. But, I'll leave it up to your next Chair if she wants to give you a little extra break. So, the, the Council will again meet on proposed real property tax rates on Friday, May 10 at 11:00 a.m. in the Council chamber. This public hearing is now adjourned.

## ADJOURNMENT

The public hearing of April 24, 2019 was adjourned by the Chair at 8:12 p.m.

JOSIAH K. NISHITA, COUNTY CLERK
COUNTY OF MAUI, STATE OF HAWAII

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Testimony from Thomas Croly

## Real Property tax Classifications

### TIMESHARE

The timeshare tax classification includes 2479 properties that have been registered with the State as Time Share. Each individual timeshare unit is sold to multiple owners who hold title to the same unit for specific time periods such as a specific week per year or even a specific week every other year.

Timeshares are only permitted to be established in Maui's Hotel zoning district, except that timeshares established prior to 1989 may have been established in the Apartment zoning district.

The average assessed value of properties in the timeshare tax classification is $1,020,000 and each property would pay an average of $13,653 in property tax at the Mayor's proposed tax rate of $13.93/$1000. The assessed values of the 2479 timeshare units increased by approximately 9% from 2018 to 2019. This is likely the reason the Mayor chose to propose lower tax rate for this classification that will result in nearly the same total amount of tax revenue as last year's higher rate.

Timeshare is a tax classification unique to Maui County. The other Hawaii Counties classify timeshare properties in the same classification as hotels.

The total tax paid by the Timeshare classification ($15.41/$1000) in 2018 was $34.5 million and the average tax bill per unit was $13,916.

### RESIDENTIAL

The residential tax classification includes 10,845 properties that are located in the Residential zoning districts. The use of these properties are mostly as second homes where the property owner does not reside on a full time basis. Their owners rent some of the properties in this classification out long term to Maui residents, but more commonly these properties are in use part time by their owners, or by friends of the owners, and left vacant most of the year.

Up until 2011, Maui county had a tax classification called improved residential and one called un-improved residential. Both were for properties in the residential zoning districts, but the properties in unimproved residential include land that was entitled for residential use but had not yet been "improved" with infrastructure to actually allow houses to be built. The other Hawaii Counties had gotten rid of the unimproved residential classification and there were few parcels in the unimproved district, so in 2010, the Maui County council merged the Improved and unimproved Residential tax classifications into the Residential class through ordinance 3766.

The total tax paid by the Residential classification ($5.52/$1000) in 2018 was $42.6 million and the average tax bill was $3961 per property.

**APARTMENT**

The Apartment classification is perhaps the most confusing of all the Maui tax classification to define. There are 9039 properties in the Apartment classification. Some, but not all of there properties are located in the Apartment zoning districts. Some, but not many, are true apartment buildings where the building owner rents out each apartment unit to residents.

The majority of properties in the Apartment classification are condominium units, because any property that is condominiumized can be classified as Apartment no matter what zoning district it is located in. For example many properties located in the Agricultural district have been condominiumized to allow one owner to own the first farm dwelling and a different owner own the second farm dwelling. If these condominiumized units are not used as the owner's full time home and are not legally used for short term rental, then the units are classified as Apartment. The Apartment classified units could be single-family homes, they could be condominium units in an apartment style building or they could be attached townhouse units located in almost any zoning district.

The uses of properties classified as Apartment are quite varied. Most are part time second homes for their owners in condominium buildings where the owner has declared that he is not making short term rental uses. Some are rented as long term rentals to Maui residents. Others are single-family homes or apartment buildings build before 1989 that are legally used as short term rentals without any permit.

The total tax paid by the Apartment classification ($6.31/$1000) in 2018 was $41.3 million and the average tax bill was $4,410 per unit.

**AGRICULTURAL**

The Agriculture tax classification includes 9031 properties that are located in the Agriculture or Rural zoning districts. These properties do not include any owner occupied properties or any agricultural or rural zoned property granted a Bed and Breakfast or Short term rental home permit. An Agricultural property may be vacant land or may have single-family farm dwellings built on them. They may be rented long term or be part time second homes.

Agricultural classified properties may have actual agricultural uses or not. If they are used for legitimate Agricultural uses and the owners have filed an agricultural use designation with the Real property tax department, they will have an agricultural land value applied to the land assessment value. This agricultural land assessment value is much much lower than the land's market value. For example 2 acres of land in the agricultural district might have an assessed market value of $500,000, but if these 2 acres are used for true agriculture, it could have an agricultural land value assessed to it as low as $1,000. As a result any real commercial farming is not assessed and taxed at market value. The real property tax department estimates that these agricultural value assessments reduce the taxes paid by 4,448 property owners in the agricultural district by $21,706,700. And that

31% of the properties in the Agricultural classification pay the minimum tax of $400.

The total tax paid by the Agricultural classification ($6.00/$1000) in 2018 was $26 million and the average tax bill was $2881.

**COMMERCIAL** and **INDUSTRIAL**

The Commercial and Industrial tax classifications each correspond to the respective Commercial and Industrial zoning districts. The only difference between these districts is that the industrial district allows for heavy industrial uses, but otherwise all uses that are allowed in the Commercial district are also allowed in the Industrial district. And in reality many of Maui's commercial uses such as retail are currently taking place in the industrial district. The commercial tax classification also includes condominiumized properties making commercial, (non-residential) uses in condominium units.

The reason that there are different tax rates in the Commercial and Industrial tax classifications is that some years, the assessed values in one classification or the other have increased or decreased more or less than the other. In an effort to keep the relative tax bills constant, the rates were adjusted in each category to offset the increase or decrease in assessed values.

The total tax paid by the Commercial ($7.25/$1000) and Industrial ($7.45/$1000) classifications in 2018 was a combined $37 million and the average tax bill per property was $11,968 per property.

**CONSERVATION**

The Conservation classification has 1155 properties. These include most of Maui's golf courses, some potions of hotel properties and huge areas of State owned conservation land that is not taxed.

**HOTEL-RESORT**

In 2018, the Hotel-Resort classification was changed such that it now only includes actual hotels and excludes individually owned condo units used for short term rental. There are 32 actual hotels such as the Grand Wailea Resort, Kaanapali Beach Hotel and the Maui Beach Hotel in this classification. These hotels have approximately 8000 hotel rooms that house approximately half of Maui's visitors. This classification also includes undeveloped land in the hotel zoning district. There are 906 properties in this classification.

The total tax paid by the Hotel-Resort ($9.37/$1000) classification in 2018 was $21.6 million and this works out to approximately $2,704/hotel room. But this approximation per room includes the values assessed to the restaurants, retail stores and meeting spaces that are also part of the hotels.

**SHORT TERM RENTAL**
The Short Term Rental tax classification was established in 2018 and includes 11,679 properties. Most are condominium units whose owners have declared that the use of their condo units in one of short term rental. 230 of properties in this classification are owners of single-family homes that have been issued a short term rental home permit to allow them to rent a dwelling for periods of less than 180 days at a time. The remainder are units in hotel zoning that have not been condominiumized and are legally allowed to make short term rental uses, but are not defined as hotels.

The properties in the Short Term Rental classification legally accommodate approximately 40% of Maui's visitors. The total tax paid by the Short Term Rental ($9.28/$1000) classification in 2018 was $79.5 million and the average tax bill was $7,027 per unit.

**HOMEOWNER**
The homeowner classification is Maui's largest tax classification both in terms of number of properties, 26,109 and assessed valuation approximately $11.8 Billion. Properties in this Classification may be located any of the zoning districts of the County. The primary requirement for inclusion in this real property tax classification is that the owner of the property (or any partial owner) resides on the property full time (more than 270 days a year) and files Hawaii State income tax return as a resident.

The majority of Maui's residents reside in properties classified as homeowner, either as the owner of the property or as a tenant, renting a home or an ohana from the owner of the property. Property owners in this classification are provided a market value exemption of $200,000 for each owner living in a different dwelling. The only Maui homeowners excluded from any exemption are those who have been granted a Bed and Breakfast permit to allow them to rent out a portion of the homes that they live in for bed and breakfast use, and those are taxed at the commercialized residential rate.

The total tax paid by the Homeowner ($2.85/$1000) classification in 2018 was $32.6 million and the average tax bill was $1267 per property.

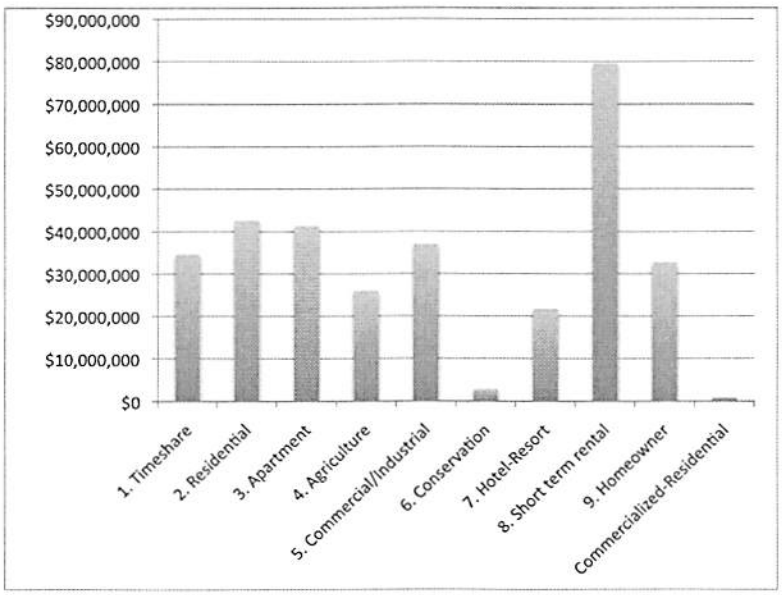
**COMMERCIALIZED RESIDENTIAL**
The Commercialized Residential tax classification has 142 properties that are the homes of Maui residents who have been granted a Bed and Breakfast permit or Conditional permit to allow for the bed and breakfast use of 1 to 6 bedrooms in their homes. These homeowners must reside fulltime on the property with these homes.

The total tax paid by the 141 property owners in the Commercialized Residential ($4.55/$1000) classification in 2018 was $896,000 and this was an average of $6,355 per resident owner occupied B&B property.

2018/2019 Real property tax classifications and tax contributions

| Classification | 2018/19 total tax contribution | number of properties in class | Average tax per unit* | tax rate |
|---|---|---|---|---|
| 1. Timeshare | $34,560,000 | 2481 | $13,930 | $15.41 |
| 2. Residential | $42,624,000 | 10760 | $3,961 | $5.52 |
| 3. Apartment | $41,295,000 | 9363 | $4,410 | $6.31 |
| 4. Agriculture | $25,982,000 | 9022 | $2,880 | $6.00 |
| 5. Commercial/Industrial | $36,998,000 | 3098 | $11,943 | $7.35 |
| 6. Conservation | $2,787,000 | 1153 | $2,417 | $6.35 |
| 7. Hotel-Resort | $21,638,000 | 906 | $2,705 | $9.37 |
| 8. Short term rental | $79,484,000 | 11311 | $7,027 | $9.28 |
| 9. Homeowner | $32,646,000 | 25765 | $1,267 | $2.85 |
| Commercialized-Residential | $896,000 | 141 | $6,355 | $4.55 |
| **Total** | **$318,910,000** | | | |

* 8000 hotel rooms used as total units in hotel classification




Submitted by Thomas Croly

## Takeaways:

1. Maui's Short Term Rentals pay the biggest share of Maui's property taxes
2. Maui Timeshares pay the most tax per visitor lodging unit
3. Maui's hotels pay the least tax per visitor lodging unit
4. Maui Resident homeowners pay the least amount of property tax.
5. Second homes make up the majority of the assessed value and taxes paid by the Residential, Apartment, and Agriculture tax classifications.

Real Property tax suggestions
Submitted by Thomas Croly

For the 2018/2019 tax year, Maui County received $318,910 in real property tax revenues. More than 75% of that Real property tax revenue came from properties either directly related to the visitor industry such as Hotels, timeshares, vacation rentals and second homes in the Residential Apartment and Agricultural tax classifications, or from properties serving the visitor industry such as properties in the Commercial and Industrial tax classifications. The residents of Maui collectively paid less than 25% of Maui's real property tax revenues despite residents outnumbering visitors by a ratio of 3 to 1.

Leaving Real Property rates the same as they were in 2018/2019 for the 2019/2020 tax year would result in approximately $17 million in additional Real Property tax revenues. Should the Council finds that this additional $17 million in revenue is insufficient to meet the needs of Maui County government, then it should consider raising tax rates evenly across the board. Adding one penny to all property tax rates across the board would result $511,000 in additional tax revenues. Adding $0.20 to all tax the current tax rates would result in an additional $10 million on top of the $17 million increase that was a result of increased assessed values.

Should the Council find it cannot adequately fund Maui County's governmental needs with an additional $27 million in real property tax, then I sincerely ask the Council to look long and hard at what programs or spending should be curtailed.

I feel that it would be reckless to increase spending by more than the 9% from one year to the next and this Council would be remiss in its duty to its taxpayers and Maui's bond rating to increase spending by any amount more than this.

Proportionally increasing the more than 75% Real property tax burden bourn directly and indirectly by the visitor industry is going to lead to job layoffs and less tax revenues in the future because of the negative affect to the economy.

2018/2019 Real property tax classifications and tax contributions

| Classification | 2018/19 total tax contribution | number of properties in class | Average tax per unit* | 2018/19 tax rate |
|---|---|---|---|---|
| 1. Timeshare | $34,560,000 | 2481 | $13,930 | $15.41 |
| 2. Residential | $42,624,000 | 10760 | $3,961 | $5.52 |
| 3. Apartment | $41,295,000 | 9363 | $4,410 | $6.31 |
| 4. Agriculture | $25,982,000 | 9022 | $2,880 | $6.00 |
| 5. Commercial/Industrial | $36,998,000 | 3098 | $11,943 | $7.35 |
| 6. Conservation | $2,787,000 | 1153 | $2,417 | $6.35 |
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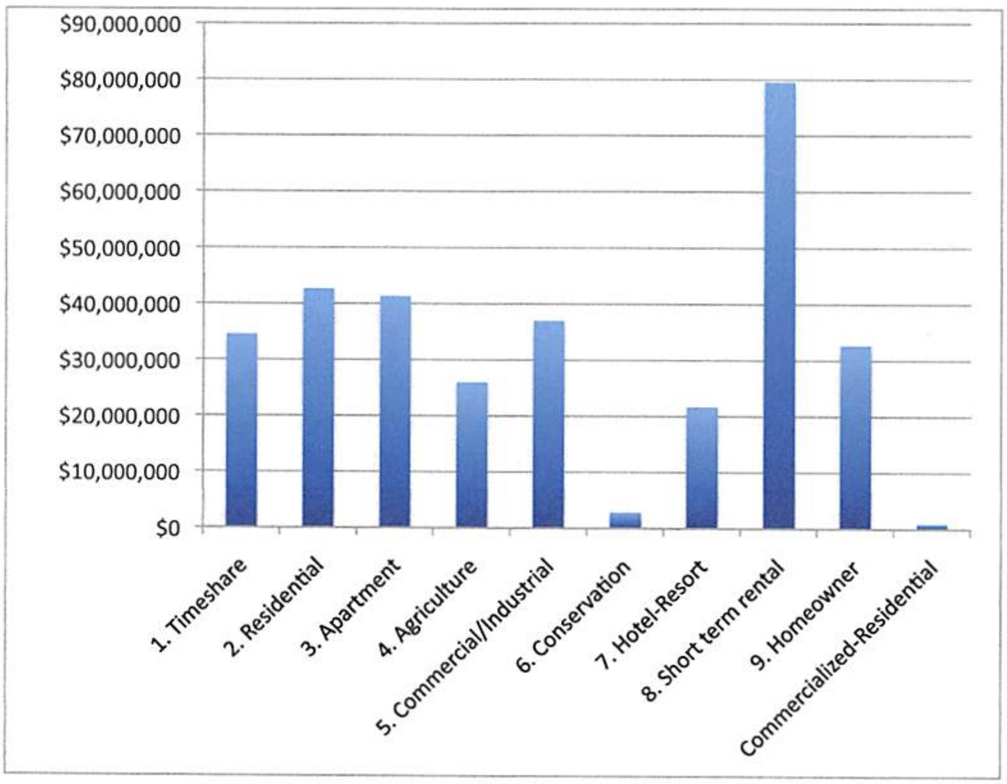
| 9. Homeowner | $32,646,000 | 25765 | $1,267 | $2.85 |
| Commercialized-Residential | $896,000 | 141 | $6,355 | $4.55 |
| **Total** | **$318,910,000** | | | |

* 8000 hotel rooms used as total units in hotel classification




Submitted by Thomas Croly

1. Maui's Short Term Rentals pay the biggest share of Maui's property taxes
2. Maui Timeshares pay the most tax per visitor lodging unit
3. Maui's hotels pay the least tax per visitor lodging unit
4. Maui Resident homeowners pay the least amount of property tax.
5. Second homes make up the majority of the assessed value and taxes paid by the Residential, Apartment, and Agriculture tax classifications.
6. Maui Visitors are accommodated or served by all tax classifications

WAILEA BEACH
RESORT
MAUI

April 24, 2019

Council Member Keani Rawlins-Fernandez
Chairman, Budget & Finance Committee
Maui County Council
200 South High Street, 8th Floor
Wailuku, Hawaii 96793

Dear Chair Rawlins-Fernandez and Members of the Committee:

My name is Angela Vento, resident of Pukalani, a working mother and wife. My son Alex is with me today as well as several coworkers. I moved to Hawaii in June of 1989. I have spent 25 years of my adult life here working in hospitality through robust as well as lean times. Currently, I am GM at Wailea Beach Resort. My testimony today centers on a perspective of seeking to understand. Over the years, I have witnessed decisions that have led to many unexpected outcomes. I reflected on the economy of 2008 in which the visitor industry suffered a significant hit and took over five years to recover. Maui is fortunate to have a best in brand position. It is important to share that we are not immune to travel perceptions. Just last year, occupancy abruptly declined when outside events; Kilauea Volcano, Hurricane Lane and Tropical Storm Olivia impacted our islands. Additionally, the state reported visitor counts really don't reflect job growth or total tax revenues. In 2008, Transient Accommodations Tax paid only for marketing expenses with no additional reserve. Today, Transient Accommodations Tax subsidizes a portion of marketing, but also contributes $450M to the General Fund. An important economic contribution. I would note that our hotel occupancy has remained flat for the past 6 years with our number of Full Time Employees growing by nearly 100 or 20%. This growth came after ownership made a significant multimillion-dollar investment to reposition our resort. Additionally, the number of full-service hotel rooms on Maui has seen very little growth. It has become too expense to build resorts, so renovation of existing properties is the only way to stay competitive. The proposed tax increase will deter investment, reduce jobs and limit other contributions to the community. As an example, a 500-room full service hotel will typically have 500 workers affiliated with the property. A retail store with similar revenues may have 70 employees. The visitor industry supports many ancillary businesses from construction jobs to restaurants and more. 80% of the dollars made through hotels stays within the island to support businesses, home purchases, and other taxes. An increase of 65% in property taxes has rippling effects. It will reduce our community donations. Annually, we give $200K local in-kind support. Hale Kau Kau is a great example. This a food program offered via St. Theresa's has been an important partner for the past four years. Each month, we give a day of service in providing food and serving community meals. We have a long list of organizational support focused on youth, elderly, culture and more. We are also looking to invest in renewable energy projects that preserve resources. Tax increases of this magnitude might cancel or significantly delay implementation. Our ownership group is involved in affordable housing initiatives and this year helped to purchase land in Lahaina for just this purpose. I ask that you carefully consider your recommended property tax increases so that our industry continues to support a healthy community. Mahalo for your time and considerations of my testimony.

Sincerely,

Angela Vento
General Manager
**Wailea Beach Resort - Marriott, Maui**
3700 Wailea Alanui Drive
Wailea, Maui, Hawaii 96753
waileabeachresort.com

REALTORS® ASSOCIATION OF MAUI, INC.

Jason A. Economou
Government Affairs Director

441 Ala Makani Pl • Kahului, HI 96732
phone 808-243-8585 • fax 808-873-8585
jason@ramaui.com • www.ramaui.com

April 24, 2019

**Council Chair Kelly King**
Maui County Council
200 South High Street, 8th Floor
Wailuku, Hawaii 96793

**RE: Testimony Regarding Real Property Tax Rates for Fiscal Year 2020**

Aloha Chair King, Vice-Chair Rawlins-Fernandez, and Members of the Council:

My name is Jason Economou, and I am testifying on behalf of the REALTORS Association of Maui and its more than 1,600 licensed, professional REALTORS regarding the proposed Real Property Tax Rates for Fiscal Year 2020.

