

# **BUDGET, FINANCE, AND ECONOMIC DEVELOPMENT COMMITTEE**

**Council of the County of Maui**

## **MINUTES**

**August 4, 2022**

**Only via BlueJeans**

**CONVENE:** 9:03 a.m.

**PRESENT:** Councilmember Keani N.W. Rawlins-Fernandez, Chair  
Councilmember Tamara Paltin, Vice-Chair  
Councilmember Gabe Johnson, Member (out 10:18 a.m.)  
Councilmember Tasha Kama, Member  
Councilmember Alice L. Lee, Member  
Councilmember Michael J. Molina, Member  
Councilmember Shane M. Sinenci, Member  
Councilmember Yuki Lei K. Sugimura, Member

**EXCUSED:** Councilmember Kelly Takaya King, Member

**STAFF:** Lesley Milner, Legislative Analyst  
Jerry Paredes, Legislative Analyst  
Shelly Espeleta, Supervising Legislative Analyst  
Richard Mitchell, Legislative Attorney  
David Raatz, Deputy Director  
Clarita Balala, Committee Secretary  
Jocelyn Moniz, Committee Secretary  
Pauline Martins, Committee Secretary  
Tammy Frias, Supervising Committee Secretary  
Jean Pokipala, Council Services Assistant Clerk

Executive Assistant for Councilmember Keani N.W. Rawlins-Fernandez:  
Sarah Freistat Pajimola

Executive Assistants for Councilmember Gabe Johnson:  
Kate Griffiths

Executive Assistants for Councilmember Tasha Kama:  
Davideane Kama-Sickels  
Lois Whitney  
Evan Dust

Executive Assistants for Councilmember Kelly Takaya King:  
Axel Beers  
Ellen McKinley

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District Office Staff:

Mavis Oliveira, Council Aide, East Maui District Office  
Denise Fernandez, Council Aide, Lānaʻi District Office  
Zhantell Lindo, Council Aide, Molokaʻi Council Office  
Daniel Kanahele, Council Aide, South Maui District Office  
Anabelle Hernandez, Makawao-Haʻikū-Pāʻia District Office

**ADMIN.:** Kristina Toshikiyo, Deputy Corporation Counsel, Department of the Corporation Counsel  
Jacky Takakura, Deputy Director, Department of Planning (BFED-106)  
Jim Buika, Senior Planner, Department of Planning (BFED-106)  
Kurt Wollenhaupt, Planner, Department of Planning (BFED-106)  
Johann Lall, Geographic Information System Analyst, Department of Planning (BFED-106)  
Scott Teruya, Director, Department of Finance (BFED-110, BFED-85)  
May-Anne Alibin, Deputy Director, Department of Finance (BFED-106, BFED-85)  
Marcy Martin, County Real Property Tax Administrator, Department of Finance (BFED-106, BFED-80, BFED-110)  
Josiah Nishita, Deputy Director, Department of Management (BFED-85)  
Michele Yoshimura, Budget Director, Department of Mayor (BFED-85)

**OTHERS:** Jason Economou, Government Affairs Director, Realtors Association of Maui, Inc. (BFED-80 and BFED-106)  
Colleen Medeiros (BFED-80)  
Kai Nishiki (BFED-106)  
Allyson Mattox Freeland (BFED-80)  
Thomas Croly (BFED-80 and BFED-110)  
Others (4)

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

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CHAIR RAWLINS-FERNANDEZ: . . .*(gavel)*. . . Aloha kakahiaka kākou. ‘Ekolu minuke i ka hala o ka ‘eiwa ma ehā o ‘Aukake i ka makahiki ‘elua kaukani iwakāluakūmālua. E ‘olu‘olu mai, e ho‘omalū ke Komike Mo‘ohelu Kālā a me Ho‘omōhala Waiwai. ‘O wai ka luna ho‘omalū o kēia Komike o Keani Rawlins-Fernandez. Aia au ma‘ane‘i i ka Molokaʻi District Office. Ke noho ho‘okahi nei no au ma kēia ‘ao‘ao. It was 9:03 a.m. on August 4th, 2022. Will the Budget, Finance, and Economic Committee please come to order. I’m your Chair, Keani Rawlins-Fernandez. I’m at the Molokaʻi District Office, alone on my side of the office. And we have our Community Outreach Specialist, Zhantell Lindo, on the other side of the office, reporting no testifiers. I keia lā me ko kākou hope luna ho‘omalū o Tamara Paltin. Aloha.

