

Property tax relief for fire-damaged parcels 2023-2024

Comments by Michael Williams, 808-264-4884, michaelwilliams@pueofarm.com;

Submitted to the Budget, Finance and Economic Development Committee, 10/25/23

At its 10/31/23 meeting, the BFED Committee is taking up 3 bills that intend to provide property tax relief to parcels damaged by the August 8 wildfires. These comments argue that the bills are too blunt, too hasty, and consequently inequitable and premature. There are some legislative changes in Maui's RPT policies that should be enacted by November 30 this year, dealing with special tax breaks for housing unit owners who have rented or will rent to fire-displaced households this year, but the property tax breaks for all parcels with residential buildings destroyed or made unusable by the fires need not be enacted until next spring's budget process.

None of the proposed bills use the many policy tools and levers at your disposal in what the Cost Of Government Commission called "the most flexible and progressive property tax system in the country" in its report on Property Tax Policy Options for Maui County, issued one year ago in October 2022. By using a combination of RPT classifications, the 2023 assessed values, rate flexibility within each class and between the value tiers, along with new exemptions if needed, the relief these bills seek to provide can be implemented more fairly and after much information about the drop in market value of those parcels will be available before next April. None of the RPT relief proposed, except adjusting the special relief for landlords who rent to the displaced, require action this year.

The council is free to set the RPT rates at zero, or just above zero, for the least valuable parcels after their fire-damaged professional value assessments are completed by the county's RPAD in January-March. The council can increase the OO exemption for fire damaged parcels to \$400,000, etc. And all of these adjustments can be made after the council has the new assessed market values of fire-damaged parcels next March.

The mayor has already waived this year's property taxes for all fire-damaged properties, by an emergency order¹ issued on August 11. This blanket waiver was made, without council input, and without regard to property value, property class, or the owner's ability to pay. Many property owners in Lahaina are quite wealthy and it is unfair to give them tax breaks without taking the interests of all other tax paying residents into account. These wealthy property owners do not need tax relief beyond the reduction for the drop in assessed value they will get next year. Just to pick 3 examples: 455 Front St, an Owner-Occupied parcel, was valued at just over \$6 million last year, with the land assessed at \$5.4 million and the residential structure at \$600,000. 409 Front St is a TVR-STRH parcel worth \$5.6 million last year, land at \$3.3 million, residential structure at \$2.3 million. 339 Front St is a Non-owner Occupied parcel valued at \$5 million, with the land at \$4.7 million, residential structure at \$300,000. None of these very wealthy property owners need a tax break more than they will get from the drop in assessed

¹ I have not been able to obtain a copy of this order. The mayor made what the county website and the press release issued by the county called an "announcement" of such a waiver, but nowhere on the website does such an order appear. The mayor's Second Emergency Proclamation dated 8/11/23 does assert he has the power to waive all property taxes as well other provisions of Chap 3.48 but it says nothing about which parcels he intends. There has to be some actionable document signed by the mayor directing RPAD not to collect those taxes, but it has yet to surface in my search for it.

value next year when considering their new market value as of 12/31/23. Those lots are still going to be worth millions even sitting empty and without the ability to rebuild for 3 years. Why give large property tax breaks to such wealthy people but not to much less wealthy homeowners in Kihei or Paia? And what is the urgency to do it now when it can be done much more thoughtfully next April and May after you have the professional assessed values from RPAD.

So far as I am aware, no blanket waiver of property taxes has ever before been made to owners of buildings damaged or destroyed by fire, wind or flood. The RPAD has long had a form on line that any taxpayer whose property has been damaged to apply for relief.

> Goal of relieving taxes for next year need not be taken until next spring's budget process, because relief can be provided by both tier thresholds and rates. The rates for the lowest tiers of OO, NOO, LTR, STR-TVHR, apartments, where most fire damaged parcels will fall can be set as close to zero as council wishes.

I do like CM Paltin's proposal to allow the owner of a parcel in the OO class to maintain that classification until the home is rebuilt or the parcel is sold, even there is no home left to occupy.

Relief to homeowners who have rented to fire-displaced households can be given by allowing those owners to be classed as LTR, upon filing of an appropriate declaration of such use. This legislative change must be enacted by Nov 30 to allow such owners to file documents by 12/31 establishing their eligibility.

The current qualifications for LTR classification need to be adjusted anyway to allow for normal tenant turnover or vacancy due to renovations or major repairs. The council should increase the rates on non-owner occupied parcels which provide no housing for residents, so that this differential in tax rates becomes a more powerful incentive to owners of homes they don't live in, rent long term to residents.

RPAD plans to reduce the assessed 12/31/23 value of fire damaged parcels based not only on loss of the buildings' value, but also for the drop in value due to delay in construction, lack of water, sewer connections. So a parcel which lost its buildings completely or partially, or has lost access to water or sewer use will be reduced greatly in value in its assessment at 12/31/23. The council should have these professional derived assessed values by April 19 at the latest, after which the council can make nuanced adjustments to property taxes by lowering rates, lowering the threshold between value tiers 1 and 2 in the various property classes, and even by creating a new exemption for fire damaged properties.

Finally, the council should adjust property taxes one year at a time as the reconstruction and land value information becomes more definite.

BFED Committee

From: Michael Williams <michaelwilliams@pueofarm.com>
Sent: Wednesday, October 25, 2023 2:45 PM
To: BFED Committee
Cc: 'Yuki Lei Sugimura'
Subject: Comments on proposed bills to provide RPT relief to fire-damaged properties
Attachments: Property tax relief for fire-damaged parcels Michael Williams10-25-23.docx

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Aloha,. I attach some written comments mostly in opposition to the RPT bills on your committee's agenda for 10/31/23. I hope to be able to testify in person as well.

Mahalo, Michael Williams