Earlier today, I heard Councilmember Kama caution the Economic Development and Budget Committee against being "punitive" in setting the vehicle weight tax rate. I commend Member Kama for providing wise counsel on behalf of her constituents, and I am here to provide the same advice in relation to setting the real property tax rates for FY 2020. Specifically, I urge the Council not to adopt sudden and drastic increases in rates that apply solely to the visitor industry.

The proposed rates of $15.41 and $12.00 for the Hotel and Resort, Time Share, and Short Term Rental classifications, which were discussed during your April 3rd meeting, appear to be punitive in nature and designed to discourage lawful, county-sanctioned business practices. Though these proposals would serve to increase revenue, increasing revenue does not appear to be the primary goal of such rates when the same proposals seek to reduce the already low rates for Residential, Apartment, Agricultural, and Homeowner classifications. Hotels and resorts, time shares, and short term rentals should not be punished for being a part of the visitor industry, and they should not be taxed out of business in hopes that it will create more housing. If they are, it will be inequitable and it will have a negative impact on Maui's economic health at a very inopportune time.

Increased tax rates for the Time Share, Hotel and Resort, and Short Term Rental classifications will lead to a reduction in the tertiary services used by these businesses, and increased expense for visitors. These lawful businesses you will be taxing at exorbitant rates will be less likely to spend their reduced revenue on the cleaners, landscapers, contractors, greeters, property managers, interior designers, and everyone else that help them represent Maui to our visitors. Nevertheless, even if the quality of visitor accommodations may go down, the room rates will still go up. Moreover, all of the cleaners, landscapers, handymen, and others in those tertiary industries will receive less business. There is a strong likelihood that most of those service providers are renters, and with less income their housing is less affordable.

In recent years Maui has seen visitor arrivals increasing and visitor spending decreasing. In January we saw that visitor spending had gone down nearly 14% from the year prior. The state Department of Business, Economic Development and Tourism projects visitor spending to grow 3.3% in

2019, but that level of growth barely offsets the cost of inflation. This is all at a time when many prominent economists anticipate a recession by the end of 2019. Overburdening the visitor industry with unreasonably high tax rates now will only worsen their circumstances as we stand at the precipice of economic downturn. Though large numbers of visitors can detract from living on Maui at times, our economy relies on that industry. Punitive property tax rates imposed on that industry will be something you regret if all those economists are right, or if some natural disaster keeps people from traveling to Maui.

The REALTORS Association of Maui understands the County's need for revenue, and we also understand that visitors can overburden County resources, but the drastic tax increases proposed by members of this Council are not ideal methods for addressing those issues. Instead, I would recommend rates more closely aligned with those proposed by Mayor Victorino. Modest increases, coupled with increased assessed values, should be sufficient to meet County needs without punishing legitimate businesses.

Mahalo,

Jason A. Economou
Government Affairs Director

April 24, 2019

## TESTIMONY TO THE MAUI COUNTY COUNCIL – COMMITTEE ON BUDGET

## DETERMINING THE REAL PROPERTY TAX RATES FOR FY 2020

Dear Chair and Members of the Committee on Budget:

Thank you for the opportunity to submit testimony in **opposition** to Real Property Tax proposed increase. My name is Tetsuji Yamazaki, General Manager for Sheraton Maui Resort & Spa, on behalf of Sheraton Maui and Kyo-ya Management Company, Ltd. We are very concerned about the direct impact this proposal will have on Maui's visitor industry.

As a family-owned company, our owner, Kyo-ya has been doing business in Hawaii since 1961. Kyo-ya is the steward of Sheraton Maui Resort & Spa and four major hotels properties in Waikiki and continue to be one of Hawaii State's largest taxpayers. In 2017, Kyo-ya paid more than $100 million in State & County taxes. With the 25% increase in Assessed Value and the proposed Council Rate increase from $9.37 to $15.41, Sheraton Maui's real property tax will increase $1,423,588.48, 100.9% over last year

Over the past year, there have been many signs that point to an economic slowdown with concerns being shared by state economists, government leaders and visitor industry experts – as well as us, the hotel owners and operators.

Sheraton Maui has 400 employees that join thousands more who are employed by the lodging and hospitality business. Our responsibility as business and community leaders is to create and support good jobs and long term employment that ensures that our local communities and families have the opportunity for a thriving and vibrant future. Each and every one of our visitor industry employees are dependent on their jobs provided to support their families and this measure could threaten their livelihoods as well as our tourism economy. Other sectors will be also impacted such as construction, transportation, restaurants, retail, just to name a few.

Maui's Tourism economy must remain a vital component that benefits the Maui County and sustains our competitive advantage by marketing the tremendous value of Maui, the culture of its people, and the unique environment and physical attributes of our islands. Increased costs make Maui less desirable in our highly competitive world-market which directly impacts jobs and wages for the hard working residents of Maui who are employed at hotels. Any factor that adversely impacts our ability to complete, including having to pass along higher taxes, impacts our appeal as a visitor destination.

Mahalo for the opportunity to submit testimony.

Thank you,

Tets Yamazaki, General Manager, Sheraton Maui Resort & Spa

Wednesday, April 24, 2019

Aloha,

Thank you for your time and allowing us to speak on this matter. My name is Thomas Cooper and I have been a resident of Maui for over 27 years now. I am employed in the Hotel/Resort Industry where I have been fortunate to have had a great job for over 21 years. This job provides a 401K profit share plan as well as an affordable health and dental care. I appreciate the facts that the company I work for participates in multiple charity events which benefit our communities here on Maui. I think it is important that these tourist based businesses be taken into consideration when a tax such as this is proposed and could have a negative impact on the number of visitors that will continue to come or look elsewhere for opportunities that would save them money on their vacations. I would strongly urge we look for alternative ways to create tax revenue such as resolving the illegal vacation rentals. I have one right next door to me and have heard of several others in our neighborhood of Napili alone. These types of illegal vacation rentals don't pay tax and make for less long-term rentals for residents. Maybe an anonymous hotline with advertising and flyers with proper authorities' information along with more enforcement would be a better measure. I believe tourists pay enough as it is with the already higher prices and taxes in place here in Hawaii and feel anything more might impact the people who live and work here if the visitor numbers drop because of this. Again, thank you for your time, we look forward to seeing a plan that will work for everyone.

Mahalo Nui Loa,

Thomas M. Cooper

5100-D Hanawai Street

Lahaina, HI. 96761

Ph: (808) 281-4013

e-mail: ctntcooper@hotmail.com

Maui Hotel & Lodging
ASSOCIATION

April 24, 2019

Council Chair Kelly King
Maui County Council
200 South High Street, 8th Floor
Wailuku, Hawaii 96793

Dear Council Chair King and Members of the Council:

My name is Lisa Paulson, Executive Director of the Maui Hotel & Lodging Association (MHLA), the legislative arm of the visitor industry. Our membership includes 191 property and allied business members in Maui County – all of whom have an interest in the visitor industry. Collectively, MHLA's membership employs over 25,000 residents and represents over 20,000 rooms. We are the largest employer of residents on the Island - directly employing approximately 40% of all residents (indirectly, the percentage increases to 75%).

MHLA opposes the proposal to raise the hotel/resort and short-term rental real property taxes. We are requesting a more equitable tax structure be considered. The hotel/resort, short-term rental and timeshare classifications are the highest tax rates for Maui County.

The reasons for our opposition are as follows:
**Industry Support for the Community:** There is the misconception that the visitor industry exists to benefit offshore investment companies. However, not only is the industry the number one private sector employer in Maui County but it is a generous supporter of local community charities. Individual businesses donate money, goods, and services to worthy causes. On average each hotel donates \$80,000/year to charitable organizations as well as an average of 625 hours of staff time donated to volunteering in the community. The Maui Hotel & Lodging Association's Charity Walk, raised \$1.4 million last year exclusively for 100 Maui County non-profit organizations – we hope to repeat this again this year – I have attached the 100 non-profits benefiting from this year's walk **(Attachment A)**. We grant over \$35,000 each year in scholarships to public school seniors and scholarships to UH Maui college students. Just this month we distributed \$150,000 in checks to organizations that assist with programs for the homeless. Lastly, we have been working tirelessly at the State Legislature this year on Bills that would provide additional TAT dollars to the County for regulations/enforcement of illegal short term rentals (HB419) and another Bill to secure matching funds from the State to support organizations that assist our homeless population (HB908). We believe in investing in our employees and our community.

**High Property Values:** Maui County's economy is powered in large part by a strong visitor industry, and year after year we see double digit increases to our industry's real property values, resulting in more tax revenues being collected. Based on the increase in this year's property assessed values an additional \$14 million will be generated at the current RPT rates for Hotel/Resort, Short Term rentals and Timeshare. In addition, we have heard from some Council members that we should be level with other RPT rates paid in other State of Hawaii Counties. When you add our three industry rate classifications together our industry rate is higher than Kauai and close to Hawaii Island. Additionally, other Counties property valuations and overall contribution to their County's revenues are far lower than what Maui's industry provides **(Attachment B)**. Hawaii Island's visitor industry contributes 5.1% towards total RPT revenues; Kauai 19.3%; Oahu 15.4%. Maui' visitor plant contributes 42.5% towards total RPT revenues. Again, we ask for equitable taxes as is shown in other Counties' RPT rates, across all classifications.

**Economic Slowdown**: Many signs have pointed to an economic slowdown over the past year as concerns have been shared by state economists, government leaders, and visitor industry experts. This point was amplified in yesterday's Star Advertiser article remarking on our industry's lackluster first quarter. **(Attachment C)**.

**Industry Competitiveness:** The hospitality industry, which competes nationally and internationally against lower-priced destinations, cannot continue to pass on tax increases to our visitors while concurrently dealing with the state's high cost of doing business. While national comparisons on taxes are numerous, there is no denying that Hawai'i consistently ranks among the jurisdictions with the highest tax rates for lodging accommodations. We are keenly aware of our position in the visitor market and the cost of a Hawai'i vacation. Any forces that adversely affect our ability to compete, such as having to pass along higher taxes and cuts to our Visitor Bureau Marketing, also impact our appeal as a visitor destination, the availability of money to renovate existing properties, and employment within the hospitality industry, all of which has a ripple effect across our entire economy.

**Conclusion:** The hospitality industry has enjoyed 7 consecutive years of record increases. We must be mindful, however, that the hotel sector has not benefitted entirely from this growth as more and more travelers are opting to stay at alternative accommodations – many that are illegal and not paying their fair share of taxes. With what we have experienced last year in manmade and natural disasters, a hotel strike, and the government shutdown we must be cognizant of the fact that nothing can be taken for granted. We are very concerned with the potential combination of an economic slowdown, higher taxes from the State and County and loss of marketing funds to our Visitors Bureau. Furthermore, there are thousands of individuals from every County District who are your constituents, who are employed by lodging and hospitality businesses that are very dependent on their living from the visitor industry to support their families. We ask that you oppose measures that could threaten their livelihoods and place the number one provider of jobs in the state in jeopardy.

Thank you for the opportunity to testify.

Sincerely,
Lisa H. Paulson
Executive Director

ATTACHMENT A

## 2019 Charity Walk, Maui County
## Nonprofit Beneficiaries

**MOLOKAI**
'Aha Kukui O Molokai
Friends of Molokai High & Intermediate School
Molokai Filipino Community Council
Molokai Island Foundation
Molokai Little League Association
Aka'ula School
Hospice Hawaii Molokai
Ierusalema Hou Church
Molokai Cancer Fund

**LANA'I**
Lana'i Academy of Performing Arts
Lana'i Arts & Culture Center
Lana'i Cat Sanctuary
Lana'i High & Elementary School Fndn.
Hospice Hawaii Lana'i

**MAUI**
Academy of Finance, Maui High School
Academy of Hospitality & Tourism
Aloha House, Inc.
Aloha Independent Living Hawaii
Aloha Kai Foundation
ALS Association Golden West Chapter
American Heart Assn., Maui Kids Cook
Maui Lani Cane Fire Foundation
ARC of Maui County
Assistance Dogs of Hawaii
Ball Out 'Ohana Maui Youth Fndn.
Best Buddies
Big Brothers Big Sisters of Maui
Catholic Charities Hawaii
Central Maui Hawaiian Civic Club
Child & Family Services
Christ the King Church
Doris Todd Christian Academy
East Maui Animal Refuge
Family Life Center
Feed my Sheep
Frank De Lima's Student Enrichment
Girl Scout Council of HI - Maui
Habitat for Humanity Maui
Hālau Ke'alaokamaile
Hālau Kekuaokala'au'ala'iliahi
Hale Kau Kau
Hale Makua Health Services
Hanona
Hawaii Animal Rescue Foundation
Holy Rosary Church
Hospice Maui
Hui No Ke Ola Pono
Imua Family Services
Ka Hale a Ke Ola Resource Center
Ka Lima O Maui
Kahana Canoe Club
Keiki Cupboard
Kiffmann Tae Kwon Do
Lahaina Arts Association
Lahaina Canoe Club
Lahainaluna High School Foundation
LISEF Lahaina Complex Tutor Program
Make-a-Wish Foundation
Malama Na Makua A Keiki, Inc.
Maui Academy of Performing Arts
Maui Adult Day Care Centers
Maui Aids Foundation
Maui County Community Television
Maui County Council, Boy Scouts
Maui Economic Opportunity, Maui
Maui Family Support Services, Inc.
Maui Family YMCA
Maui Food Bank
Maui High Chorus Booster Club
Maui High School Band Booster Club
Maui High School Foundation
Maui Humane Society
Maui Memorial Medical Center Fndn.
Maui Taiko
Maui United Soccer Club
Maui Waena Band Booster
Maui Youth & Family Services, Inc.
Mediation Services of Maui, Inc.
Mental Health Kokua
Mobile Mini Horse Visits
Na Hoaloha - MIVC
Napili Bay & Beach Foundation
NSDAR, Haleakala Chapter
Organ Transplant Maui
Our Lady Queen of Angels Parish
PATCH (People Attentive To Children)
RAM Community Foundation
Ronald McDonald House Charities HI
Roselani Place
Sacred Hearts School Lahaina
Salvation Army, Maui
Sparks Basketball Maui
Special Olympics Maui County
St. Anthony Church, Family Life Ministry
St. Anthony School
St. Joseph Catholic Church
St. Rita Catholic Church, Social Ministry
Teens on Call
The Maui Farm
Theatre Theatre Maui
Westside Hoops, Inc.

Updated: 28-Mar-19

ATTACHMENT B

## 2019 Hotel/Resort Real Property Tax Collections by County per Lodging Unit

| County | Total County RPT Collections | RPT Rate | Hotel, Resort & Timeshare RPT | Unit Inventory | Average RPT per Unit | Maui Exceeds Other County by |
|---|---|---|---|---|---|---|
| C&C of Honolulu | 1,265,017,000 | 12.90 | $194,760,000 | 38,508 | **$5,058** | **$1,188** |
| % of Total C&C of Honolulu RPT | | | 15.4% | | | **23.5%** |
| **Maui** | **318,911,000** | | **$135,682,000** | **21,723** | **$6,246** | **$0** |
| % of Total Maui County RPT | | | **42.5%** | | | |
| Hawaii | 310,239,000 | | $15,759,000 | 11,284 | **$1,397** | **$4,849** |
| % of Total Hawaii County RPT | | | 5.1% | | | **347.2%** |
| Kauai | 135,672,000 | | $26,250,000 | 8,821 | **$2,976** | **$3,270** |
| % of Total Kauai County RPT | | | 19.3% | | | **109.9%** |

**Taxes on Business Categories by County**

| | Maui | Oahu | Hawaii | Kauai |
|---|---|---|---|---|
| Residential | 5.52 | 3.50 | 11.10 | 6.05 |
| Residential A | None | 4.50 / 9.00 | None | None |
| Affordable Rental | None | None | 6.15 | None |
| Residential Investor | None | None | None | 8.05 |
| Apartment | 6.31 | None | 11.70 | None |
| Commercial | 7.25 | 12.40 | 10.70 | 8.10 |
| Industrial | 7.45 | 12.40 | 10.70 | 8.10 |
| Agricultural | 6.00 | 5.70 | 9.35 | 6.75 |
| Vacant Agricultural | None | 8.50 | None | None |
| Conservation | 6.35 | 5.70 | 11.55 | 6.75 |
| Homeowner | 2.85 | None | 6.15 | 3.05 |
| Visitor Industry Combined | 10.34 | 12.90 | 11.55 | 10.29 |
| | | | | |
| Hotel/Resort | 9.37 | 12.90 | 11.55 | 10.85 |
| Timehsare | 15.41 | None | None | None |
| Short Term Rental | 9.28 | None | None | 9.85 |

| Maui Visitor Industry Combined | 2019 Valuation | FY19 Income | FY19 Rate |
|---|---|---|---|
| Hotel/Resort | $2,309,315,360 | $21,638,285 | $9.37 |
| Timehsare | $2,242,683,630 | $34,559,755 | $15.41 |
| Short Term Rental | $8,565,108,215 | $79,484,204 | $9.28 |
| | $13,117,107,205 | $135,682,244 | $10.34 |

| Kauai Visitor Industry Combined | 2019 Valuation | FY19 Income | FY19 Rate |
|---|---|---|---|
| Hotel/Resort | $2,419,401,000 | $26,250,000 | $10.85 |
| Vacation Rental | $3,045,128,000 | $29,995,000 | $9.85 |
| | $5,464,529,000 | $56,245,000 | $10.29 |

ATTACHMENT C

# Hawaii hotels report lackluster first quarter

**By Allison Schaefers**

aschaefers@staradvertiser.com

What a difference a year makes.

This time last year, Hawaii hoteliers were enjoying one of the best first quarters on record. This year, not so much.

State occupancy in March fell nearly 3 percentage points to 79.6%, while the average daily room rate fell 1.1% to $285, according to a report released by hotel analytic company STR.

Revenue per available room, the rate a hotelier earned for each available room regardless of its rental state, dropped more than 4% to nearly $227. Revenue fell nearly 6% to almost $374 million.

March results continued earlier monthly declines and were on trend with February, which logged the worst monthly performance in about a decade for Hawaii's hotel industry.

For the first three months of the year, occupancy fell more than 3 percentage points to 80.8%, average room rates were flat at $292 and revenue per room

**HOTEL,** *A5*

**With his big brother Micah Chang keeping an eye from beneath the center umbrella, Noah Chang, 5, plays alone on the sparsely populated beach of the Hilton Lagoon at the Hilton Hawaiian Village.**

**KAT WADE** / SPECIAL TO THE STAR-ADVERTISER

**A1** dropped more than 3% to $236. Revenue fell nearly 5% to just over $1.1 billion.

The current softening looks especially dramatic when compared with the start of 2018, a peak time for Hawaii's hotel industry, said Joseph Toy, president and CEO of Hospitality Advisors LLC.

considering taxing resort fees, he said.

"Every time they are short on money, government turns to the (hotel) industry — but they aren't ensuring that transient vacation rentals are operating on a level field and paying their fair share," Hannemann said. "That hasn't stopped us from continuing to invest, but they need to believe us when we say our profitability has dropped."



"We're clearly off peak now. But I don't want to call the year until I've seen the second-quarter results," Toy said. "Hotels have already started ramping up their specials, and they're offering kamaaina deals that haven't been seen in years. They know if we don't have first-quarter momentum, it's hard to make up for it during the second quarter. Without summer momentum, then typically, it's going to be a softer year."

Keith Vieira, principal of KV & Associates, said the drop in occupancy and demand is a carryover from *He is president and CEO of the Hotel & Lodging Association* ——— last year's volcanic eruption on Hawaii island and severe weather events, which slowed tourism's pace. More problems came in the form of disruptions at some of the state's top attractions, including Hawai'i Volcanoes National Park on the Big Island, Ha'ena State Park on Kauai and the USS Arizona Memorial on Oahu, Vieira said. A lengthy fall strike at hotels owned by Kyo-ya Hotels & Resorts and Marriott- operated properties on Maui and Oahu didn't help, either, he said.

Mufi Hannemann, president and CEO of Hawaii's Hotel & Lodging Association, said he's also concerned that growth of vacation rentals, some illegal, has cut into hotel demand at a time when hotel costs are escalating.

Hannemann said hotel labor costs have risen dramatically following last year's hotel strike. Rising property valuations already have increased taxes, while local governments are considering tax hikes and the state is

Jan Freitag, STR senior vice president, agrees that "demand declines coupled with lack of pricing power does not bode well for growth in profitability."

But Freitag noted that Hawaii's "absolute values" are still above and beyond other U.S. hotel markets.

Freitag said Hawaii's first-quarter ADR was $292 as compared with $129 for the national average and $154 for the top 25 U.S. hotel markets, excluding Las Vegas. Hawaii's first-quarter occupancy was 80.8% as compared with the national average of 61.8% and 69.9% for the top 25 U.S. markets, excluding Las Vegas.