VICE-CHAIR PALTIN: Aloha kakahiaka kākou. *[Hawaiian spoken]* okee. I’m broadcasting live and direct from the Lāhainā District Office here in historic Lāhainā Town. And I

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have with me my EA Angela Lucero and District Office Staff Christian Balagso. And we have nobody waiting to testify at this time. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Paltin. And Members, in accordance with the rule...oh, sorry...in accordance with the Sunshine Law, if you are not in the Mayor's conference room, please identify by name who, if anyone, is in the room, vehicle, or workspace with you today. Minors do not need to be identified. Next, we have with us Committee Member Shane Sinenci. Aloha.

COUNCILMEMBER SINENCI: Aloha kakahiaka, Chair, and okee kākou mai Maui Hikina. Eia au ma'ane'i i ke alanui 4974 ke alanui Uakea Road. I'm here with my District Staff, Iwalani Medeiros and Napua Lono. There are no testifiers here. Aloha.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Next, we have Committee Member Mike Molina. Aloha.

COUNCILMEMBER MOLINA: Aloha and okee to you, Madam Chair, my colleagues, and everyone else tuning in for our Budget and Finance meeting this morning. For the record, I'm transmitting from my residence here in Makawao under the virtual bridge. And we have no testifiers at the Pā'ia District Office. Mahalo.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Next, we have Committee Member Alice Lee. Aloha.

COUNCILMEMBER LEE: Aloha. Good morning to everyone. Okee from the Pueblo Tribe of New Mexico. I'm sure we have lots of people here on Maui from the Tribe visiting or even living here. I am in my workspace alone today and looking forward to the meeting. Thank you.

CHAIR RAWLINS-FERNANDEZ: *(audio interference)* and Committee Member Kelly King is excused today. Next, we have Committee Member Gabe Johnson. Aloha.

COUNCILMEMBER JOHNSON: Good morning, Chair, Councilmembers, community members, and okee to all of you. I am alone in my workspace on beautiful...in beautiful Lāna'i City, and the weather is perfect, as usual. There are no testifiers at the Lāna'i District Office, and I'm here and ready to work. Mahalo, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Johnson. And next, we have Committee Member Yuki Lei Sugimura. Aloha.

COUNCILMEMBER SUGIMURA: Aloha and okee, everybody. I am in Kula, and I guess home alone, and looking forward to a productive meeting. Thank you.

CHAIR RAWLINS-FERNANDEZ: *(audio interference)* and Committee Member Tasha Kama. Aloha.

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COUNCILMEMBER KAMA: Aloha kakahiaka, Chair, and okee to all of my fellow colleagues this morning. I am here in my workspace alone and I am looking forward to a wonderful meeting this morning. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo. And I have noted down that Member Kama and Member Johnson will be leaving the meeting early today.

COUNCILMEMBER KAMA: Yes. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Okay. Next, from Corporation Counsel we have Deputy Corporation Counsel Kristina Toshikiyo. Aloha.

MS. TOSHIKIYO: Aloha, Chair and Committee Members.

CHAIR RAWLINS-FERNANDEZ: Aloha. And from our Committee Staff, we have today Committee Secretary Clarita Balala. Aloha.

MS. BALALA: Good morning, Chair and Members.

CHAIR RAWLINS-FERNANDEZ: Committee Secretary Jocelyn Moniz. Aloha.

MS. MONIZ: Aloha, Committee Chair and Members.

CHAIR RAWLINS-FERNANDEZ: Committee Secretary Pauline Martins. Aloha. Budget Committee Analyst Lesley Milner.

MS. MILNER: Aloha, Chair. Okee, Members.

CHAIR RAWLINS-FERNANDEZ: Legislative Analyst Jerry Paredes. Aloha.

MR. PAREDES: Aloha and okee, Committee Chair and Members.

CHAIR RAWLINS-FERNANDEZ: And Legislative Attorney Richard Mitchell. Aloha.

MR. MITCHELL: Aloha and okee, Chair and Members.

CHAIR RAWLINS-FERNANDEZ: Please see the last page of the agenda for information on meeting connectivity. This morning we've been experiencing some network errors on mauicounty.us, on our website. So livestreaming from mauicounty.us is not available, but you can still view the meeting on *Akakū* Channel 53...sorry, Channel 53, and on Facebook on our Maui County Council Facebook page livestreaming. Okay. We have four items on today's agenda. BFED-106, Bill 68 (2022), Creating a Managed Retreat Revolving Fund; BFED-80, Bill 62 (2022), Short-Term Rental Real Property Tax Exemption For County Residents; BFED-110, Bill 102 (2022), Prohibiting Properties with Transient Vacation Rentals from Receiving the Home Exemption; and BFED-85, Legislation and Discussion on the Effect of the Coronavirus Pandemic, Rules, CARES Act, And Related Issue [sic]. Six individuals on the list to testify. I'll read our new

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instructions. We'll begin with public testimony. Oral testimony via phone or video conference will be accepted. Please note that if you're signed in, you are on the list to testify, even if you did not request to testify. Please let Staff know in the chat if you are signed on and do not intend to testify. In accordance with the newly revised Sunshine Law, testimony can occur at the beginning of the meeting, but cannot be limited to the start of the meeting. The Chair will receive oral testimony for BFED-106, BFED-80 and BFED-110 at the beginning of the meeting, and as each item is called up on the agenda prior to discussion. When testifiers sign up to testify, they must let Staff know which item they would like to testify on. And if testimony is for any of the first three items, whether they would like to testify at the beginning of the meeting or when the item is called up. Otherwise, Staff will assume the testifier will be...will testify at the beginning of the meeting. All testimony for BFED-80 will be taken up when the Committee gets to that item. As noted on today's agenda, in-person testimony will be accepted in the Mayor's conference room and at the six courtesy testimony sites. Testifiers wanting to provide video testimony, please join by going to the BlueJeans meeting link noted on today's agenda. Testifiers wanting to provide audio testimony, please join by calling the number and entering the meeting code, also noted on today's agenda. Written testimony is highly encouraged. Instructions on how to submit testimony can be found at [mauicounty.us/testify](http://mauicounty.us/testify). Oral testimony is limited to three minutes per item. When testifying, please state your first and last name. If you're testifying on behalf of an organization or a paid lobbyist, please inform the Committee. Staff has posted the link to the testifiers log in the chat so testifiers will be able to see where they are on the list. If providing testimony, please be courteous to others by muting your microphone and video while waiting your turn to testify. Okay. So at this time, we will accept testimony on BFED-106, -80 and -110, so the first three items on the agenda. And we'll hold off on testimony on BFED-85 and take all that testimony when the item comes up. Okay. Any questions?

**. . .BEGIN PUBLIC TESTIMONY. . .**

CHAIR RAWLINS-FERNANDEZ: Okay. We'll begin with public testimony. The first individual on the list to testify is Jason Economou, followed by Colleen Medeiros.