"Yes, your growth is slower. Yes, there are actual declines that you are reporting. But when compared to other markets, you could say, 'Life in Hawaii used to be great, and now it's good.'"

**Mufi Hannemann:**

STAR-ADVERTISER

April 24, 2019

Council Member Keani Rawlins-Fernandez

Chairman, Budget & Finance Committee

Maui County Council

200 South High Street, 8th Floor

Wailuku, Hawaii 96793

Chair Rawlins-Fernandez and Committee Members:

Aloha Kakou; My name is Rob Hoonan. I am 45-year resident of Maui currently living in Haiku, a single father of three young adults who are just starting to join the work force here on Maui. Currently I am the Director of Engineering at the Wailea Beach Resort. I have been fortunate to have been in the hospitality industry here on Maui since 1981.

I am testifying tonight against the proposal to raise hotel and resort property taxes by **64.5% from the current** \$9.37 per \$1,000 of assessed value to \$15.41 per \$1,000. Hawaii and Maui specifically already have some of the highest tax rates for hotel and resort accommodations. If passed this increase on resort properties will place an unequitable share of tax revenue burden on our industry and has the potential of forcing us to reduce operational costs and in economic downturns like we saw just a decade ago reducing jobs. In our globally competitive industry constantly escalating costs here in Hawaii challenge us to provide excellent visitor experiences ... Curtailing any services to compensate for this large tax increase will hurt the industry.

We need to understand how committed our industry has been and is a strong and important partner Maui County... beyond the many jobs created by the industry...

We are leaders in sustainability - we are constantly reducing our carbon foot prints with energy efficiency projects that although expensive to complete - reduce fossil fuel use. We are leaders in water conservation, recycling and waste stream management. These initiatives are our commitment to being stewards of this island we love.

We are involved with the development of our youth and community work force and our youth through involvement in high school, UHMC travel industry training classes and sustainable science degree programs and trade related internships. We believe in investing in the education and growth of our employees and our community.

Passing along a 64.5 % real property tax increase to the Hotels and Resorts will make it difficult to continue to sustain all of this.

Please remember that our employees are your constituents, and their employment in the visitor industry is necessary to support their families. Please reconsider this proposal and develop a real tax plan that is fair, and equitable for all here on Maui.

I sincerely appreciate this opportunity to testify on this tonight.

Mahalo

**Rob Hoonan**

Director of Engineering,

Wailea Beach Resort

Wailea, HI

Kelly T. King, Council Chair
Keani Rawlins-Fernandez, Council Vice-chair & EDB Chair
Council of the County of Maui

*Jana Lynn Arai*
496 Kaao Circle
Kahului

Wednesday, April 24, 2019

**Testimony Opposing Proposed Increase in Hotel & Resort Real Property Tax rates**

Aloha Council Chair Kelly King, Vice-chair Keani Rawlins-Fernandez, and Councilmembers of the County of Maui. Mahalo for the opportunity to express my strong opposition to the proposed increase in the hotel and resort real property tax rate.

For the past 15 years, I have had the privilege to work in the hotel industry on Maui. I am currently the Food & Beverage Sales Manager at The Ritz-Carlton, Kapalua.

Like many other Maui residents, I feel very fortunate to have been born and raised on this beautiful island. Maui is beautiful both inside and out. The people who live here and oceans that surround us make this island one of the best of the world. After spending my first week of college in the mainland, it was clear to me that there is no where in this world like Hawaii, and I vowed to myself that I would find a way to raise my family "at home, on Maui."

With the cost of living so high in our state, I opted to join the hospitality industry after graduating from college. Both my husband and I have worked in the hospitality industry on Maui for over 15 years. This has allowed us to be able to remain on the island we both grew up on, purchase our own home and provide a good life for our children.

The Ritz-Carlton, Kapalua provides me with great benefits and an income that allows me to support my family. In addition, this company encourages and promotes many efforts to give back to the community. We participate in many community service activities like highway clean-up, charity walk, beach clean-up, and food drives to name a few. In addition, our company offers competitive pay wages and great retirement and medical benefits. I am proud to work for a company that provides careers that will allow residents to maintain on the island.

I am writing today to express my concern that this big increase in the tax rate will affect my property's ability to continue to do these things. A big increase in taxes will make it even more expensive to do business in Hawaii. I speak with visitors all the time who talk about how expensive it is to travel here and how there are cheaper places closer to home that they could visit. A lot of our guests come from the east coast and they could more easily travel to the Virgin Islands but they choose to come to Maui.

I get to see firsthand the work my property does in helping the larger Maui community with Community Footprints. I see it when we host local Maui nonprofits and charities for free, when we raise big money for the Maui Charity Walk, when we help out a coworker going through hardship like having their house burn down, and when we donate our time, room nights and other things to everyone's silent auctions and fundraisers. It is part of what we love to do, helping our community, and I am worried that if we keep on making it more expensive to do business here that this kind of help will be harder to justify and give.

It is my request and hope that the County Council will oppose this tax rate increase so we can continue to do more than just fill the hotel, but continue to donate our time and resources to helping those less fortunate, creating good jobs for our community and a support a thriving industry.

Thank you for the opportunity to share my opinion. Please oppose this tax rate increase.

Mahalo,

Jana Lynn Arai

April 24, 2019

Council Member Keani Rawlins-Fernandez
Chairman, Budget & Finance Committee
Maui County Council
200 South High Street, 8th Floor
Wailuku, Hawaii 96793

Dear Chair Rawlins-Fernandez and Members of the Committee:

Please allow me to introduce myself. My name is Kristin Selund and I am the Director of Finance at Andaz Maui at Wailea Resort.

We oppose the proposal to raise, by **64.5%,** the current hotel and resort real property tax rate from the current $9.37 per $1,000 of assessed value to $15.41 per $1,000. We respectively request that we look at creating a more equitable share in tax rates. The reasons for our opposition are as follows:

**High Property Values:** Due to increases in assessed property values alone, our real estate tax contribution will rise next year 28% without a rate increase.

Since it's re-opening in 2013, Andaz Maui has resulted in an additional $5.3M in real estate tax revenue to Maui County through the end of 2018 and more than $37M more in TAT, GET and Use tax revenue. The additional tax revenue already produced by higher property values and the addition of our Resort should be enough.

**Economic Slowdown**: We are very concerned about signs pointing to an impending economic slowdown. According to the Hawaii Hotel Performance Report published by the Hawaii Tourism Authority (HTA), in Quarter 1 2019, statewide RevPAR declined to $236 (-3.3%), with ADR of $292 and occupancy of 80.8 percent (-2.7 percentage points). Luxury properties such as Andaz Maui were down 5.4% in the islands and Maui specifically was down in Q1 in overall RevPAR by 2.7%. This additional property tax pressure will further impede our ability to operate and we will need to look at a variety of options to maintain equitable profits.

**Andaz Maui's Support for the Community:** It is truly our honor to be part of the living fabric of this beautiful island and we work to our part in giving back to the community, aina and our 'ohana. Through volunteer efforts with the Pu'u Kukui watershed, adopt a highway, the Maui Humane Society, KIRC, and many, many others, Andaz Maui purports to make a difference, daily, to our island home. These proposed tax increases could limit our ability to dedicate resources to these programs.

Thank you for the opportunity to testify. Please reconsider these tax proposals and move forward with Mayor Victorino's proposed increases.

Kristin

Sincerely,
*Kristin Selund, Director of Finance, Andaz Maui at Wailea Resort*

Kelly T. King, Council Chair
Keani Rawlins-Fernandez, Council Vice-chair & EDB Chair
Council of the County of Maui

*Eduardo Yepez-Gomez*
615 Honoapiilani Highway
# B110

Monday, April 24, 2019

**Testimony Opposing Proposed Increase in Hotel & Resort Real Property Tax rates**

Aloha Council Chair Kelly King, Vice-chair Keani Rawlins-Fernandez, and Councilmembers of the County of Maui. Mahalo for the opportunity to express my strong opposition to the proposed increase in the hotel and resort real property tax rate.

I have worked in hotels for 4 years and currently work at The Ritz-Carlton, Kapalua in the Food and Beverage department for the last 4 years. Working in the hospitality industry has allowed me to provide a good life for my ohana and myself, an honest day's work, and the ability to be a part of something bigger than myself. Knowing that I work at a place that gives back to the community with our, supports its employees, and is a good steward of the ʻāina is very important to me.

The Ritz-Carlton Kapalua provides me with great benefits and an income that allows me to support my family. The hotel works hard to make sure I have the tools I need to do my job, reinvest in my workspace, provides me with new uniforms and free meals and takes pride in the recognition programs if offers me. I am very proud working at this hotel where I can continue to thrive and make a career here if I choose to do so.

I am writing today to express my concern that this big increase in the tax rate will affect my property's ability to continue to do these things. A big increase in taxes will make it even more expensive to do business in Hawaii. I speak with visitors all the time who talk about how expensive it is to travel here and how there are cheaper places closer to home that they could visit. A lot of our guests come from the east coast and they could more easily travel to the Virgin Islands but they choose to come to Maui.

I get to see firsthand the work my property does in helping the larger Maui community with Community Footprints. I see it when we host local Maui nonprofits and charities for free, when we raise big money for the Maui Charity Walk, when we help out a coworker going through hardship like having their house burn down, and when we donate our time, room nights and other things to everyone's silent auctions and fundraisers. It is part of what we love to do, helping our community, and I am worried that if we keep on making it more expensive to do business here that this kind of help will be harder to justify and give.

It is my request and hope that the County Council will oppose this tax rate increase so we can continue to do more than just fill the hotel, but continue to donate our time and resources to helping those less fortunate, creating good jobs for our community and a support a thriving industry.

Thank you for the opportunity to share my opinion. Please oppose this tax rate increase.

Mahalo,

Eduardo Tony Yepez

MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**Testimony on the Proposed FY20 Real Property Tax Rates**
**Wednesday, April 24, 2019**

Dear Chair Rawlins-Fernandez, Vice-Chair King and
Members of the Economic Development and Budget Committee,

Thank you for the opportunity to testify on Real Property Tax Rates.

Affordable housing is such an important topic and the Mayor was looking to generate funds through Real Property Tax Rates (RPT) for affordable housing and rentals. We support additional affordable housing and rentals, but feel it is incumbent upon us all to have a more equitable stake. Any increase to address affordable housing and rentals should be shared by all because affordable housing and rentals benefit us all and future generations.
We want to share some thoughts on the different rate classifications so we can seek more equitable and sustainable solutions.

**<u>Homeowner</u>**
As residents, of which I am and all of my members are, we all use county infrastructure, facilities, roadways, parks, police, fire, and other services, so we should all have a fair stake in increased services, maintenance and improvements to our county. However, the Council is proposing to decrease the homeowner real property tax rate (RPT) while homeowner valuations are increasing. Traditionally, in comparison to other areas, our RPT rates are very low and if we all contribute to and use infrastructure, what is the rationale for lowering homeowner RPT rates?

If instead we looked at a more reasonable and sustainable way to address county funding and by slightly increasing the homeowner rate, the county could have additional funding with minimal impacts to homeowners. For example, if the homeowner tax rate was increased to $3.02 (from the $2.85 current rate), it would provide the county with an additional $2M in revenue and increase the amount of the average RPT bill by $121.16 per year (using the median home price from March 2019 of $712,718). That is only about $10 per month extra for a homeowner or equivalent to 1 plate lunch or 2 coffees per month. A small change like that could make a big difference in county revenue and is still a very reasonable rate.

**<u>Agricultural</u>**
As a community, we have chosen to subsidize agriculture as agriculture is a difficult and volatile industry. Federal regulations, high shipping and labor costs, etc. are all impacting our agriculture industry. There is also the issue of water availability. That said, given the improvement our community is looking to see, with an only slight increase in agriculture valuations, what is the rationale for reducing RPT rates instead of keeping them level to FY19? Since valuations have slightly increased, keeping a level rate will generate a small amount of revenue for the County and will not affect farmers at the same level you are targeting others by increasing their rates.

95 Mahalani Street, Suite 22A, Wailuku, Hawaii 96793 808-244-0081 info@MauiChamber.com MauiChamber.com

**Testimony on the Proposed FY20 Real Property Tax Rates**
**Wednesday, April 24, 2019**
**Page 2**

**Commercial/Industrial**

When examining the increases proposed for RPT rates for the commercial and industrial categories, it becomes clear that these raises will significantly impact small businesses. Commercial properties will be taking a substantial hit because of the way the category is looked at as a whole. We understand the Mayor proposed the increased rate because of the decreased valuations to be revenue neutral. However, only the properties whose valuations decreased, and equated to the valuation decrease for the entire category (golf courses, grocery stores, etc), will see their costs remain the same. For those whose valuations stayed the same or increased, they will take a considerable hit with the proposed rates. The same is true for properties in industrial areas, although far less than commercial. In addition, many small businesses in these areas are a lessee and their lessor will be passing on the high RPT amount to their tenants, impacting our small, local businesses.

**Hotel/Resort**

We understand valuations for hotels and resorts, timeshares and short-term rentals are increasing and if the RPT rate remains the same as FY19, the county would still make an additional $14M in revenue from these categories. It would seem that we are already well above revenue neutral in this situation, but the Mayor proposed an increase on hotel/resort to $9.60, which the Council then looked to raise to $15.41. We appreciate that the number has been reduced in the documents released last night to $14.91, however, this is still a tremendous hit for our visitor industry that directly or indirectly employs 75% of our population. Bringing hotels/resorts up to the astronomical rate that timeshares have had to bear will have significant negative impacts on these properties that will cause them to make tougher budgetary decisions that often impact wage increases, trainings, facility improvements and more. We ask that you analyze and understand the impacts of increasing the RPT rate on the industry and not seek such an extreme amount.

In addition, some may feel the way to manage tourism is to price ourselves out of the market because this RPT increase will be passed on by raising room rates and other destinations will look more desirable. However, that is a slippery slope because even those who will still spend the extra money to vacation here will then spend less money at our small, local businesses such as activities, retail, restaurants, etc. and these companies are already facing a proposed increase to their RPT rates.

MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS



Further, it is important to look at the big picture. Currently, the State Legislature is considering raising the minimum wage and extending family leave. While the average wage rate for visitor industry workers is higher than the minimum wage, increasing the minimum wage would result in a wage compression for all businesses. In addition, there has been discussion on decreasing or adding significant provisos to the Maui Visitors Bureau funding. Therefore, potential increased labor costs, property tax rates and cuts to marketing (from MVB budget cuts), creates a trifecta that can be damaging to the industry overall, hitting them on three critical fronts.

**Timeshare**

For a number of years, timeshares were hit at an extraordinary level with RPT increases. It seems we have forgotten how this industry helps to shore up revenue and jobs during times of disasters and recession. We appreciated the Mayor's effort to recognize and bring their rate down.

**Short-Term Rental**

We can understand the impulse to dramatically increase RPT rates for short-term rentals as a way to try and control short-term rental growth. However, this rate significantly impacts those who are acting legally within the guidelines and area constraints provided by law and will have a minimum impact on those operating illegally. The Maui Chamber of Commerce only supports legally operated short-term rentals and strongly feels that enforcement of illegal short-term rentals is urgently needed. In terms of additional revenue for the county, with the increased fines established by the last election, enforcement should begin immediately and has the potential to generate substantial revenue for our county while also positively impacting affordable housing and rentals when illegal operations are shut down.

Businesses (commercial and industrial) and our visitor industry are getting hit the hardest by these proposed rate increases, yet we all use county resources. We rely on the jobs that businesses and the visitor industry generate and want to make sure we create equitable solutions. At some point, we have to look at homeowners contributing to the whole with reasonable increases as well. Real property tax rate increases to generate overall county revenue need to be equally shared as we all have a stake in the betterment of this community.

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

Maui County Council
Kalana O Maui Building, 8th Floor
Councilmember Kelly King, Chair
Councilmember Keani Rawlins-Fernandez, Vice Chair
Wednesday, April 24, 2019; 6:00 p.m.

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OFFICE OF THE
COUNTY CLERK

**STATEMENT OF THE ILWU LOCAL 142 ON THE MAUI COUNTY PROPOSED 2020 REAL PROPERTY TAX RATES & BUDGET**

The ILWU Local 142 appreciates the efforts made to the proposed 2020 budget but has serious concerns regarding the various proposed real property tax increases – particularly the hotel & resort increase of over 60 percent from $9.37 to $15.41.

While we applaud the slight decrease in residential and apartment property tax rates, we cannot in good conscience support such a massive property tax increase to the hotel industry. As many of you know, a majority of ILWU Local 142 members on Maui work in the visitor/hospitality industry consisting of a significant percentage of the entire private sector workforce on Maui. In fact, the private sector workforce accounts for nearly 25,000 jobs in accommodation (hospitality) and food services according to the Department of Labor and Industrial Relations – jobs that rely heavily on the tourism industry.

Further, with the loss of sugar and pineapple on Maui including other agricultural jobs, more and more Maui residents are relying on jobs that rely vastly on tourism spending. With such an enormous property tax increase, hotels will be forced to either lay off workers who rely on these jobs or pass along the tax increase to visitors who will reach a breaking point and stop visiting Maui altogether or reduce spending elsewhere. Additional revenue may be generated by the increased hotel property tax rate, but a loss of revenue will occur as visitor arrivals decline and workers are laid off resulting in less consumer spending and ultimately less tax revenue.

The ILWU Local 142 understands the need to generate revenue for a successful operating budget – but unfortunately the proposed 2020 budget will have dire consequences that could potentially result in job losses and less revenue generated defeating the purpose of raising the rate in the first place. Until Maui's economy expands to other sectors that provide good paying jobs – attacking the one sector that does is ill-advised.

The ILWU Local 142 urges the real property tax rate for the hotel & resort industry be set at a reasonable rate that won't result in unintended consequences. Thank you for the opportunity to testify.

Kelly T. King, Council Chair
Keani Rawlins-Fernandez, Council Vice-chair & EDB Chair
Council of the County of Maui

*Reiko Neizman Abrew*
*1321 Hoapili Street*
*Lahaina, Hi 96761*
*(808) 276-6076*

Wednesday, April 24, 2019

**Testimony Opposing Proposed Increase in Hotel & Resort Real Property Tax rates**

Aloha Council Chair Kelly King, Vice-chair Keani Rawlins-Fernandez, and Councilmembers of the County of Maui. Mahalo for the opportunity to express my strong opposition to the proposed increase in the hotel and resort real property tax rate.

I have been working at The Ritz-Carlton, Kapalua for 15 years, currently in Revenue Management. The hospitality industry has allowed me and countless Maui families the ability to provide a good life at a good wage for our 'ohana. I pride myself on working for an industry that gives back so much to the community as is evident in our record-breaking funding every year to the Visitor Industry Charity Walk along with countless other charities and non-profits on Maui.

Although Maui has seen tremendous occupancy and rate growth in the last few years, we have also benefited from hurricanes in the Caribbean and violence in Mexico. Now that these areas are fully up and running, we have seen increasing softening of demand. In fact, just today the Hawaii Tourism Authority reported a lackluster Q1 for Hawaii hotels with a decline in both room revenue and occupancy by 4.7% compared to the same time last year. Many of our partners, including Online Travel Agencies (OTAs) like Expedia and booking.com, have been reporting declines in the Hawaii market while the Caribbean and Mexico are up double digits.

I touch on these points because travelers have many options and Hawaii is a very expensive vacation destination. Increases in competition and higher costs for our hotels, may not only result in higher room rates, but also decreases in investments back into our hotels and into our community.

It is my humble request and hope that the County Council will oppose this tax rate increase so we can continue to support our community.

Thank you for the opportunity to share my opinion. Please oppose this tax rate increase.

Mahalo,

Reiko Neizman Abrew

SGS HAWAII, Inc.

landscape management

April 24, 2019

Council Member Keani Rawlins-Fernandez
Chairman, Budget & Finance Committee
Maui County Council
200 South High Street, 8th Floor
Wailuku, Hawaii 96793

Dear Chair Rawlins-Fernandez and Members of the Committee:

My name is Sidney Sparkman. I am the President and Owner of SGS Hawaii, Inc. landscape management. SGS manages the landscapes of numerous resorts on Maui.

I sincerely appreciate this opportunity to address the Maui County Counsel, and want to also thank the Owners and Management Staff of the numerous resorts where we work for the opportunities that they have extended to our company and staff! I have personally worked in the resort industry on Maui since 1993, and as a small business owner (we employee over 100 wonderful people) I feel extremely fortunate to have an **opportunity** to place our staff in such incredible work environments! We are Ohana! Many members of our staff developed their agriculture skills in the pineapple and sugarcane fields, and the resorts have given them the **opportunity** to carry these skills in to a much superior work place. The Resort Culture has made our work interactive from providing a beautiful, clean and safe place to work, and an **opportunity** to work alongside of the staff of the resorts. Our team feels as though they truly belong to something much bigger than our small company. The staff and management team treat our employees with great respect which in turn offers an extra dimension to what we can offer as employers beyond pay.

We oppose the proposal to raise, by **64.5%,** the current hotel and resort real property tax rate from the current $9.37 per $1,000 of assessed value to $15.41 per $1,000. Additionally, we oppose the drastic short-term rental rate increase from the current $9.28per $1,000 of assessed value to $15.41 per $1,000. The hotel/resort, short-term rental and timeshare classifications are the highest tax rates for Maui County. We respectively request that we look at creating a more equitable share in tax rates.

I am not for just simply increasing any taxes! I firmly believe that the public sector should face the same challenges as the private business sector by properly balancing budgets, and be consistently persistent on driving efficiency.

(808) 269-2857 PO BOX 207 PUUNENE, HI 98784 (808) 242-0863
C21240 EMAIL SSpark1030@AOL.COM C31257

**High Property Values:** Maui County's economy is powered in large part by a strong visitor industry, and year after year we see double digit increases to our industry's real property values, resulting in more tax revenues being collected. Based on the increase in property assessed values alone an additional $14million will be generated at the current RPT rates for Hotel/Resort, Short Term rentals and Timeshare. The additional tax revenue already produced by higher property values should be enough.

The 5 large resorts in Wailea have seen over 40% increase in property valuations from 2017 to 2018...an average of $72,547,400 increase in property values.

**Industry Competitiveness:** The hospitality industry, which competes nationally and internationally against lower-priced destinations, cannot continue to pass on tax increases to our visitors while concurrently dealing with the state's high cost of living. While national comparisons on taxes are numerous, there is no denying that Hawai'i consistently ranks among the jurisdictions with the highest tax rates for lodging accommodations. We are keenly aware of our position in the visitor market and the cost of a Hawai'i vacation. Any forces that adversely affect our ability to compete, such as having to pass along higher taxes, also impact our appeal as a visitor destination, the availability of money to invest in new hotel properties or renovate existing ones, and employment within the hospitality industry and related travel businesses, all of which has a ripple effect across our entire economy. Small retail and restaurants attached to a hotel or resort will also be negatively impacted by this additional tax increase.

**Impact on Hawai'i's Workforce:** The cost of doing business in Hawai'i is already at a point where companies are having a difficult time turning equitable profits. The addition of increased taxes would produce an extra burden on our hotels and resorts forcing them to possibly look at cutting operational costs and ultimately workforce. We are aware that the hospitality industry is the number one private sector employer in Maui County as well as one of the highest taxed economic sectors, further levies could result in less jobs, employment cut backs, and curtailment of incentives.

**Industry Support for the Community:** There is the misconception that the visitor industry exists to benefit offshore investment companies. However, not only is the industry the number one private sector employer in Maui County but it is a generous supporter of local community charities. Individual businesses donate money, goods, and services to worthy causes. The Maui Hotel & Lodging Association's Charity Walk, raised over $1.4 million last year exclusively for 100 Maui County non-profit organizations, granted over $35,000 last year in scholarships to public school seniors and scholarships to UH Maui college students, and has worked tirelessly to secure matching funds from the State to support organizations that assist our homeless population. We believe in investing in our employees and our community.

Our company along with numerous resorts worked together with the Pacific Cancer Foundation to raise close to $250,000 last year for The Paddle For Life to assist Maui County cancer patients and their families.

**Conclusion:** The hospitality industry has enjoyed 7 consecutive years of record increases. We must be mindful, however, that the hotel sector has not benefitted entirely from this growth as more and more travelers are opting to stay at alternative accommodations. With what we have experienced last year in manmade and natural disasters, a hotel strike, and the government shutdown we must be cognizant of the fact that nothing can be taken for granted. In this regard, remaining cost-competitive and not viewing the visitor industry as a source of endless wealth for government must be foremost if we are to maintain our status as a prime destination for many years to come. Furthermore, there are thousands of individuals from every County District who are your constituents, who are employed by lodging and hospitality businesses that are very dependent on their living from the visitor industry to support their families. We ask that you oppose measures that could threaten their livelihoods and place the number one provider of jobs in the state in jeopardy.

Thank you for the opportunity to testify.

Sincerely,

Sidney Sparkman, RME
President

April 24, 2019

Council Member Keani Rawlins-Fernandez
Chairman, Budget & Finance Committee
Maui County Council
200 South High Street, 8th Floor
Wailuku, Hawaii 96793

Dear Chair Rawlins-Fernandez and Members of the Committee:

Aloha and good evening. Thank you for your time and allowing me to speak. My name is Craig Harris, and I'm here representing Hyatt Hotels, specifically, Andaz Maui at Wailea Resort. I've been employed with Hyatt for 19 years, of which, 6 years here on Maui. I was the opening Director of Finance and currently the Director of Operations.

We oppose the proposal to raise, by **64.5%,** the current hotel and resort real property tax rate from the current $9.37 per $1,000 of assessed value to $15.41 per $1,000. Additionally, we oppose the drastic short-term rental rate increase from the current $9.28 per $1,000 of assessed value to $15.41 per $1,000. The hotel/resort, short-term rental and timeshare classifications are the highest tax rates for Maui County. We respectively request that we look at creating a more equitable share in tax rates.

The reasons for our opposition are as follows:
**High Property Values:** Due to increases in assessed property values alone, our real estate tax contribution will rise next year 28% without a rate increase. Overall on Maui, these increased assessed values alone will raise an additional $14 million at the current RPT rates for Hotel/Resort, Short Term rentals and Timeshare.

Since it's re-opening in 2013, Andaz Maui has resulted in an additional $5.3M in real estate tax revenue to Maui County through the end of 2018. The additional tax revenue already produced by higher property values and the addition of our Resort should be enough.

**Economic Slowdown**: We are very concerned about signs pointing to an impending economic slowdown. According to the Hawaii Hotel Performance Report published by the Hawaii Tourism Authority (HTA), in Quarter 1 2019, statewide RevPAR declined to $236 (-3.3%), with ADR of $292 and occupancy of 80.8 percent (-2.7 percentage points). Luxury properties such as Andaz Maui were down 5.4% in the islands and Maui specifically was down in Q1 in overall RevPAR by 2.7%. This additional property tax pressure will further impede our ability to operate and we will need to look at a variety of options to maintain equitable profits.

**Andaz Maui's Support for the Community:** It is truly our honor to be part of this large island and do our part in giving back to the community. In 2018, our resort donated roughly $90k to our resort value, i.e. guest rooms and/or restaurant certificates to local non-profit organizations such as the following:
**Pacific 'Ohana Foundation**
**SurfRider**

**Eat Less Plastic**
**American Heart Association**
**Maui Food Bank**
**Make-a-Wish**
**Whale Trust**
**Children's Hospital**
**Special Olympics Hawaii**
**Salvation Army**
**Harper for Kids**

Along with these mentioned organizations our resort support, we are actively involved with Pu'ukukui watershed, sustainability efforts with clean energy, maui ag festival, food bank, feed my sheep, Kurt Suzuki foundation, emergency personnel + their family meals for thanksgiving and Christmas, UHMC Culinary and hospitality programs, Sponsorship of Wailea canoe club, Kihei elementary school, Childer's Garden preschool, Kihei Bosy and Girls Club, adopt a highway, and Lahaina Strong as 1st Responders.

Thank you for the opportunity to testify. Please reconsider these tax proposals and move forward with Mayor Victorino's proposed increases.

Sincerely,
*Craig Harris, Director of Operations, Andaz Maui at Wailea Resort*

TO: Chair Keani Rawlings-Fernandez + Economic Development/Budget Committee Members
FROM: Dick Mayer **dickmayer@earthlink.net**

**RE: Maui County Budget and Revenues from Real Property Taxes** **April 23, 2019**

The following recommended reforms serve two purposes:

**a) Greater Equity**, and **b) raising needed County Revenue**

1. **GREATER EQUITY** Make the real property tax system more equitable and progressive by lowering taxes on residents who own the homes they live in, or own homes they rent long-term to residents, while raising taxes on wealthy investors who own luxury real estate and can afford to pay more. These will be two significant "subsidies" for residents.

**Policy Reform A**: **Lower property taxes on the lower income segment of the Homeowner class** by increasing the Homeowners' Exemption from $200,000 to $300,000 or $400,000. This is more progressive than just lowering the Homeowner rate, as the benefits will be favor less expensive homes. You can resend the property assessment notices to homeowners with the revise lower net assessment.

Since it is too late to raise the exemption this year because property values have already been certified, the Council can give an automatic rebate of the amount that would result from increasing the Homeowner Exemption from $200,000 → $300,000 or $400,000.

This would be either: $2.85 X $100 → $285 per homeowner,

Alternatively: $2.85 X $200 → $570 per homeowner.

The FY2020 Real Property Tax Statistical Report (Page 3) indicates 26,120 homeowner properties. The tax cost would be 26,120 X $285 = - $**7,444,200,** or X $570 → - $**14,888,400**.

**Policy Reform B**: **Give a property tax break to the owners of housing units in the Residential class who rent to long-term to residents.** The County already does this for a group of Apartment owners. Owners of about 2,500 condo units, which are legal for short- term rentals (tourist accommodations), are allowed to file a form each year declaring that they rent their condo long-term, thus getting the lower Apartment tax rate, and not the much higher Short-Term Rental rate.

The County could allow all Apartment and Residential owners to make use of that system and allow them to pay the Homeowner rate instead of the Apartment or Residential rate. This would encourage units to be long-term rentals.

2. **RAISE NEW REVENUE NEEDED FOR CRITICAL NEEDS,** such as affordable housing, roads, parks, deferred maintenance, employee benefits, etc.

Make up the cost of the two new "subsidies" by raising the rates on hotels and homes in the Short-term, Apartment and Residential classes **not** occupied by a resident owner or a long-term renter. In many cases, these homes are valued above Maui's median (often in the luxury class worth more than $1 million each).

**Policy Reform C**: For many years, Maui's hotel/resort properties have had unrealistically low assessments and relatively low property tax rates. This has meant that homeowners and others on Maui must pay relatively high property taxes to compensate for the inadequate revenue that should be coming from the hotel and resort properties. Although Maui hotels have the highest REVPAR in the state, they have the lowest tax rate. Honolulu's proposed rate is **41% higher** than the Mayor Victorino's proposed rate (Honolulu $13.90 vs Maui $9.60).

One example of low assessments: the Grand Wailea hotel was sold last year for $1.1 billion dollars and had a property assessment of only $330 million. Other resort properties are similarly undervalued and should be reassessed at the "fair market" value, which Maui County Code requires:

***MCC 3.48.290 Article VII. - Valuations The director of finance shall cause <u>the fair market value of all taxable real property</u> to be determined and annually assessed by the market data and cost approaches*** *to value . . .*

**MCC 3.348.290 *Article VII.* Tax base and rate** requires:

***Except as exempted or otherwise taxed, all real property shall be subject to a tax upon <u>one hundred percent of its fair market value</u> determined in the manner provided by ordinance***. .

It now may be too late to change the FY2020 assessment. However, the <u>property tax rates</u> for hotel/ resort properties can be adjusted upward to collect the appropriate amount of revenue. The rate should be increased from the Mayor's proposed $9.60 to approximately $15 - $18 for fiscal year 2019-20.

The council could request/require the real property tax division to reassess the hotels and resorts for the upcoming fiscal year 2021, thus allowing the rates to be dropped next year, when and if the property assessments have been accurately made.

If the hotel rate is set at $16 for FY 2020 then there will be an additional $18,840,825 of revenue compared to FY2019 ($6.42 X $2,934,708,550 ➔ **+ $18,840,825**).

<u>Policy Reform D</u>: **Equalize the Timeshare rate to the new hotel rate.** The timeshare owners have contended for years that they should be taxed at the hotel rate, and they won that argument in court last year. So just do it. This is also the most prudent course for you to follow should, heaven forbid, Pat Wong's prediction of a win on appeal in the Timeshare case prove to be no better than his prediction of a win in the trial court, you will have capped the tax refund owed at its current amount.

If the timeshare rate is set at $16 for FY 2020 then there will be an additional $1,440,280 of revenue compared to FY2019. ($0.59 X $2,441,153,020 ➔ **+ $1,440,280**)

<u>Policy Reform E</u>: **Raise the rate on the vacation rental condo rate to the same level as the new hotel and timeshare rates**. Until this year, FY 2019, the 11,000+ condos in the hotel zone (and condos allowed to rent to tourists under the grandfathering blessings of the Minatoya opinion) were classified with hotels into the Hotel/Resort property class and paid the same rate as hotels. This year, for the first time, they were put into their own class called Short-Term Rentals. If it was fair to charge them the same as hotels for the past ten years, it is fair to keep doing that. These condos are very valuable; their assessed value this year was $9.4 billion, or an average of $9.4 billion/11,679 = $808,000. They allow their owners to generate enormous revenue from wealthy tourists. (Remember, if the owners of these condos live in them, or rent them long-term to local residents, they will get the much lower tax rates of Reforms A or B above.)

If the vacation rental condo rate is set at $16 for FY 2020 then there will be an additional $63,411,591 of revenue compared to FY2019. ($6.72 X $9,436,248.730 ➔ **+ $63,411,591**)

<u>Policy Reform F</u>: **Establish "Impact Fees" on new construction with the exception of truly affordable housing.** The County already paid for the Impact Fee studies and calculations, along with the drafting of the appropriate proposed ordinances. Have this ready for FY2021.

Scott Shapiro: A big Hotel Tax property Rate Increase <u>needs to happen</u>.

As we all know, Maui hotel property tax rates are way below Oahu and Big Island.

I wanted to give you a numbers comparison, Maui vs Oahu of just 4 important hotels.

| **Maui** | Value | | **Oahu** | Value | |
|---|---|---|---|---|---|
| (775) Hyatt Regency | $314,950,000 | 13.9 ac | Hyatt Regency Oahu | $419,904,600 | 1 ac |
| (380) Four Seasons | $241,808,600 | 14.5 ac | Four Seasons Oahu | $384,667,400 | 10.7 ac |
| (547) Marriott Wailea | $158,343,400 | 18.38 ac | Marriott Ko'Olina | $222,200,100 | 9.9 ac |
| (787) Grand Wailea | $470,945,100 | 36 ac | Au Lani Disney | $684,966,900 | 21.19 ac |
| 2489 rooms | | | | | |
| **Total Valuation:** | $1,186,047,100 | 82.78 ac | | $1,489,771,600 | 42.79ac |
| Total tax paid now | $11,113,261.00 | $9.37/$1000 | | $19,218,053.00 | $12.90/ |
| Total paid proposed tax | $15,418,612 | $13/$1000 | | $20,707,825 | $13.90/$1000 |
| Increase of | $4,305,351 | | | $1,489,772 | |

CALCULATION:

Number of room nights (2489 rms*365 days*80% occupancy) = 726,788 room nights

**At Current 80% Occupancy=$5.92 extra per room night charge, or absorption.**

**(Currently on Maui we have 3,328,800 room nights**- that's $6.01 per room night for a $20 Million tax increase, or $3.00 per room night for a $10 million tax increase)**

**Maui's current average daily rate (ADR) is $385. Maui is 3rd internationally, to similar places- Maldives and French Polynesia are higher. Hawaii has highest ADR in US, with Maui, No Ka Oi, at #1- ahead of all other islands, and in the entire US. No one can say, Maui hotels can't absorb this tax....**

**At worst recession level occupancy of 65% in 2009, it's just $7.29 per room per night.**

The Maui Hotel Industry Board Pres shouldn't be conflating how much they give to charities in Maui county when they are talking about property tax increases... Michael Jokovich- it almost like they are saying, you tax us, we take away our Aloha to the community.

The hotel won't go away. They are here to stay no matter how much you tax them.

We can't worry about recession, and that we shouldn't be taxing up now, fearing what will happen during the next recession. The hotels laid off people during the last recession, and will do it again in the next with little correlation to how much you tax them.

** Maui Now 1/29/19 article- Maui has 26% of all Hawaii hotel rooms. 80,751 accommodation units in Hawaii. 54.3% are hotel rooms, and Maui has 26% of all Hawaii hotel rooms = 11,400 Maui hotel rooms

11,400*365 days* 80% occ rate = **3,328,800 sold room nights**

**REVPAR = Average daily rate (ADR) x occupancy rate**

Kelly T. King, Council Chair
Keani Rawlins-Fernandez, Council Vice-chair & EDB Chair
Council of the County of Maui

Cassandra L. Cockett
1412 Olona Place
Lahaina, Hawaii 96761

Wednesday, April 24, 2019

**Testimony Opposing Proposed Increase in Hotel & Resort Real Property Tax rates**

Aloha Council Chair Kelly King, Vice-chair Keani Rawlins-Fernandez, and Councilmembers of the County of Maui. Mahalo for the opportunity to express my strong opposition to the proposed increase in the hotel and resort real property tax rate.

I have worked in hotels for 30 years and currently work at The Ritz-Carlton, Kapalua in the Human Resources Department. Working in the hospitality industry has allowed me to provide a good life for my ohana and myself. Knowing that I work at a place that gives back to the community, supports its employees, and is a good steward of the ʻāina is very important to me.

I am writing today to express my concern that this big increase in the tax rate will affect my property's ability to do these things. A big increase in taxes the cost will make it even more expensive business in Hawaii is expensive. I speak with visitors all the time who talk about how expensive it is to travel here and how there are cheaper places closer to home that they could visit.

Working in Human Resources I get to see firsthand the work my property does in helping the larger Maui community. I see it when we host local Maui nonprofits and charities for free, when we raise money for the Maui Charity Walk, when we help an employee going through hardship like having their house burn down, and when we donate our time, room nights and other things to everyone's silent auctions and fundraisers. It is part of what we love to do, helping our community, and I am worried that if we keep on making it more expensive to do business here that this kind of help will be harder to justify and give.

It is my humble request and hope that the County Council will oppose this tax rate increase so we can continue to do more than just fill the hotel but continue to donate our time and resources to helping those less fortunate and those who need it.

Thank you for the opportunity to share my opinion. Please oppose this tax rate increase.

Mahalo,

Cassie Cockett

Aston
HOTELS & RESORTS

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2019 APR 22 AM 9: 12

Aston Kaanapali Shores
3445 L Honoapiilani Rd. Lahaina, Hawaii 96761
Tel 808.667.2211 Fax 808.661.5474

OFFICE OF THE
COUNTY CLERK

April 16, 2019

Councilmember Alice L. Lee
Maui County Council
200 South High Street, 8th Floor
Wailuku, Hawaii 96793

Dear Councilmember Lee:

I write to you today to share my opposition to the proposal to raise the current hotel/resort & condotel RPT rates from $9.37 per $1,000 of assessed value to $15.41 per $1,000 and from $9.28 per $1,000 to $15.41 per $1,000 respectively.

The hospitality industry seems to continue to find itself high on the list of targets when it comes to the hunt for additional revenue generation for the County; seemingly without much regard for the ripple effect that raising taxes creates both in terms of the financial viability of the businesses and the impact on the people within them. The industry is not poised to achieve growth levels over the next few years like those enjoyed during the most recent 5 years according to UHERO and other economists in-the-know. In fact, coming off a weaker than expected Q1, as recently as last week some suggest there may be no growth at all in 2019.

If an adjustment to the RPT structure is absolutely necessary, such an adjustment should reflect a more equitable percentage that is in keeping with CPI (like the Mayor's proposal to move short term to $9.55); not an over 64% increase as currently proposed. Perhaps such a large increase wouldn't even need to be proposed if there was a vehicle in place to collect the appropriate taxes from those with short-term rentals that aren't reporting their income or paying their fair share.

Thank you for your consideration of my testimony.

Sincerely,

Mark D. Mrantz, CHA
General Manager

**County Clerk**

**From:** Alice L. Lee
**Sent:** Monday, April 22, 2019 8:30 AM
**To:** County Clerk
**Subject:** FW: Raising Taxes on Vacation Rentals - Bad Idea

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2019 APR 22 AM 9: 12
OFFICE OF THE COUNTY CLERK

**From:** e@ewoodonmaui.com <e@ewoodonmaui.com>
**Sent:** Tuesday, April 16, 2019 3:17 PM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Raising Taxes on Vacation Rentals - Bad Idea

Aloha Alice;

I have been a Realtor on Maui for 20 years. Raising the tax on vacation rentals to the tax on Timeshare is such a terrible idea. It is going to crash the vacation rental business and real estate sales on Maui that support SO MANY PEOPLE who live on Maui. I think to keep our economy strong on Maui, you should find another way to create revenue without ruining the vacation rental and real estate businesses.