MR. ECONOMOU: Good morning, Committee Members and Committee Chair. Thank you for this opportunity to testify. I really appreciate it. I'm testifying today on behalf of the Realtors Association of Maui in my role as their Government Affairs Director. I'm here to testify on BFED-80. I think that now is a great time for tax relief programs, especially tax relief programs that benefit our residents. We made the short-term rental licensure program to allow our residents to participate in our largest industry. Currently, we have quite a few residents who own short-term rentals, and this is how they afford to stay here. This is how they afford to maintain properties that they've inherited. This is how they afford to keep up with the high cost of living in Maui County. With inflation, with rising assessments, it's getting harder for them to pay for those things. And I think this is a timely and thoughtful approach to give them this exemption on their property. So I just want to thank the Council for your continued efforts to continue to help our residents afford and maintain their property ownership

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here. And this is just one example of several bills that this Council has put forward lately that focus on benefiting our residents and making sure that they're not priced out of Maui. So thank you for that. RAM is in support of that. I personally am in support of that. And since I moved pretty quickly through this testimony, I would like to switch my figurative hat, if you don't mind, and also testify regarding the Managed Retreat Revolving Fund. Now, this is just me as a resident of Maui County and as a voter. I think this is a thoughtful thing. Managed retreat is increasingly looking like the only option that we might have, at least in some areas of our island. Shoreline hardening is obviously not something that's acceptable anymore, and adapt...adapting to sea level rise is going to be difficult. As managed retreat becomes more and more the focus of the conversation, the conversation is going to get really difficult. So I'm glad that you guys are funding this, right up front, so that there will be a source of funding for more research, and developing new solutions, and also dealing with the problems that we just won't be able to ignore forever. So I congratulate you on that as well. This is also thoughtful legislation. And that'll conclude my testimony. I'll keep it simple.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Mr. Economou. Members, any questions for our testifier on the two items that he testified on? Seeing none. We'll thank you for your testimony, Mr. Economou. Aloha.

MR. ECONOMOU: Thank you.

CHAIR RAWLINS-FERNANDEZ: Our next testifier is Colleen Medeiros, followed by individual signed on as WCA Design.

MS. MEDEIROS: Hi. Can you hear me okay? Eww. Hang on.

CHAIR RAWLINS-FERNANDEZ: Okay. Aloha, Ms. Medeiros. Just...if you were listening on a different device, just turn the sound off. You want to try again?

MS. MEDEIROS: Okay. Is that better?

CHAIR RAWLINS-FERNANDEZ: Yes. Please proceed.

MS. MEDEIROS: Oh, my goodness. Okay. I am testifying on Bill 62. I am a short-term rental homeowner, and I think this bill really helps support the, you know, resident owners of this type of business. You know, we...obviously the resident owners, we live here, and so all our money that we make from this business stays right here in the community. It all gets spent right back in our own community, you know, which I guess I feel warrants getting a little tax break here. We...you know, again, we live here, we work here, all my money gets spent here, and having a tax...you know, a bit of tax exemption on this business type really helps support the local owners of these businesses. So I support Bill 62. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Ms. Medeiros. Members, any questions for our testifier? Seeing none. We'll thank you for your testimony this morning. Aloha.

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MS. MEDEIROS: Thank you.

CHAIR RAWLINS-FERNANDEZ: Our next testifier is the individual signed in as WCA Design, followed by Kai Nishiki. All right, not hearing anyone starting to speak up, we'll go to our next testifier, Kai Nishiki, followed by Evan Oe (*phonetic*).

MS. NISHIKI: Hi. Good morning.

CHAIR RAWLINS-FERNANDEZ: Morning.

MS. NISHIKI: Good morning, Committee Members. Kai Nishiki, testifying on my own behalf, testifying in support of the bill regarding managed retreat. Very thankful that this Council is choosing to be proactive in addressing retreat and coastal erosion. We all know that primarily on the shoreline there are lots of resorts, and short-term rentals, condos, and it makes complete sense that the mechanism for funding is our TAT since largely, most of what large structures are on the beach are transient accommodations anyway. So I really like that that is tied to that. And I think that, you know, there's a huge opportunity here in addressing this early. I've attended several conferences where they say, you know, the cost of this, like the cost of everything, is only going to get more and more. And if you proactively plan for this, and start this now before the buildings are actually falling in the ocean, it will be much easier. The permitting can go through. The funding can go through. And it just makes much more sense to look at something that is happening right now and address it, versus waiting for some tragedy to occur like happened in Florida. So thank you very much for being proactive on this. And this also...you know, we are always talking about our construction industry and supporting all of those folks, and this is a wonderful opportunity, not just for our construction trades, but for our young people to look at coastal zone management and engineers. And, you know, these are high level positions and thought processes that will have to happen. So, you know, great opportunity for our youth coming up in those education opportunities. So thank you very much. Mahalo.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Ms. Nishiki. Members, any questions for our testifier? Member Paltin.