How about these ideas:

1. Raise property taxes on property that is a second home which are rarely used and owned by millionaires, like on the Keawekapu Beach in Wailea, where most of the ocean front homes are boarded up and used rarely.
2. Raise taxes on the Developers who come from the mainland with a crew, offer no work to locals, build their project, make a ton of money, and leave the island, taking the money with them.

*Aloha, E*

**Elizabeth S. Wood R(S) ABR SFR**
**Realtor Salesperson of the Year 2017**
**License R(S) 57506**
**Direct: 808-385-8888**
**Office: 808-874-8668**
**Coldwell Banker Island Properties, Shops at Wailea**
**3750 Wailea Alanui, Suite B-35**
**Wailea, Maui, Hawaii, 96753**

**County Clerk**

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**From:** Alice L. Lee
**Sent:** Thursday, April 18, 2019 5:25 PM
**To:** County Clerk
**Subject:** FW: Short Term Rentals



**From:** lchapmansd@gmail.com <lchapmansd@gmail.com>
**Sent:** Tuesday, April 16, 2019 12:49 PM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Short Term Rentals

Dear Council Member,

I am writing regarding the property tax on Short Term Rentals. It would appear that some council members regard Short Term Rentals as equivalent to a time-share or hotel.

Nothing could be further from the truth. The majority of Short Term Rental properties are owned by individuals who rent for a portion of the year, some for just the high season, some for perhaps 180 days or half the year. On the other hand, hotels and timeshares are occupied at a much higher rate, some over 90% since every timeshare week is sold to somebody.

This lower level of occupancy of Short Term Rental properties means lower demands on the resources of our beautiful island and if the resources are being using at perhaps half the rate of a timeshare or hotel, the property tax rate should also be half.

The appropriate way to generate taxes to offset the demands of tourists is through the Transient Accommodation Tax which directly reflects tourist usage.

Sincerely,

Laurence Chapman

**County Clerk**

**From:** Alice L. Lee
**Sent:** Thursday, April 18, 2019 5:15 PM
**To:** County Clerk
**Subject:** FW: Proposed Vacation Rental Rate Increase

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2019 APR 22 AM 9: 13
OFFICE OF THE
COUNTY CLERK

Mahalo,
Alice

**From:** Michele Gibson <michele.y.gibson@gmail.com>
**Sent:** Wednesday, April 17, 2019 9:45 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Proposed Vacation Rental Rate Increase

Aloha Councilmember Lee,

I am writing you today to voice my opinion about the proposed tax rate increase on properties classified as Vacation Rental to the higher Timeshare Rental Rate.

I strongly oppose this proposal. First owners of vacation rental property on average spend more time in their property than those who own Timeshares. These owners already pay a much higher tax rate than owners of Apartment or long-term rentals (minimum of 6 months) although the use is similar. Add GET tax, HARPTA and FRIPTA to this, which escalates the cost of owning property on Maui as a non-resident.

We must not forget that **tourism is Hawaii's main source of revenue**with Hotels and Vacation Rental owners paying what I just mentioned to keep taxes low for residents on Maui of which I am a full time resident. In other words, don't keep going after those who keep our economy going because if those who can pay the price for these properties stop buying them, our economy will dry up. This is neither what we want nor need.

Be accountable for the tax dollars that are already coming in. Spend the money on what will make Maui better for residents as well as tourists who come and spend their money on our island.

Mahalo,

Michele Gibson
154 Ahekolo Pl
Kihei, HI

**County Clerk**

---

**From:** Alice L. Lee
**Sent:** Thursday, April 18, 2019 5:23 PM
**To:** County Clerk
**Subject:** FW: Resolution #18-83



**From:** hartsough@shasta.com <hartsough@shasta.com>
**Sent:** Sunday, April 14, 2019 7:21 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Resolution #18-83

As the owner of one short term vacation rental in The Ridge, I am quite sure we don't understand all of the problems Maui is facing. I have been a visitor to Maui since 1949 and I have seen the changes to your island - many of which I don't like. And as a non-residents we realize our opinion is not of much value to you in the next election.

Our business license is #067-360-7680-01. If you check you will see that we have paid all of the taxes to Maui on the money that we have earned since we purchased my dad's home from the other heirs in 2012.

In 2018 we paid:

| | |
|---|---|
| $13,836 | in property taxes. |
| $10,056 | in GET and TAT taxes |
| $4,575 | to our property manager |
| $5,615 | to our cleaning people |

$34,082 Total that would disappear if we are forced to stop using the villa as a short term vacation rental and sold it to someone who wanted to live in it. Plus we pay to the State of Hawaii some amount of personal taxes. And our property manager and cleaning folks pay income taxes on the money they earn.

In addition there are a lot more repairs that have to be done because it is a rental. The amount of money we spend in Hawaii yearly doing repairs, plus that spent by tourists, is more than a homeowner would spend - MUCH MORE.

Our assessment for property taxes went up $120,000 dollars last year - based upon the current rate, we are already getting a substantial increase to our property taxes.

One of our recent guests emailed to thank us for their 3rd stay in the villa. She asked if we could try to keep the prices down so that she can continue to rent our home. We sent her a copy of $ #18-83. Her reply:

> "Does the board realize tourists like us won't be able to afford to come if they hike the taxes that much?"

Our home does NOT clog up your roads or overwhelm your infrastructure. As a 2 bedroom/3 bath we can rent to up to 6 people, but we most often rent to 2 - 4 people. We are NOT your problem and getting rid of us will NOT benefit Maui in our opinion.

Dennis and Joan Hartsough
530-365-5650
VRBO/HomeAway/Expedia #392004
4844 Pheasant Drive
Anderson, CA 96007

**County Clerk**

**From:** Alice L. Lee
**Sent:** Thursday, April 18, 2019 5:22 PM
**To:** County Clerk
**Subject:** FW: Property tax

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2019 APR 22 AM 9: 13
OFFICE OF THE
COUNTY CLERK

-----Original Message-----
From: Linda Mitchell <lindafinearts@yahoo.com>
Sent: Wednesday, April 17, 2019 6:54 AM
To: Alice L. Lee <Alice.Lee@mauicounty.us>
Subject: Property tax

Please do not impose the giant property tax on vacation rentals.
I do not even begin to understand why we as owners of 2, one bedroom vacation condos should pay even a higher property tax rate than hotels pay. We are already paying a disproportionate amount of property tax. Our business brings in money through GET and TAT and all the money that our guests spend on Maui.
Please do not set us aside for an unreasonable raise in taxes. We realize we can't vote. Please do not let that fact influence an unfair tax.
Thank you.
Linda Mitchell

**County Clerk**

**From:** Alice L. Lee
**Sent:** Thursday, April 18, 2019 5:13 PM
**To:** County Clerk
**Subject:** FW: Proposed Property Tax Increase



Mahalo,
Alice

-----Original Message-----
From: Diane. pejkovich <diane.pejkovich@att.net>
Sent: Wednesday, April 17, 2019 6:32 AM
To: Alice L. Lee <Alice.Lee@mauicounty.us>
Subject: Proposed Property Tax Increase

Dear Ms. Lee,

I am writing to you to express my concern with the proposal to significantly increase real estate taxes on properties that offer short term rentals. As an owner of a condominium on Maui and as one who rents a condo to others when we are not in the island, we are strongly opposed to the proposed tax increase for a number of reasons.

First, this increase in real estate taxes would be a huge financial hardship on many of us condo owners, myself included. My husband and I have saved for years to purchase a dream condo on maui and the only way we could afford it is to offer short term rentals when we are not on island. Much of the revenue we receive goes to defray the many expenses associated with condo ownership on the island. I say defray because it's not enough to offset all of the costs.

Maui already receives approximately 14% of the revenue generated from These rentals in the form of general excise and transient accommodations taxes.

These condo owners would suffer a significant financial burden with a higher real estate tax rate that is already significant. If such an increase were approved, many owners would be forced to either discontinue their rentals or sell their condos. The waterfall impact of this would be to significantly decrease the amount of tourism which indirectly impacts businesses such as restaurants, tour activities and the like.

As owners of condos that offer short term rentals we provide a much needed service to many people who would not otherwise be able to afford to go to Maui. Increasing our property taxes would directly impact our decision to continue to offer that service.

Unlike hotels or time share properties, such a tax would unfairly impact individual condo owners as we would not be able to pass those increases along to renters as any increases in rental rates would be very detrimental to the rental market.

I respectfully request that you reconsider this proposal and not vote in favor of the increase for the reasons I have highlighted.

Kind Regards,

Mark and Diane Pejkovich

Sent from my iPhone

**County Clerk**

**From:** Alice L. Lee
**Sent:** Thursday, April 18, 2019 5:23 PM
**To:** County Clerk
**Subject:** FW: Property Taxes

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2019 APR 22 AM 9: 13
OFFICE OF THE
COUNTY CLERK

**From:** Robert Rubin <rmalibu@gmail.com>
**Sent:** Tuesday, April 16, 2019 7:02 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Property Taxes

Dear Council Member

In my opinion increasing the property tax paid by owners that own rental properties and who are an essential component of the tourism business, is a bad idea. It will have a negative effect on property values as it will greatly discourage buyers from participating in Maui's vacation and real estate market. This will likely discourage investors and likely have them look elsewhere to invest their money.
Maui property tax has benefited by increasing property values, but this will no longer be the case.Owners will be forced to raise their lodging prices which will have a huge, negative impact on the tourism business. This will definitely have a negative effect.
Such a large increase on taxes on nonresidents, hotels and property owners is not good business for Maui

Sincerely

Robert Rubin MD, MPH

**County Clerk**

**From:** Alice L. Lee
**Sent:** Thursday, April 18, 2019 5:24 PM
**To:** County Clerk
**Subject:** FW: property tax increase

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2019 APR 22 AM 9:13
OFFICE OF THE COUNTY CLERK

**From:** Jason Wold <jason.wold@gmail.com>
**Sent:** Monday, April 15, 2019 9:17 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** property tax increase

Dear Councilmember Lee,

I was just forwarded a message from our AOAO about the dramatic increase in property taxes. Owning a condo on Maui was our dream but due to the high cost of everything on Maui we can barely afford to keep it as is. We barely break even on it currently and the additional $5/year we would have to pay after this increase might cause us to need to sell and lose our dream vacation home. I really hope you will reconsider.

Jason and Vivian.

**County Clerk**

**From:** Alice L. Lee
**Sent:** Thursday, April 18, 2019 5:16 PM
**To:** County Clerk
**Subject:** FW: Tax Rate Increase



Mahalo,
Alice

**From:** Theodore Wolfberg <tedwolfberg@gmail.com>
**Sent:** Wednesday, April 17, 2019 10:41 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Tax Rate Increase

So because we cannot vote, you are embolden to raise our property taxes?

Right now we pay the GET that everyone in Maui pays. We pay TAT of 10.25%. Our condo is appraised at at least 100% of its value. You are killing the goose that lays the golden egg and helps sustain the economy of this county.

You are not too concerned about coming up with accurate appraisals of homes throughout the county. Take a look at any real estate sale website and compare what home owners are asking for their homes with the assessor's values. Very significant differences. That would make up probably all your shortfall.

Let the homeowners who live on island pay their fair share. Or are you more concerned about getting re-elected?

What say you?

**County Clerk**

**From:** Alice L. Lee
**Sent:** Thursday, April 18, 2019 5:21 PM
**To:** County Clerk
**Subject:** FW: Property taxes

Aloha,
Alice



**From:** Douglas Mitchell <mitdoug43@yahoo.com>
**Sent:** Wednesday, April 17, 2019 6:43 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Property taxes

Dear Council Member
I am opposed to a property tax increase for short term rental property. I am already paying approximately three times the rate of other property holders. You are biting the hand that feeds you. A vast amount of money is brought into the state by the guests that short term rentals draw to the state. It appears that you are attacking this segment of the economy. Is it because they have relatively little power since a large percent of owners are from out of state and cannot vote? I comply with all the current regulations on short term rentals. Perhaps a better solution is to make sure that all short term rental owners are paying their share of taxes.
Thank you,
Doug Mitchell

**County Clerk**

**From:** Alice L. Lee
**Sent:** Monday, April 22, 2019 10:53 AM
**To:** County Clerk
**Subject:** FW: Proposed Property Tax Increase

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2019 APR 22 AM 11: 25
OFFICE OF THE COUNTY CLERK

**From:** Steve Cerveris <seezinside@gmail.com>
**Sent:** Monday, April 22, 2019 5:15 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Proposed Property Tax Increase

My name is Steve Cerveris and I own Konea Condominium Unit 437 at the Honua Kai Resort in Lahaina. I am writing to express my strong objection to the proposed 60% increase in the property tax rate for Short Term properties since this will greatly harm tourism and real estate values in Maui. I urge you to support the Mayor's proposal to keep property tax rate increases reasonable.

Mahalo,
Steve Cerveris

**County Clerk**

| | |
|---|---|
| **From:** | Alice L. Lee |
| **Sent:** | Monday, April 22, 2019 10:57 AM |
| **To:** | County Clerk |
| **Subject:** | FW: Proposed Real Property Taxe Rate |

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2019 APR 22 AM 11: 25

OFFICE OF THE COUNTY CLERK

**From:** Corrine Fabie <corrinefabie@yahoo.com>
**Sent:** Sunday, April 21, 2019 12:16 PM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Proposed Real Property Taxe Rate

Dear Council Member Lee:

**I am writing to urge you to object to the proposed property tax rate increase on transient vacation rentals.**
Properties falling under the Short Term Rental Property tax classification (at the current tax rate) collectively pay $80 million in property tax per annum. This is more than all the residents of Maui collectively, and more than all commercial properties and hotels combined.

This dramatic tax increase will not only discourage future investment in legal vacation properties (which has proven to be profitable for the County), it could negate any of the forward momentum the county has had in cracking down on illegal vacation rental properties. The move could:

- Drive some legal owners to reclassify and rent *off the books.*
- Deter illegal rental owners from moving toward legalization.
- Lead to an overall nightly rate increase on transient rentals, leaving fewer tourist dollars to be spent elsewhere, and therefore harming local businesses.
- Cause some owners to sell their transient rental property, which may end up in the hands of those maintaining the property as a second home under the residential designation.
- Put some marginal homeowners into a position of default, thereby leading to additional policing for the recovery of non-payment of taxes.

I understand that there are sound justifications for small and incremental increases to various tax rates - the 1% increase to the Transient Accommodations Tax being the most recent example - but to implement a nearly **70% increase seems punitive, disproportionate, and unfair**.

*The Maui County Comprehensive Annual Financial Report (2018 FY CAFR) stated the following:*

- Visitor arrivals are increasing (up 4.1% since 2016)
- Visitor dollars spent per day have risen (up 3.4%, to $212 per visitor per day in 2017)
- Hotel occupancy and room rates increased and remained the highest in the state ($353/night and 77.1%, respectively)
- Commercial building authorizations are up $92.8 million or 24.1 percent

For 2018, 4,272 additional new construction units are planned for all categories (778 Timeshare, 217 Condo, 150 Hotel/Condo, 626 Hotel, 125 Bed and Breakfast, 207 Short-term Rentals, 12 Transient Vacation Rentals, 699 Mixed Use, and 308 Mixed Use/Hotel).

*The conclusion of the report addressed real property taxes, stating the following:*

"The real property tax base for fiscal year 2019 of $48.8 billion is an increase of $2.9 billion or 6.3% from the fiscal year 2018. The real property tax rates (per $1,000 assessed valuation) for fiscal year 2019 slightly decreased for all classifications except for Hotel & Resort, and the addition of a Short-Term Rental classification. The following were the decreases in each category: Residential from $5.54 to $5.52, Apartment from $6.32 to $6.31, Commercial from $7.28 to $7.25, Industrial from $7.49 to $7.45, Agricultural from $6.01 to $6.00, Conservation from $6.37 to $6.35, Homeowner from $2.86 to $2.85, Time share from $15.43 to $15.41, Commercial

Residential from $4.56 to $4.55, Hotel and Resort remain the same rate at $9.37 and the addition of a Short-Term Rental set for $9.28. The budgeted real property tax levy of $321.5 million for fiscal year 2019 is an increase of $18.3 million or 6.0% from fiscal year 2018, largely as a result of the higher tax rates."

In spite of decreases being provided to residential, apartment, commercial, industrial, agricultural, conservation, homeowner timeshare, commercial residential designations, Maui County still realizes a 6% / $18.3M increase over FY 2018.

Once again it seems punitive and unfair to single out one of the highest taxed classifications and consider taxing it even more.

Once again, I urge you to object to the proposed property tax rate increase on transient vacation rentals.

Sincerely,
Corrine Fabie
Owner at Kamaole Sands, Kihei

**County Clerk**

**From:** Alice L. Lee
**Sent:** Monday, April 22, 2019 10:55 AM
**To:** County Clerk
**Subject:** FW: Tax Increase

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2019 APR 22 AM 11: 25
OFFICE OF THE
COUNTY CLERK

-----Original Message-----
From: Howard Gogel <howard.gogel@gmail.com>
Sent: Sunday, April 21, 2019 3:13 PM
To: Alice L. Lee <Alice.Lee@mauicounty.us>
Subject: Tax Increase

I own a condominium at the Honua Kai Resort in Lahaina. I am writing to express my strong objection to the proposed 60% increase in the property tax rate for Short Term properties since this will greatly harm tourism and real estate in Maui. I urge you to support the Mayor's proposal to keep property tax rate increases reasonable. - Mahalo

Howard Gogel
973-887-1122
www.gogelauto.com
www.mylimo.com
Limo transportation available world wide

The law of Diminishing Astonishment : What initially amazes people quickly becomes the new expectation.

**County Clerk**

**From:** Alice L. Lee
**Sent:** Monday, April 22, 2019 10:51 AM
**To:** County Clerk
**Subject:** FW: Property Tax Increase on Short-Term Rentals

RECEIVED
2019 APR 22 AM 11: 25
OFFICE OF THE COUNTY CLERK

**From:** Jill Sullivan <jill.honuakai@gmail.com>
**Sent:** Monday, April 22, 2019 8:10 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Property Tax Increase on Short-Term Rentals

Good Morning -

We are owners at Honua Kai and just purchased last year. At current prices, it is difficult to manage property in HI and make a decent return on investment. We now understand a large hike in property tax is being considered which would target short term rental units and thus dampen the demand for short term rental real estate.

We strongly oppose this approach as it targets a group of owners who try to make a living out of promoting all the wonderful things that are Maui and to assure our guests choose to return to Maui in the future. Everyone should carry the property tax burden equally. I am also very concerned about whether investors will come to Maui and the negative impact on real estate that may well arise if this change is instituted.

It may seem a simple fix, but the demand for Maui and the market for rentals could severely suffer.

Thank you for your consideration. Jill, Gareth and Liam Sullivan

**County Clerk**

| | |
|---|---|
| **From:** | Alice L. Lee |
| **Sent:** | Monday, April 22, 2019 11:09 AM |
| **To:** | County Clerk |
| **Subject:** | FW: Property tax increase for short term rentals |

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2019 APR 22 AM 11: 25

OFFICE OF THE
COUNTY CLERK

**From:** Bruno Tonin <hk605maui@gmail.com>
**Sent:** Saturday, April 20, 2019 3:15 PM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Property tax increase for short term rentals

"I'm Bruno Tonin and I own a condominium at the Honua Kai Resort in Lahaina. I am calling to express my strong objection to the proposed 60% increase in the property tax rate for Short Term properties since this will greatly harm tourism and real estate in Maui. I urge you to support the Mayor's proposal to keep property tax rate increases reasonable. - Mahalo"

**County Clerk**

| | |
|---|---|
| **From:** | Alice L. Lee |
| **Sent:** | Monday, April 22, 2019 11:08 AM |
| **To:** | County Clerk |
| **Subject:** | FW: Vote "NO" on Raising Short Term Rental Property Taxes!!! |

**From:** Louis Trinh <pahiatrinh@gmail.com>
**Sent:** Sunday, April 21, 2019 10:39 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Vote "NO" on Raising Short Term Rental Property Taxes!!!



Dear Council Member Alice Lee,

My wife, Kristine Trinh, and I own two studio condos at The Mahana since 2014. We were lucky to invest because the economic downturn gave us the opportunity to buy, otherwise we would never been able to afford to invest on Maui. We want to ultimately retire on Maui and stabilized the island's economy at the time, with the hopes that property values will soon recover. We were lucky to save up after 24 years of working and put our hard earned life savings as down payments into units 1013 and 802. After five years, we are lucky to break even every month after paying our mortgages, management fees, property taxes, AOAO fees, and utilities.

We STRONGLY OPPOSE the proposed raise in short term and vacation rental rates that will double our Property Taxes! At $9.37 of every $1,000 assessed value, we already pay double the amount of property taxes that a residential condo pays ($5.52 per $1,000) and understand that you are looking to increase our rates to $15.41 per $1,000 of assessed value. To double our property taxes (and quadruple of what other residential condos pay) is insane and will have catastrophic effects to Maui's economy! Personally, this would cost us more than $12,000 in increased property taxes per year or $1,000 a month to an investment that is barely breaking even!

Please think about how this would affect your personal household, for example. Can you possibly afford another $1,000 a month in bills, knowing that nothing else in your life has changed? I know we cannot, and so will other investors like us who are barely scraping by. We would have to sell both condos, and you will see others doing the same. You will see how damaging this will affect other parts of Maui's economy:

1. Tourism will be adversely affected because we cannot continually pass these increased taxes onto visitors. Maui already has the highest hotel taxes (at 14.416%) in the country and passing more taxes will only drive visitors to less expensive destinations. The Hawaii Tourism Authority has already announced that February has the largest decline of visitors in over a decade, since the recession in 2009! There has been talks about the economy slowing down in 2018 and will persist into 2019. You must realize how expensive a

Hawaii vacation must be for the average family, and passing more taxes onto them will make them look elsewhere.

2. Realtors and property managers will see their livelihoods take drastic hits, as property values will plummet and so will the amount tourists spend on Maui. It will be like 2009 again, where property values and rental rates were at their lowest. Once owners sell in mass, property values will drop! Investors crunch numbers and no one will buy a property that won't pay for itself. The numbers won't work! With today's high property values and taxes, our family cannot afford these monthly costs and would definitely not have bought our studios if we knew this proposed tax increase were a possibility.

3. All retail, restaurants, and travel-related industries (like tour operators, concierge) will be negatively affected. The economy is already slowing down and putting more burden on owners and visitors will have a ripple effect on the rest of Maui's economy.

4. A negative impact on Maui's workforce. Maui already has the highest rates for contractors, cleaning personnel and anything related to home improvement. With higher property taxes, owners just cannot afford to make any renovations or buy new furniture.

As you can see, the trickle down affect is real and RAISING PROPERTY TAXES WILL HURT EVERYONE! We are just recovering from 2009 and punishing investors like us is like KILLING THE GOLDEN GOOSE!

We pay our GET and TAT taxes as dictated by law, whereas time shares do not since the guests staying at timeshares are owners, so not subjected to accommodations taxes. Based on this logic, timeshares deserve to have a higher rate of property taxes. Hotels and short term vacation rentals DO NOT!

A better solution would be to let increased property values and higher visitor numbers bring in more revenue for Maui County! Doesn't it make more sense than trying to force higher tax rates?

Please take a moment to see the bigger picture and VOTE "NO" TO INCREASING SHORT TERM AND HOTEL TAX RATES!

Mahalo,

Louis and Kristine Trinh

Atlanta, Georgia

Owners, Mahana 1013 and 802

770-714-5258 cell

**County Clerk**

| | |
|---|---|
| **From:** | Alice L. Lee |
| **Sent:** | Monday, April 22, 2019 10:58 AM |
| **To:** | County Clerk |
| **Subject:** | FW: Proposed 66% increase in property tax for short term rentals |

RECEIVED
2019 APR 22 AM 11: 25
OFFICE OF THE
COUNTY CLERK

**From:** Adrian Walling <adrianwalling@att.net>
**Sent:** Sunday, April 21, 2019 11:39 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Proposed 66% increase in property tax for short term rentals

Dear Ms Lee,

We are writing in favor of fair and reasonable tax rates for the vacation rental industry.

After many years of visiting Maui every year we purchased a second home in 2012 thinking that when we retired we would spend the winter months on Maui. We decided to put our home in the rental pool and have been very successful in renting it, providing significant sums of TAT and GET each year. We have never missed a TAT or GET payment. We are now retired and live on Maui for about 4 months in the year. We enjoy running the rental aspect as a very small business. It is the perfect activity to keep someone who is retired engaged and active.

Our small operation provides work for agents, cleaners and maintenance people. Despite the considerable costs associated with renting, every year we put any profit into maintaining and improving the unit. We are just a Mom and Pop operation and the huge tax increase being proposed for this category will be a tipping point. Renting our unit allows us to maintain high standards and to provide others with an opportunity to enjoy the wonderful location. We have many regular guests who take good care of the property and love the island.

Last year we paid $8,307.78 TAT and $3,574.42 GET for total taxes of $11,882.20. Total TA and GE taxes paid since 2012 amount to $62,784.05. In the proposed tax increase scenario, our property tax would increase by about $4,600 One option is to take the property out of the rental program effective next year.

I would just like to point out that in the proposed scenario, Maui County would gain $4,600 for maybe a year but lose $11,882.20 for a net loss off -$7,282.20 if we took it out of the rental program. There would also be less work for the cleaners and maintenance people who work for the property manager service that we use. The largest loss of all would result from the loss of spending by visitors to our popular unit. Everyone would lose in that scenario.

Short Term Rentals are currently taxed at $9.28/$1000, only exceeded by Hotel and Resort and Time Share rates. Increasing the Short term rental rate to an extreme level puts an unfair burden on us individual owners of these properties, and our guests. In turn, an increase will further harm the many small businesses that depend on the vacation rental industry.

We are supportive of the Economic Development and Budget Committee Committees efforts to find a fair and equitable solution for taxing the vacation rental industry that limits any negative implications for the community. We are not a hotel and not a time share, we have a second home that we rent out when not using it ourselves.

Thank you for considering our testimony, we hope it will be useful as you work on this bill.

Adrian and Anne Walling,
Wichita KS and c/o 110 Kaanapali Shores Place, Lahaina.

**County Clerk**

RECEIVED

2019 APR 22 AM 11: 25

OFFICE OF THE
COUNTY CLERK

**From:** Alice L. Lee
**Sent:** Monday, April 22, 2019 10:50 AM
**To:** County Clerk
**Subject:** FW: Proposed tax increase

**From:** Maui <maui@jwresearch.com>
**Sent:** Monday, April 22, 2019 10:49 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Proposed tax increase

I own a condominium at the Honua Kai Resort in Lahaina. I am calling to express my strong objection to the proposed 60% increase in the property tax rate for Short Term properties, since this will negatively impact tourism and real estate in Maui. I urge you to support the Mayor's proposal to keep property tax rate increases reasonable.

Mahalo, Alan Wilson

*Gerald Woodahl*
*744 Anglers Bend Way*
*Missoula, MT 59802*
*Cell 406-880-3170*

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2019 APR 22 AM 11: 25
OFFICE OF THE
COUNTY CLERK

*April 21, 2019*

Council Member Keani Rawlings-Fernandez
Chairman, Budget & Finance Committee
200 South High Street, 8th Floor
Wailuku, Hawaii 96793

RE: Proposed RPT Rate Increase

I am writing you to oppose the proposal to raise the current hotel / resort RPT rates from $9.37 per $1,000 of assessed value to $15.41 per $1,000, & condotel RPT rate from $9.28 per $1,000 to $15.41 per $1,000.

My wife & I are owners of a West Maui condo that we use personally throughout the year and a rental investment. We understand the need to have enough county revenues to support the county operations, to include maintaining the infrastructure and provide the funding for law enforcement. These services are used by both residents and tourists and need to be paid by both.

I am a firm believer that the funding must be broad based & paid for by the users of these services. There is a segment of the short-term rentals that do not pay real estate taxes at the same rate as we do, nor do they pay HI TAT or GET. Not only is Maui County and State of Hawaii losing tax revenue, but it puts us at a competitive disadvantage. Rather than further burdening the folks that are paying their fare share, I encourage the County to focus on collection of taxes from those presently avoiding them.

Thank you for your consideration of my testimony

Sincerely

GB Woodahl

Gerald B. Woodahl

**County Clerk**

**From:** Alice L. Lee
**Sent:** Monday, April 22, 2019 11:14 AM
**To:** County Clerk
**Subject:** FW: Proposed Property Tax Increase of 66%

RECEIVED
2019 APR 22 AM 11: 26
OFFICE OF THE COUNTY CLERK

**From:** Michal Beth Elerding <mbelerding@coastalak.com>
**Sent:** Friday, April 19, 2019 11:51 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Proposed Property Tax Increase of 66%

Dear Ms. Lee,

Please take just a moment to picture yourself in your beautiful cabin (second home) on a gorgeous trout lake in Alaska. What feelings would you experience if Alaska decided to single you out to be the one to pay a 66% increase in property tax? Wouldn't you think that this country is not about singling out specific groups or discriminating? You would likely feel you are willing to pay your fair share.

My husband and I have visited Maui for over 30 years and purchased our condo, our second home, 5 years ago. We are struggling with unsettling feelings about our choice to purchase on Maui. We love the people of Maui and the Aloha spirit but this tax increase proposal leaves a bitter taste in our mouths, not to mention a feeling of not being welcome on Maui.

We live on Maui several months each year and our grown children and their children visit Maui at different times of the year as well. I would like to share with you some of what we contribute to the economy and communities on Maui:

- Members of the MACC
- Support St. Theresa's Catholic Church
- Frequent local grocery stores, retail stores, restaurants run by locals, hairdressers, gyms, dry cleaners, tour guides
- Attend local fund raisers
- Rent cars on island, purchase fuel
- Shop at local hardware stores to maintain our property
- Support local contractors, having just completed bathroom remodels
- Taxes: pay sales tax, property tax, bring in GET and TA taxes through our guest rentals
- Help create jobs in the condo management industry as well as the government

I understand that the budgeting process is painful, and I appreciate the work you and your committee members put into the process but this tax increase proposal sends a very bad message to anyone who wants to be a part of the Maui lifestyle and contribute to the Maui communities. Please reconsider this proposal and treat us fairly. Mahalo for your consideration.

Sincerely yours,

Michal Beth Elerding

mb@coastalak.com

**County Clerk**

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**From:** Alice L. Lee
**Sent:** Monday, April 22, 2019 11:13 AM
**To:** County Clerk
**Subject:** FW: Proposed tax increase on short term rentals



-----Original Message-----
From: Dan Hartley <danlhartley@aol.com>
Sent: Friday, April 19, 2019 2:12 PM
To: Alice L. Lee <Alice.Lee@mauicounty.us>
Subject: Proposed tax increase on short term rentals

Dear EBD Committee Member Alice Lee,

I am opposed to the proposed tax increase for short term rentals. I have owned here for 40 years, including one condo I rent full time and another I rent only in the summer. The current tax is already substantial, and the county revenue has benefitted by the increased value, and thus tax evaluations, of our condos over those years. An increase in tax can have the following negative effects:

(1) Lowering demand for purchasing condos (the tax rate is always a consideration in purchasing a condo) which will in turn lower property values and thus decrease revenue to the county.

(2) Encourage many to stop renting their condos. I will certainly stop renting the one I live in half the year because the new tax will make it unattractive for potential income.

(3) Increase the risk of foreclosure on condos because many owners barely make enough to pay the expenses of ownership, and they may have other obligations that put them in a serious bind.

(4) Decrease the overall appeal of Maui as a place to live or invest.

(5) Decrease tourism because owners will have to increase rents, thus making Maui less attractive for many possible visitors

(6) Lose jobs because every rental condo requires maids to clean at every turnaround, administrators to handle business, and maintenance personnel to keep the condos operational. Even more, if this drives tourism down then jobs throughout the Maui community will suffer.

I urge you to consider these impacts before you make such an enormous increase in our taxes.

Sincerely,

Dr. Dan Hartley
Wailea Elua 2107

County Clerk

**From:** Alice L. Lee
**Sent:** Monday, April 22, 2019 11:11 AM
**To:** County Clerk
**Subject:** FW: Short Term Rental Property Tax Increase Proposal



**From:** Ilse-Mari Lee <ilsemarilee@gmail.com>
**Sent:** Saturday, April 20, 2019 7:58 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Short Term Rental Property Tax Increase Proposal

The Honorable Alice L. Lee:

We respectfully stand in opposition to the above proposal, specifically to align Short Term Rental properties with Time Share units.

To us, there is a major difference between short term rental properties and time share units. Our condo, is our *home*.

We bought our condo three years ago, and have been able to pay the mortgage on our condo because it is a short term rental property.

We have visited Maui every year for the past 17 years, until we could finally realize our dream to slowly purchase our one bedroom condo, where we want to retire, in the very near future.

Our condo building, the manager, repairman and fellow owners, are our Ohana. We gather for Christmas, New Year's and Valentine's Day, as well as our annual meeting in June. We also support our church, Keawali'i Congregational church, and when on the island, actively participate in the work of our church Ohana.

Time share owners, are transient. They have no connection to the island-- but we do.

For all the remodeling projects we have done, we have contracted local craftsmen, and have provided work for all those involved with our management agency. They are also, our Ohana.

We understand, that funds need to be raised for infrastructure. We are in support of a modest increase, but feel it unfair to be grouped with time share rentals, at a rate higher than hotels.

Mahalo nui loa,
Ilse-Mari, Denny and Elizabeth Lee
Kihei Surfside, Unit 511

**County Clerk**

**From:** Alice L. Lee
**Sent:** Monday, April 22, 2019 11:23 AM
**To:** County Clerk
**Subject:** FW: Maui County Budget Hearings

**From:** Gary Wetsel <gary@mauisunrise.net>
**Sent:** Friday, April 19, 2019 6:44 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Maui County Budget Hearings

RECEIVED
2019 APR 22 AM 11:26
OFFICE OF THE COUNTY CLERK

April 18, 2019

Economic Department and Budget Committee

Maui, Hawaii

(By email)

RE: Fair and Reasonable Tax Rates for Vacation Rental Industry

Dear Ms. Lee:

My wife, Leslie and I have owned our unit in Puamana since 9/11/2001. We stay in our unit 3-4 times a year. This has also been the location for a family get together with our daughter and her family and our son who lives on Maui.

Since the County of Maui approved Puamana's short-term rentals we have rented our unit when we are not there. When the County ruled that Puamana could have approved short-term rentals our property taxes increased from approximately $11,000 to over $24,000. Our property assessment has increase 11% since 2016. Further to the tax increase, almost every other operating expense has also increase; maintenance, insurance, housekeeping, etc. We have barely been able to absorb these increases, the largest of with was an almost 50% in property taxes. This proposal would create another 66% increase or over $26,000 for us.

I certainly understand the increasing cost of County benefits and amenities. It is clear that the major source to finance these cost is through various local taxes.

However fairness is a critical key in this message. It is my understanding that the currently proposed budget by the Mayor suggested only a 3% increase in property taxes over last year, congratulations! However now there is a proposal to increase Hotel and Short-term Rentals to $15.41/$1000 the same as time-share. Short-term rentals currently compose 25% of Maui's real property taxes compared to 11% for time-share and 7% for hotels and resorts. Renters and owners enjoy the same amenities as everyone. Plus I would be happy to bet that renters spend more money per capita than others, therefore more sales tax, etc. Yet it seems that the property tax burden is not fairly distributed between the Short-term rentals and everyone else.

Property assessments should help to equalize taxes along with rates. This latest proposal seems to be arbitrary and does not consider this ingredient.

In short as I understand it the Mayor's proposal seems fair and equitable However, I believe the recommendation of the Committee Chair fails to consider all variables and therefore becomes a bit arbitrary.

Please reconsider the Mayor's proposal or another more equitable solution; short-term rentals are paying more than their fair share already.

Respectfully Submitted

Gary Wetsel

Owner 150-3 Pualei Drive

Lahaina, Maui

**County Clerk**

**From:** Alice L. Lee
**Sent:** Monday, April 22, 2019 11:12 AM
**To:** County Clerk
**Subject:** FW: Testimony against proposal to raise the property tax

**From:** Tony Wong <tonymay28@yahoo.com>
**Sent:** Saturday, April 20, 2019 4:05 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Testimony against proposal to raise the property tax

Dear Alice,

My name is Tony Wong, an owner of a condo at Kihei. I have been the proud owner for 20 years. I oppose the proposal to raise the current property tax to $15.41 per $1000. I rent out my condo to people coming to Maui for vacation. However, I have been losing money every single year for the pass 20 years. The reason is that the over head for short term accommodation is very high, namely cleaning, electric bill, association fee, and property tax. Increasing the property tax will make our situation even worse and drive people out of the short-term rental business.
The property tax has been increasing a lot in the recent years due to the increased property value. The county government has been receiving more revenue from the property tax collection. We are already paying higher property tax rate compared with long term rental, so I do not think it is fair to single out short-term rental for property tax increase.

Thank you for your attention.

Sincerely,

Tony Wong

**County Clerk**

**From:** Alice L. Lee
**Sent:** Monday, April 22, 2019 11:52 AM
**To:** County Clerk
**Subject:** FW: Vacation Rental Tax Basis increases

RECEIVED
2019 APR 22 PM 12: 31
OFFICE OF THE COUNTY CLERK

**From:** Chris Geng <chris@mauiresortrentals.com>
**Sent:** Friday, April 19, 2019 3:01 PM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Vacation Rental Tax Basis increases

Dear Alice,

It with respect and concern that myself and team at Maui Resort Rentals urge you to strongly consider opposing the proposed measure which targets the Vacation Rental business and vacation rental owners in Hawaii. Recognizing the need for the state to fund its budget, this would place unfair burden on those that have invested in Hawaii when Hawaii was in need. The 100 or so owners we serve in most cases invested in ownership here in Hawaii during the recovery from the Great recession. They contributed to the overall recovery and sustainability of the Hawaii tourist economy. A facet of the tourist economy that happens to be the fastest growing in the hospitality sector in Hawaii and globally. With our employee staff of nearly 40, we urge a more responsible approach to the Real Property Tax basis that has been proposed.

Mahalo and Aloha,

Chris Geng R"B"
Founder/CEO
chris@mauiresortrentals.com

808-792-1582 Direct
855-808-MAUI (6284) Toll Free
855-754-6641 Fax
LIC RB-20582

Maui Resort Rentals
30 Halawai Drive Suite B-5
Lahaina, Maui, Hawaii 96761
LIC RB- 22264

**County Clerk**

| | |
|---|---|
| **From:** | Alice L. Lee |
| **Sent:** | Monday, April 22, 2019 2:00 PM |
| **To:** | County Clerk |
| **Subject:** | RE: Property Tax Increase |

RECEIVED

2019 APR 22 PM 2: 46

OFFICE OF THE COUNTY CLERK

Mahalo,
Alice

**From:** Robert J. Cartwright <rjc@whalersassociates.com>
**Sent:** Tuesday, April 16, 2019 11:09 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** FW: Property Tax Increase

Dear Council Member Lee,

I am Bob Cartwright. I have lived on Maui since 1974, and been a Realtor since 1976. I am writing to you for I am very concerned with the Council's proposed plan to dramatically increase property taxes on Maui. As a property owner myself, this will adversely affect my wife and I, as we are looking forward to our retirement soon and will have to live on the income from our savings. However, I am more concerned what this will do to the resort market, which is where the biggest increase is being proposed. I have had calls and emails from numerous owners who I have helped over the years. They are saying that if this size of increase goes into effect, that they will have to sell, for they will no longer be able to afford to keep their properties, that they love. These owners contribute to our State and our County's economies in many ways with paying taxes, e.g. GET and TAT, as well as their property taxes. They also provide lodging for visitors who contribute to our economy and pay taxes, as well.

My worry is that if this large of an increase is imposed, it will cause the market to be flooded with properties for sale. Of course, as a Realtor I might benefit in the short run from making more sales, but prices will have to come down to compensate for this added expense. This means that the County, of which I am a resident, will receive less income. This shortfall can only be bridged by raising taxes again. I urge you to please reconsider raising our property taxes so dramatically. I am sure that you have heard the story of the Golden Goose.

Thank you for your consideration, and for your service to Maui. I have always appreciated your business acumen, and am very happy to have you back on the Council.

Sincerely,

Bob

**County Clerk**

RECEIVED

2019 APR 22 PM 2: 46

OFFICE OF THE
COUNTY CLERK

**From:** Alice L. Lee
**Sent:** Monday, April 22, 2019 1:57 PM
**To:** County Clerk
**Subject:** FW: Aloha Alice

Mahalo,
Alice

**From:** Paul Goodman <myislandbroker@gmail.com>
**Sent:** Tuesday, April 16, 2019 2:27 PM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Aloha Alice

Aloha Alice
My name is Paul Goodman and I am a local Realtor.
**I strongly support the proposal to raise the Vacation Rental Tax Rate**, currently 9.37% to the Timeshare Tax Rate which is 15.43%.
It is time we make housing affordable and available to the residents of Maui County. This proposal will hopefully slow, and dramatically reduce the acquisition of Maui properties by off-island investors.
Our island and the future of our Keiki is at stake.
I may be a Realtor, but I also have a moral compass, and so should you.
Mahalo, Paul Goodman 808-217-6714

Paul Goodman

**From:** Edward Almquist <eea1935@gmail.com>
**Sent:** Tuesday, April 23, 2019 8:10 AM
**To:** County Clerk
**Subject:** Property taxes

Rental property owners already pay a vastly disproportionate amount of property taxes. an increase of nearly 100% is ludicrous, It depicts disdain for the very industry that sustains the economy of Maui.

Edward Almquist
Makena Surf

| | |
|---|---|
| **From:** | Janis Kaban <janiskaban@gmail.com> |
| **Sent:** | Tuesday, April 23, 2019 8:18 AM |
| **To:** | County Clerk |
| **Cc:** | Ann Shipman; Wes Kaban; ODonohue, Cathy |
| **Subject:** | Proposed tax increase on short term rentals |

Aloha and thank you for taking the time to read this message.

My husband and I purchased our unit at Makena Surf a year ago and are thrilled to be part of the most beautiful place in the world.

We love our new home, but given the cost of living in Maui and the vast expenses to keep our unit we are also forced to rent. Even with renting we don't come close to covering the cost monthly and fear that the increase in taxes you are proposing will delay my husbands plans for retirement this year (or for many years to come)... which was the point of purchasing on Maui.

We truly believe that our management team at Destination Residences and our management team of Makena Surf employs as many staff (per capita) as the large hotels. Plus I believe the staff are treated more fairly.

Please reconsider this very unreasonable increase on property taxes.

*Sincerly,*
*Janis and Wes kaban*
*Makena Surf Unit F103*

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2019 APR 23 PM 2: 20
OFFICE OF THE
COUNTY CLERK

County Clerk

**From:** Makena Surf E206 <makenasurfe206@gmail.com>
**Sent:** Tuesday, April 23, 2019 7:58 AM
**To:** County Clerk
**Subject:** 60% Property Tax Increase Hurts Maui Workers

RECEIVED

2019 APR 23 PM 2: 20

OFFICE OF THE
COUNTY CLERK

Dear Council Members,

I want to make sure you understand that short term rentals absolutely create employment dollars to local residents of the community. For instance, we pay between $300 and $500 per turnover for cleaning services of our unit, which we believe is a premium rate compared to that paid to hotel housekeeping employees. We also routinely require handyman services, HVAC services, maintenance on household equipment, and other maintenance services. The rates we pay for these services are generally premium rates relative to hotels because we don't enjoy the buying power that Hotels can demand.

For one owner's perspective, I'd like to share what I face in the next fiscal year. The assessment of my property is increasing by 16% over the prior assessment year. Additionally, an increase in the short-term rate from $9.28 to $15.41 would be a rate increase of 66%.

When these two factors are combined, I would face a 93% increase in my property tax bill (YOY).

I urge you to consider a moderated increase in rates and fees and most importantly to consider the impact on local Maui workers.

Thank you for your consideration.

**County Clerk**

---

**From:** William Morrow <bill@morrow.net>
**Sent:** Tuesday, April 23, 2019 8:26 AM
**To:** County Clerk
**Subject:** Please DO NOT pass the proposed Property Tax increase for Short Term Rentals

Dear Council Members,

I was recently made aware of the various proposals under consideration to raise property tax rates for short-term rentals in the coming year.

I watched the video from the April 3rd committee meeting to better understand the thought process behind these proposals.

I have two comments I would like to share with you for your consideration.

First, I want to make sure you understand that short term rentals absolutely create employment dollars to local residents of the community. For instance, we pay between $300 and $500 per turnover for cleaning services of our unit, which we believe is a premium rate compared to that paid to hotel housekeeping employees. We also routinely require handyman services, HVAC services, maintenance on household equipment, and other maintenance services. The rates we pay for these services are generally premium rates relative to hotels because we don't enjoy the buying power that Hotels can demand.

Second, I am in support of Councilwomen Tasha Kama's point of view about considering gradual increases. For one owner's perspective, I'd like to share what I face in the next fiscal year. The assessment of my property is increasing by 16% over the prior assessment year. Additionally, an increase in the short-term rate from $9.28 to $15.41 would be a rate increase of 66%.

When these two factors are combined, I would face a 93% increase in my property tax bill (YOY). This rate increase on my second largest expense (after my mortgage) would be devastating to my investment.

I urge you to consider a moderated increase in rates and fees.

Thank you for your consideration.

Aloha

William Morrow, Maui Property owner

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COUNTY CLERK

**County Clerk**

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**From:** Ann Shipman <ann@makenasurf.org>
**Sent:** Tuesday, April 23, 2019 8:14 AM
**To:** EDB Committee; Keani N. Rawlins; County Clerk
**Subject:** Increase in short term property taxes.

Several Owners at our property have concerns like the letter below concerning the property tax rate increase under consideration by Council, we urge you to consider their response when making this decision:
*Maui County Economic Development and Budget Committee*

*To All,*

*I own a condo at Makena Surf in South Maui. I reside there for 3 months per year and our unit is in a rental pool the other 9 months with Ali'i Resorts.*

*Our property tax assessed valuations are so high, I couldn't realize the assessed value after realtor fees and taxes. I have twice filed for reductions, and have received no consideration. The board was laid back, and just going thru the motions. It's obvious there is a big difference if you are local and vote on Maui instead of having a residence stateside.*

*Now, this proposal to raise the tax rate to time share, based on our already inflated assessed value. If this is passed, it will likely be the final straw and I will stop renting and file for the cheaper tax rate. If others do the same, instead of a huge increase, Maui County will see a huge reduction in tax revenue. Further, all of the support staff that are employed for rentals will be hurt. Rental cars, grocery stores, restaurants, housekeepers, and on and on.*

*I urge you to look past the quick way to feed the budget, and see what the fair and balanced way would be, along with the potential downside.*

Aloha,

*Ann Shipman*

CPM, CMCA, AMS
General Manager
808-874-0616
ann@makenasurf.org
MAKENA SURF

**County Clerk**

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COUNTY CLERK

**From:** William Geary <williamtgeary1@gmail.com>
**Sent:** Tuesday, April 23, 2019 10:33 AM
**To:** County Clerk
**Subject:** Proposed property tax increase on short term rentals

Hi all,

I am a Paia resident and former teacher at Kula, Kamehameha III, Kekaulike, and UH. My family bought a condo in Makena nearly 30 years ago, so my parents could visit their grandchild (my son) here. My parents used to live here often, connecting with my family, for which we were all grateful. We maintain the condo even after my father passed away, using it so family can visit and we can all stay better connected. The proposed rate increase is so large that it will place us in a situation where will will perhaps need to sell or make other tough decisions. If a new owner moves in and chooses to live there, Maui County will lose tens of thousands of dollars in revenue.

We have paid taxes, paid locals to renovate, pay locals to help maintain and service the condo, all of which benefit Mother Maui. Perhaps the council might consider a more gradual and reasonable change. Imagine if your own personal income tax took a 60% increase? The money must come from somewhere, we understand, but please change slowly so we can all adjust.

Sincerely, -Dr. Bill Geary

--
Dr. William T. (Bill) Geary, Ed. D.
I write about education. Teaching experience:
Kindergarten-12th grade and adult school
University undergraduates & graduate school
in California, Hawaii & Nepal

**County Clerk**


**From:** Chris Harris <efc1@rogers.com>

**Sent:** Tuesday, April 23, 2019 10:31 AM
**To:** EDB Committee
**Cc:** Keani N. Rawlins; County Clerk
**Subject:** Proposed Short Term Rental Tax Increase


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Dear Council Members,
I was recently made aware of the various proposals under consideration to raise property tax rates for short-term rentals in the coming year.
I watched the video from the April 3rd committee meeting to better understand the thought process behind these proposals.
I have two comments I would like to share with you for your consideration.
First, I want to make sure you understand that short term rentals absolutely create employment dollars to local residents of the community. For instance, we pay between $300 and $500 per turnover for cleaning services of our unit, which we believe is a premium rate compared to that paid to hotel housekeeping employees. We also routinely require handyman services, HVAC services, maintenance on household equipment, and other maintenance services. The rates we pay for these services are generally premium rates relative to hotels because we don't enjoy the buying power that Hotels can demand.
Second, I am in support of Councilwomen Tasha Kama's point of view about considering gradual increases. For one owner's perspective, I'd like to share what I face in the next fiscal year. The assessment of my property is increasing by 16% over the prior assessment year. Additionally, an increase in the short-term rate from $9.28 to $15.41 would be a rate increase of 66%.
When these two factors are combined, I would face a 93% increase in my property tax bill (YOY). This rate increase on my second largest expense (after my mortgage) would be devastating to my investment.
I urge you to consider a moderated increase in rates and fees.
Thank you for your consideration.

Aloha,

Chris Harris, Owner Makena Surf, E 104

Imanaka Asato
A LIMITED LIABILITY LAW COMPANY

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COUNTY CLERK

April 23, 2019

Kelly T. King, Council Chair
Keani Rawlins-Fernandez, Council Vice Chair
Members of the Council of the County of Maui
Fax: 808-270-7171
E:mail: county.clerk@mauicounty.us

**RE: Real Property Tax Rates for the County of Maui for the Fiscal Year July 1, 2019 to June 30, 2020**

**Hearing date: April 24, 2019 at 6:00 pm**

Aloha Chair King, Vice Chair Rawlins-Fernandez and Members of the Maui County Council,

Mahalo for allowing me to submit testimony on behalf of Marriott Vacations Worldwide Corporation, Vistana Signature Experiences and Aqua-Aston (collectively "MVWC") in OPPOSITION to the Real Property Tax Rates for the County of Maui for the Fiscal Year July 1, 2019 to June 30, 2020 ("Council Property Tax Bill"). MVWC is a global leader in the timeshare industry with three resorts on Maui including the Marriott Maui Ocean Club, the Westin Ka'anapali Ocean Resort Villas and the Westin Nanea Ocean Villas.

Timeshare units are an important and stabilizing part of the tourism industry and Maui's economy. Timeshare owners have made a long-term commitment to Maui by purchasing and owning real property in the County. These owners are consistent and dependable visitors who bring substantial tax dollars to the County and continue to come even during periods of economic downturn. Indeed, historical averages for timeshare occupancy hovers around 90%, outpacing hotel occupancy by a significant amount. Timeshares also provide alternative accommodation options to our islands' visitors without posing the same tax collection and land use issues which plague counties that many vacation rental units do.

Importantly, timeshare resorts provided more than a thousand, good paying and full time jobs for Maui residents and almost $64 million in timeshare wages and due to the high occupancy; these jobs are less vulnerable to the highs and lows in the visitor industry and have remained stable during the current economic downturn.

Furthermore, timeshare owners already contribute significantly to public facilities and government services through the payment of state and local taxes. For example, timeshare unit owners pay approximately 200% of the costs attributable to them for government services, compared to only about 33% for other residents. These heavy contributions, when compared against limited use of public facilities, benefit the community substantially. On the other hand, timeshare owners are facing increasingly rising costs and have seen their maintenance fees go up significantly over the last couple of years, making Hawaii's fees some of the highest in the nation.

The Council Property Tax Bill seeks to increase real property tax rates on timeshare units to $16.41. This is an increase of $1 of taxes for every $1,000 of assessed property value. Based on current valuation of MVWC properties, this would likely result in an increase of nearly $500,000 in taxes owed per property. Ultimately, this cost would be borne by the timeshare unit owners, which would dramatically increase the cost of utilizing their units. This will negatively impact Maui's economy by increasing the desire of unit owners to consider other destinations and decreasing spending on other tourist related businesses. The increased tax will also have negative impacts on the community by diminishing the resorts' ability to reinvest capital resources on property improvement and employees.

Understanding the County's need to raise revenues, MVWC would support the real property tax rates proposed in Mayor Victorino's budget which would put timeshare resorts' real property tax rates in line with other transient accommodations tax rates, such as hotels. Mahalo for your consideration.

Imanaka Asato, LLLC

Michael L. Iosua, on behalf of
Marriott Vacations Worldwide Corporation, Vistana
Signature Experiences and Aqua-Aston.

**County Clerk**

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| | |
|---|---|
| **From:** | Malcolm Johnson <makenamal@gmail.com> |
| **Sent:** | Tuesday, April 23, 2019 11:06 AM |
| **To:** | County Clerk |
| **Subject:** | Property tax increase |

In my view, property taxes should by designed to bear some reasonable relationship to the cost impact on the county by the use of the property. Clearly high density occupation creates more demand on infrastructure than vacant land. But the assessment value should cover most of these extra costs. To the extent that it does not, perhaps differences in tax rates might be justified. I don't believe that property tax rates should be used to simply raise money to be spent from the general fund. Nor do I think that they should be used to punish groups or activities that some groups dislike, regardless of real costs to the county. I would like to see a requirement that all differences in property tax rates must be justified by an actual estimate of the cost difference to the county. I think that this would take much of the fire and emotion out of this debate.

Mal Johnson
4850 Makena Alanui
Kihei

**County Clerk**

**From:** Hal Louchheim <Hal@louchheim.com>
**Sent:** Tuesday, April 23, 2019 8:53 AM
**To:** County Clerk
**Subject:** Proposed Tax Increase for Short-term Rental Units.

Dear Sirs:

The proposed rate increase seems particularly oppressive when the assessments are also increase by huge amounts. The combined impact of both increases imply a tax increase of over 150%, from $12,324 to about $32,000 if the maximum proposed rate of $16.41 were adopted.

Naturally, I believe this is excessive. Reasonable annual increases seem much fairer.

Many thanks,

Hal Louchheim

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COUNTY CLERK

**County Clerk**

| | |
|---|---|
| **From:** | Dorothy J Pence <pencedusty@me.com> |
| **Sent:** | Tuesday, April 23, 2019 9:19 AM |
| **To:** | County Clerk |
| **Subject:** | Proposed changes to Short Term Rental Category |

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2019 APR 23 PM 2: 21

OFFICE OF THE COUNTY CLERK

To the attention of the Maui County Council:

We are writing to express our opposition to the proposal to increase the Short Term Rental Category by 60%.

There is a limit to the tax bill Maui condominium owners can afford and are willing to pay. If the proposed increase is, as it appears it may be, the straw that breaks the camel's back for many owners, the greatest damage done will be to the people of Maui. Owners can sell their property and buy something much less expensive on the mainland. No, it would never be Hawaii, but the fact is that there are beautiful winter escapes throughout the mainland, not to mention Central and South America, all far less costly to enjoy.

What will happen if a large number of condo owners decide we cannot justify or afford the cost of keeping our rental units any longer?

We may start selling our units—as taxes go up and more units appear on the market, condo values will go down. Either sellers won't find buyers, or (more likely) will sell at greatly reduced rates, thus lowering the tax base for Maui.

Or we will keep our units, but then be less likely to spend money upgrading our units. We might reduce gratuities paid to housekeepers and other service providers. We might reduce what we spend in stores, restaurants and entertainment venues.

We might keep our units but raise rental rates, leaving guests with less discretionary money to spend when they visit the island. Or even worse, incentivize travelers to go to other Hawaiian islands, or to some of those mainland winter escapes previously mentioned.

We don't have to outline for you the way that a dollar spent ripples through the island's economy. (Housekeepers, maintenance workers, landscapers, property managers, massage therapists, entertainment venues, restaurants, grocers, car rental agencies, shops (not just tourist shops but also Costco, Target, Walmart). You know how it works and presumably you know that the extra tax revenue you collect means a similar chunk of money won't make it into the Maui economy.

We love Maui, but other variables already tug at us. Our kids rarely visit us in Maui—travel times and costs are more restrictive than mainland destinations. Places with lower costs and easier access are tempting. An increase like this could tip the scales. Our own time is increasingly limited also. We only stay 3 or 4 weeks on Maui each year.

When our unit is rented (most of the year), the renters probably go out and about the island far more than we do, shopping, booking excursions, eating and drinking at Maui's fabulous restaurants. And maintenance costs continue regardless of who is on property, fueling the economy year 'round!

There must be a better way to balance County obligations than raising taxes 60% for people who already contribute heavily to the county's economy. We ask you to please consider your decision very carefully, and to put the economic health of Maui first. Quick fixes more often than not turn out to be long term failures.

Sincerely,

John and Dorothy Pence

13102 Porky Ct., Hot Springs, SD 57747, pencedusty@me.com

**County Clerk**

| | |
|---|---|
| **From:** | Alice L. Lee |
| **Sent:** | Wednesday, April 24, 2019 8:26 AM |
| **To:** | County Clerk |
| **Subject:** | FW: Proposed 60% Property Tax Increase |
| **Importance:** | High |

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2019 APR 24 AM 9: 03
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**From:** BILL HARTLEB <bill.hartleb@gmail.com>
**Sent:** Wednesday, April 24, 2019 6:21 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Proposed 60% Property Tax Increase
**Importance:** High

Dear Alice L. Lee,

**We strongly object to the proposal of the City Council Chair to increase the tax rate for Short Term Rental properties to more than Hotels.**

Firstly, short term rentals not only create jobs (property managers, repair and maintenance individuals etc), short term rentals also provides an affordable means to visit Maui which in return is a stimulant to its economy (tourist activities, shopping, etc). We are individual owners, not a large chain that handle economic ups and down of the tourist industry. If property taxes increase, our rental rate would need to be increased. The reasonably priced short term rentals that accommodate a family would be impacted negatively by the 60% tax increase cost which we would have to be pass on to renters. Long term, the impact could reduce the tourist Maui depends upon.
Please reconsider this proposal.

Sincerely,
Elaine & William Hartleb

*Concerned Short Term Rental Owner*

**County Clerk**

**From:** Alice L. Lee
**Sent:** Wednesday, April 24, 2019 8:27 AM
**To:** County Clerk
**Subject:** FW: NO tax increase on short term rentals

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2019 APR 24 AM 9: 03
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COUNTY CLERK

**From:** Dc8av8rx <dc8av8rx@aol.com>
**Sent:** Tuesday, April 23, 2019 11:20 PM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** NO tax increase on short term rentals

We already pay too much tax on our short term rental condo - please do not price out local residents who own and operate a short term rental. The taxes aren't even going where they should be -such as improving our roads, county park bathroom facilities are all worn out, there are not enough campgrounds for Maui families, and tourism is rampant, out of control, and needs regulating - The Road to Hana is way overburdened, dangerous, and falling apart. Our natural resources are being ruined.

If you have to tax, tax the hotels that charge $600+/night, and not local families who are struggling to stay above water on mortgages and taxes in the competitive rental market.

Mary Henig

| | |
|---|---|
| **From:** | Bob Hansen <dad@mauirealestate.net> |
| **Sent:** | Wednesday, April 24, 2019 9:46 AM |
| **To:** | County Clerk |
| **Cc:** | 'Donna Hansen' |
| **Subject:** | For distribution to Maui County Council for tonight's meeting |

**From:** Donna Hansen <dad@mauirealestate.net>
**Sent:** Wednesday, April 24, 2019 8:56 AM
**To:** dad@mauirealestate.net
**Subject:** Bob: Tax Letter

I find your killing the goose that lays the golden eggs for Maui incredibly worrisome. Here are my points about your desire to hurt those who feed you:

1. Your assessments of the value of the properties for all has risen immensely but very carefully not to be more that20% of the value so that the property owner has a hard time fighting it due to your laws
2. Your desire to raise the real estate tax rates to very high rates is a true verdict of the losses Maui will suffer from
3. Second home owners, vacation rental owners, investors, pour a ton of money into our economy. Most importantly they employ a lot of people to handle their property from managers, gardeners, cleaning services, enjoy restaurant dining, buy merchandise. Additionally most use our roads and facilities so much less yet pay the lion's share of property tax now but you want more?
4. This is a total repeat of the last time Maui's economy plummeted.
5. If you continue to have this "hate the rich, make them pay for their success to feed our inability to budget" you will be the people responsible for the downturn of Maui's economy.

Sincerely
Donna Hansen
Resident of Olinda

**County Clerk**

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**From:** Halliene Walker <paradise.hallie@gmail.com>
**Sent:** Wednesday, April 24, 2019 10:05 AM
**To:** County Clerk
**Cc:** Halliene Walker
**Subject:** Opposing of the raising short term vacation rates even more!

Aloha Kelley,
I hope you hear the voice of the residents that want to continue to see our island thrive and it is NOT by raising the tax that will by passed on to guests visiting our island!

They will simply find another destination place. I realize that this is the very thing some residents/locals want. However reality is, Maui is sustained by tourism.

There are a number of other areas were taxes can be raised. Punishing vacationers is not one of them. People save for years to come here and food, gas, lodging and excursions cost them thousands already.

Sincerely
Hallie

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2019 APR 24 AM 10: 46

OFFICE OF THE COUNTY CLERK

| | |
|---|---|
| **From:** | Bob Hansen <dad@mauirealestate.net> |
| **Sent:** | Wednesday, April 24, 2019 10:42 AM |
| **To:** | County Clerk |
| **Subject:** | for distribution to Maui County Council members. |

To the Maui County Council
County.clerk@mauicounty.us
Regarding Real Estate tax rates for 2019/20
Meeting April 24, 2019 at 6:00
Dear Council members,

There are two points I would like to make:

1. There should not be a higher tax rate for a short term rental by individuals (the little guy) as opposed to Hotel Resort.
2. There should not ever be an increase in the tax rate as assessments always seem to go up. That should be enough.

On another matter I would like to point out that vacation homes on Maui are an essential part of our economy. As an example, in Wailea there are many homes that lie vacant most of the year yet they pay taxes all year but they only use our infrastructure for 2 to 4 weeks a year.

Aloha,
Bob Hansen
PO BOX 294
Kihei, HI 96753

**County Clerk**

**From:** billy country <billycount850@gmail.com>
**Sent:** Wednesday, April 24, 2019 11:54 AM
**To:** County Clerk
**Subject:** Timeshare Associates being paid to testify regarding Property Tax Rates

Aloha,

I am a concerned hourly worker that currently works at a major Timeshare Property here on Maui. I understand that my testimony may not be heard given the timeframe of my submission, but I hope that this is shared to our Maui County Council to consider the nature of the testimonies being heard tonight regarding Property Tax Rates.

I wish to remain anonymous however I do want to share that I was approached by my Leadership team to testify in favor of the Mayors Budget plan regarding the property tax rates.

Not much was explained to us regarding what the mayor is proposing, in that our jobs may be affected should the Councils budget be chosen over the Mayors proposed budget plan for property taxes.

We were offered to be paid our hourly rate for showing up and “volunteering” our testimony favoring the mayors budget. After researching the property tax rates for Timeshare Properties, I see that Mayor Victorino proposes to reduce Timeshare property tax rate, but at the same time increase Resort & Hotels, short-term rentals, commercial, and Industrial property tax rates.

Besides my job, I own property that may be subjected to increases by the mayors proposed budget. I decided to opt out of volunteering my testimony, but wanted to share with the council, that some of the testimonies heard tonight by Timeshare employees, may have not been well informed by their employers. But rather, may have looked at this opportunity to get paid for Volunteering their testimonies. Given we live on Maui, who would deny getting paid a few extra hours with transportation being provided by our bosses.

Also being ill informed by their employers that should the mayors budget not be approved, that their jobs would be “affected” is just wrong and shameful on these Employers and Executives leading these properties.

I hope you take their testimonies with a “grain of salt” and understand that these employees mean well, but may have not been properly informed as to why they are being paid to testify.

It’s ultimately the Councils decision regarding the budget, and I hope you decide what’s right for the community of Maui County.

Mahalo,

B.

**County Clerk**

**From:** Alice L. Lee
**Sent:** Wednesday, April 24, 2019 1:28 PM
**To:** County Clerk
**Subject:** FW: Opposition to Increase in Vacation Rental Property Taxes



**From:** Peggy Ann Shea and Don Smart <sssrc@msn.com>
**Sent:** Wednesday, April 24, 2019 1:07 PM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Opposition to Increase in Vacation Rental Property Taxes

Aloha Alice Lee,

As an owner of both a vacation rental condominium and my own vacation home (not rented) on Maui, I wish to register my opposition to the proposed amendment to the substantial increase of the property tax for vacation rental condominiums. We are already taxed higher than apartments.

Maui depends upon tourism for their general economy. Most tourists cannot afford to stay in the large luxury hotels, and renting vacation condos is an excellent alternative for visitors.

As an owner I fully support the local economy. Each owner selects the various businesses for the maintenance and upgrading of their property. This includes, but not limited to, the following:

Employing a property manager.
Cleaning of rentals between guests.
Carpet cleaning.
Electrical and plumbing work.
Minor repairs that can be done by a local handyman.
Purchasing of replacement furniture and appliances.

Hotels, on the other hand, typically have arrangements with selected businesses for some of these services. They do not, in general, contract the small businessman for minor services. In my opinion the vacation rental business is a major factor in supporting the local economy via small businesses.

Once again, I want to expresses my opposition to this proposed increase. In my opinion, a tax increase of this magnitude (60%) is akin to killing the goose that lays the golden egg.

Respectfully submitted,

Margaret Ann Shea

Margaret Ann Shea, President
Maui Vista Board of Directors,
2191 South Kihei Road, Unit 3212,
Kihei, Maui, 96753
Telephone: 808-874-8023
E-mail: sssrc@msn.com

**County Clerk**

**From:** Alice L. Lee
**Sent:** Wednesday, April 24, 2019 1:26 PM
**To:** County Clerk
**Subject:** FW: Proposed Tax Increase

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OFFICE OF THE
COUNTY CLERK

Mahalo,
Alice

**From:** Tim Stice <timstice@hawaiilife.com>
**Sent:** Wednesday, April 24, 2019 1:19 PM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Proposed Tax Increase

Aloha County Council Member Lee,

I am writing you out of concern about the proposed property tax increase.

To begin I would like to give a little background to my journey from being a tenant to owning a home:

My wife and I just purchased our first home (huge goal and accomplishment.) We were able to do this because we downsized and rented a 450sqft studio for 5+ years and saved up for a down payment. This meant eating at home, not buying new cars or material possessions, and being smart about where we put our money. To be honest, the house we bought is in horrible shape and needs a ton of work, we spend nights and weekends doing what we can (not to mention we have a 12 week old at home), but it's ours, we earned it.

That being said, I feel that there is a recent push to make others pay for what we want or need. My wife works at a bakery and coffee shop in Pauwela and I work as a real estate broker. In my line of work, it is extremely hard to see residents pay more in rent than they would for a mortgage. There is a shortage of rentals on Maui, but I don't think that's because there are not enough homes, I think it's because people have trouble moving out of the rental market into owning their own homes. I think what we need to do is help each other make the right choices to put ourselves in the best position for homeownership.

If this goes through what we are going to see are owners of said vacation rentals passing that cost onto renters. Whether or not these consumers are tourists on vacation would be another question, but for example, let's say that they are. If the new tax increase goes as planned and you move 200 units (which I don't 't believe it will, but for an example, we can go with that) from short term to long term rentals. Here's what I see, I see cleaners, landscapers, greeters, etc lose a significant amount of their income, I see the property managers, interior designers, photographers, videographers and whoever else helped market those homes for rent lose their income, lose clients and customers. Do we think this will help them pay their rent or save up for a down payment? What we need is a mechanism for first time home buyers to get assistance on saving up for that down payment. If they move out of that rental into their own home that frees up that rental for the next tenant.

Secondly, I see the thousands of tourists that would have come here and spent thousands of dollars on island supporting local businesses and stores take their family elsewhere. Somewhere they don't depend on tourists to not only spend their money to support local residents, but also spend their money to take care of the basic necessities that the community itself should support. I agree tourist put stress on our island and lifestyle, they drive cars on our roads, use our parks, use our public transportation and facilities, but does that mean they need to pay 3 times what we pay for those services? I don't think that any Maui resident would appreciate being treated that way on vacation.

Another issue would be the owner of said STVR themselves. I think we are treading on thin ice when we impose massive tax increases on owners that cannot even control who is elected into county positions. I think that's why they are so easily targeted in the first place.

To wrap up, I know that we are all scrambling to find the best solutions for our housing needs. I also understand that not everyone is ready to go out and buy a home right now or in the near future, but helping people transition from renting to owning is the most positive first step I can think of. I would love to see my son and his future friends and family grow up on Maui and someday own their own home as well. I spend a lot of my time at the Realtors Association of Maui working on this, not to mention grassroots meetings with you folks.

Please reconsider this idea, I think there are better ways to create housing on Maui and I would love to explore them further with you.

Sincerely,

Tim Stice

Tim Stice, R(B) 21556

Hawaii Life Real Estate Brokers
timstice@hawaiilife.com
808.268.8511

| | |
|---|---|
| **From:** | Alice L. Lee |
| **Sent:** | Wednesday, April 24, 2019 1:40 PM |
| **To:** | County Clerk |
| **Subject:** | FW: property tax proposal |

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2019 APR 24 PM 1:54

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COUNTY CLERK

**From:** Edward Dimmer <dimmered@comcast.net>
**Sent:** Wednesday, April 24, 2019 1:38 PM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** property tax proposal

Dear Council member Alice Lee,

I know you have received numerous e-mails about the proposed real property tax hike and supporting arguments. I agree with these arguments on the economic impact. The anticipated gains in tax will likely be offset by declines in property occupancy leading to a reduction of collected GET and TAT. It may also have a negative impact on property values as these rental properties have diminished returns. The tourists themselves may tighten their belts once they land in Maui to offset the increased cost of lodging. On a personal note my wife and I will be residents in less than two years and have purchased two condominium units (one to help support our retirement). The proposed tax increase might make it necessary for us to sell one unit as soon as possible (perhaps many more investors would come to the same conclusion) and invest elsewhere. The result would be declining property values and thus diminishing real property tax revenues over time.

Perhaps a more "take it easy approach" would yield better tax results over the long haul. Over the twenty years we have visited Hawaii we have come to love Maui and feel strongly about the well being of Maui and it's people. In Arvada CO we share many of the same pressing monetary issues but have taken approaches that encompass the input of everyone including businesses and investors. I am sure the committee will be able to "sharpen the pencils" and work through all the issues to come up with an acceptable plan of action.

With the spirit of Aloha,

Edward & Maro Dimmer

Soon to be residents at:

2481 Kaanapali Parkway unit 1110

**County Clerk**

**From:** Alice L. Lee
**Sent:** Wednesday, April 24, 2019 2:26 PM
**To:** County Clerk
**Subject:** FW: Please vote no to the property tax hike



**From:** Maro <dimmermaro@comcast.net>
**Sent:** Wednesday, April 24, 2019 2:19 PM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** Please vote no to the property tax hike

Esteemed Council,

Aloha! My name is Maro Dimmer, resident of Colorado, but owner of two units in the Whaler resort on Kaanapali. My husband and I have been coming to Maui for over 20 years and 2.5 years ago we decided this would be our retirement home. We invested our life's savings in these two properties. We are middle class people working hard to live in our dream place.

I want to emphasize to you that this unprecedented hike in property taxes is only going to hurt Maui in so many deep ways. Maui is already an expensive place to vacation and these hikes to hotel and short term rental properties will for sure be passed on to the tourists visiting this beautiful island. The escalating rents would be making Maui super exclusive! This means less tourists to support your small businesses and restaurants. Please consider the impact of this on sales tax income!

As a small business owner and as holder of a seat on the board of the Arvada Economic Development Association I deeply understand the need of cities and counties to have more income brought in. I also know that a thriving economy is a partnership between the governmental entities, the business community, the investors and the people. One member in this partnership cannot singlehandedly hurt the other without serious impacts. Please study the long term strategic impact of this on both Maui's economy as well as our families.

Also consider the effect on individuals. Sure timeshares have a 15.41% property taxes, but the impact of this is diluted over thousands of owners for one property. Plus the real owner of timeshares are multinational organizations like the Marriott. If you institute this against single owners of condominiums the impact to individuals is tremendous. In our case this means a tax hike from 22,000 to 35,000. Owners like us spend a tremendous amount of money when on Maui. We might not spend so much in the future.

We will be moving to Maui as residents in two years. We want to be on a Maui with a thriving economy. We implore you not to rash to ruin it, but to adopt a more conservative measured and incremental approach.

Maro Dimmer
2481 Kaanapali Pkwy
Unit 1110 and 459
Whaler

**County Clerk**

**From:** Alice L. Lee
**Sent:** Wednesday, April 24, 2019 1:44 PM
**To:** County Clerk
**Subject:** FW: SAY NO TO THE PROPERTY TAX INCREASE

RECEIVED
2019 APR 24 PM 1:54
OFFICE OF THE COUNTY CLERK

**From:** mary@hawaiilife.com <mary@hawaiilife.com>
**Sent:** Wednesday, April 24, 2019 9:42 AM
**To:** Alice L. Lee <Alice.Lee@mauicounty.us>
**Subject:** SAY NO TO THE PROPERTY TAX INCREASE

Aloha Alice
I am a Realtor and 18 year resident of Maui County. I love our island and I don't want to see more money having to be spent by property owners due to this proposed property tax increase. This increased fee, which will eventually lead to more money for accommodations by the tourists as they come here, will increase the already problem of the lack of spending we have on the island.
Increasing these rates will do a lot of things and helping our community I don't feel is one of them. As tourism is on the rise here we aren't seeing these guests on our island spending a lot of extra money. The TAT just went up impacting guests here...... Money that is required for lodging now isn't being spent on small businesses that actually help our residents stay employed and able to stay here. I also own a small food truck and for instance our rent for ONE PARKING spot is $3000 a month. What I see happening through our staffs feedback is maybe people are sharing meals and not tipping. We want Maui to stay affordable to everyone and we want the people working in the tourist industry to benefit from people here so they can pay their bills and keep money on our island. Raising taxes isn't the answer to that It's taking away from tourists ability to pay for things that directly keep the money on our island with our community members.

**Mary M Kerstulovich R(S)**
**808.283.4688**
Hawaii Life Real Estate Brokers
Wailea. Maui. Hawaii
Mary.Hawaiilife.com
Mary@Hawaiilife.com
Wailea Town Center
161 Wailea Ike Place Suite C103B
Wailea, HI 96753

**County Clerk**

**From:** EDB Committee
**Sent:** Wednesday, April 24, 2019 2:40 PM
**To:** County Clerk
**Subject:** FW: Testimony In Support of Raising Short Term Rental and Time Share Real Property Tax Rates

**From:** Zhantell K. Lindo
**Sent:** Wednesday, April 24, 2019 2:37 PM
**To:** EDB Committee <EDB.Committee@mauicounty.us>
**Cc:** Keani N. Rawlins <Keani.Rawlins@mauicounty.us>; Sarah D. Pajimola <sarah.pajimola@mauicounty.us>; Trinette K. Furtado <Trinette.Furtado@mauicounty.us>; Jennifer Y. Karaca <Jennifer.Karaca@mauicounty.us>
**Subject:** FW: Testimony In Support of Raising Short Term Rental and Time Share Real Property Tax Rates

Testimony from Molokai for Tonight's meeting
Aloha
zhan

**From:** gregory kahn [mailto:geekahn@gmail.com]
**Sent:** Wednesday, April 24, 2019 1:54 PM
**To:** Zhantell K. Lindo
**Subject:** Testimony In Support of Raising Short Term Rental and Time Share Real Property Tax Rates

My name is Gregory Kahn and I live on the island of Molokai. I am testifying in support of the proposal to raise the Real Property Tax Rate for the classifications of Short Term Rental and Time Share to $15.41.

Housing data confirms that commercializing single-family homes by converting them to short term vacation rentals and time shares depletes the long-term rental inventory for those who live in those neighborhoods. As the long-term rental inventory decreases, rental prices for the remaining supply increases, which eliminates affordable housing for low-income families in our neighborhoods. Raising the Real Property Tax Rate in these classifications will de-incentivise real estate investors from pursuing STR conversions which work towards the detriment of low income families seeking affordable housing.

Thank you,
Gregory Kahn
Molokai

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Kelly T. King, Council Chair
Keani Rawlins-Fernandez, Council Vice-chair & EDB Chair
Council of the County of Maui

J.P. Oliver, Managing Director
Grand Wailea, A Waldorf-Astoria Resort
3850 Wailea Alanui
(808) 875-1234

Monday, April 22, 2019

**Opposing Proposed Increases for Hotel & Resort Real Property Tax rates**

Aloha Council Chair Kelly King, Vice-chair Keani Rawlins-Fernandez, and Councilmembers of the County of Maui. Thank you for this opportunity to provide testimony in STRONG opposition to the proposed increase in the hotel and resort real property tax rate.

The hotel industry is keenly aware of Hawai'i's position in the visitor market and the cost of a Hawai'i vacation. As the main economic engine of the islands, we all depend on a thriving hospitality industry to put food on the table for our family, care for our children and kupuna, and provide a better future for those who will come after us. Hotels are not able to pass all of the increased costs of doing business onto hotel guests. Increased operational costs **adversely impact** hotels' abilities: to compete nationally and internationally with lower-priced destinations; to maintain Hawai'i's brand as a premier vacation destination, including by investing in new hotel properties and renovating existing ones; and, importantly, to continue to provide a living wage to our hotel workers; and to support our communities through charitable donations and other events and activities.

I strongly urge you to not pass the proposed rate hike for a variety of reasons, including:

**Property Values & Assessments:** We are seeing the assessed values of our property increase dramatically, Grand Wailea alone from 2018 to 2019 increased in assessed value from $340 million to $478 million, resulting in increased real property tax revenues without the need for increased tax rates. Along with the other hotel and resort properties in the county there is projected to be an additional $16 million in taxes based on the current rate. Hotels and resorts are already paying their share of real property taxes, and increased tax revenues from increased property assessment values should be enough. By both increasing the tax rate and the assessed values of these properties it will be that much more difficult for management and ownership groups to reinvest in these properties and our people. In the long-term, less investment means deferred maintenance, a diminished product, less high-value visitors to our islands, and less quality jobs for our island's families.

**Good Community Stewards:** A significant rise in operating costs through increased taxes means those savings must be found somewhere. I know that all of our hotels contribute back to the community in other ways that are not as closely measured as taxes, donating hundreds of thousands if not millions of dollars to local non-profits and charities. At the Grand Wailea we believe we MUST be good stewards of the community--not just a hotel--and that is why we have such a focus on giving back to multiple groups in areas such as education, Hawaiian culture, the betterment of our youth, and individual hardship due to unforeseen circumstances. Our ability to support Kihei Charter School, Boys & Girls Clubs of Maui, Hui o Wa'a Kaulua, and countless other Maui nonprofits and agencies through outright or in-kind donations would potentially be compromised or curtailed by this drastic increase in taxes.

**The Visitor Industry Appears to Be in an Economic Slowdown:** Many signs over the past year point to an economic slowdown, and state economists, government leaders, and visitor industry experts share concerns. Significantly, the Hawai'i Tourism Authority reported that February 2019 was the worst month for hotels and resorts in the last decade. This is greatly concerning because the month of February is typically the strongest for hotels and sets a benchmark for the remainder of the year. The industry also experienced a downturn for much of 2018 owing to the Kaua'i flooding, Kilauea eruption, federal government shutdown, and prolonged hotel worker strike. The proposed increase in real property tax rates will make it more difficult for hotels and resorts to rebound and could have a ripple effect across Hawai'i's economy.

**Hotels and Resorts Are Already Subject to Transient Accommodations Taxes and Can Only Pass So Many Costs on to Guests:** The State transient accommodations tax (TAT) is a tax levied solely on visitor accommodations, on top of general excise taxes and real property taxes. During the 2017 legislative special session, the TAT was increased by 1% to help fund the Honolulu rail project. This year, the legislature is advancing a measure that would subject hotels' "resort fees" to the TAT. Hotels and resorts pass ever-increasing TAT and other costs of doing business on to guests, making it more expensive to travel and stay in Hawaii. Maui County does not receive its fair share in TAT back from the state, a situation which needs to be rectified and can also assist in bringing in the needed funds the County is now looking for through the RPT rate increase.

**Alternative & Illegal Accommodations:** These illegal rentals pay real property taxes at the much lower residential rate, and many do not pay any GET or TAT taxes at all. If the desire is to gain additional funds for the County through taxes, by properly identifying and forcing into compliance these thousands of illegal STRs it would do a few beneficial things. Those illegal rentals which then become permitted as B&Bs and STRs will contribute added tax dollars both through their increased real property tax rate and their TAT taxes. Secondly, guests who would have gone to these illegal, unpermitted rentals will again return to legal accommodations, raising our occupancies and contributing more to the economy. And lastly and perhaps most beneficial is it will reduce the strain on our local neighborhoods and communities by removing so many of these illegal rentals.

In sum, the hospitality industry is a major driver of Hawai'i's economy. In addition to providing jobs for both our actual team members and the countless third party vendors and companies we contract with, the hotel and resort industry materially contributes to the state and local economy by paying taxes. Hawai'i consistently ranks among the jurisdictions with the highest tax rates for lodging accommodations. The hotel and resort classification real property tax rate is already the highest real property tax rate in the County of Maui, and it is the business classification currently being targeted for the most drastic increase. Hotels and resorts should not be singled out for an increased tax rate that will significantly and adversely impact their ability to do business here, especially when there are better avenues to gain needed funds and there are no penalties for illegal vacation rentals.

Thank you for the opportunity to speak to this important subject and your time.

Mahalo,

J.P. Oliver, Managing Director Grand Wailea