VICE-CHAIR PALTIN: Oh, I was wondering, you know, since Ms. Nishiki went to conferences about this, if she's not busy, we could designate her as a resource since she has that additional knowledge.

CHAIR RAWLINS-FERNANDEZ: Ms. Nishiki, are you available?

MS. NISHIKI: Yes.

CHAIR RAWLINS-FERNANDEZ: Okay. Members, any objections to inviting Ms. Nishiki to serve as a resource personnel for this item?

**COUNCILMEMBERS VOICED NO OBJECTIONS.**

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CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Members. Okay. We'll let you know when this item comes up, Ms. Nishiki. Mahalo.

MS. NISHIKI: Thank you.

CHAIR RAWLINS-FERNANDEZ: Aloha. Our next testifier is Evan Oe, and please correct me if I am mispronouncing that, followed by Allyson Mattox Freeland. Evan? We'll go to the next testifier, Allyson Mattox Freeland. Oh. Okay. It looks like she joined the call again. Allyson Mattox Freeland? You are unmuted on our end. Ms. Freeland?

MS. MATTOX FREELAND: Aloha. Can you hear me?

CHAIR RAWLINS-FERNANDEZ: We can hear you. Please proceed.

MS. MATTOX FREELAND: Okay. Sorry, I can't hear anything through my speaker on my phone, but I'll speak.

CHAIR RAWLINS-FERNANDEZ: Okay, go ahead. Oh, oh. Looks like we *(audio interference)*.

MS. MATTOX FREELAND: *(audio interference)* here to support Bill 62 as an STRH holder for the last seven years. We just have a small property in Ha'ikū, it's a big part of our family's income, and we just really appreciate any support that you guys can offer us. As Colleen mentioned, we just do keep all of our money here in the community. I've lived here on island for 22 years, raising my daughter here, and we just really appreciate that you guys are putting this on the table after all the years. If there's any questions, I apologize I can't *(audio interference)* very well, but we're just *(audio interference)* support of the exemption...any exemption.

CHAIR RAWLINS-FERNANDEZ: Sorry, Ms. Freeland, there was an echo. Okay. I think I addressed it now. Oh. Oh, she left the call. Okay. All right, Members, did any of you have questions for Ms. Freeland? All right. Mahalo, Ms. Freeland, for your testimony. Okay. The next testifier is the individual signed in as Guest, followed by Thomas Croly. Individual signed in as Guest, if you would like to testify, please unmute yourself. Okay. We'll go to Thomas Croly.

MR. CROLY: Aloha, Committee.

CHAIR RAWLINS-FERNANDEZ: *(audio interference)* --

MR. CROLY: Aloha, Chair. Thomas Croly, speaking on my own behalf. There's two items on the agenda that deal with the way we will treat taxation...real property taxation for short-term rentals, and I...I support both of these items, although I do have a question on the one related to short-term rentals, and Corp. Counsel will answer whether or not we can treat residents different than we can treat other people. I understood, in the past, that we can't do that. So maybe this is written in such a way that it can be done, and that would be great, that would be fine. I would support it. The other item



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makes a small change to make clear who goes in to the commercialized residential categories. I'm not sure the title of it is exactly right because it's really not as much about exemption as it is who falls into this category of commercialized residential. And I just wanted to take the opportunity to make clear that the bed and breakfast properties, exclusively, are occupied by their owners, just like any resident owned...owner-occupied property. And short-term rentals, a few of them are actually occupied by their owners too because of some...they may not have been able to meet some aspect of the bed and breakfast ordinance. And as a result, they ended up getting up a short-term rental permit. So there are a few short-term rental permit owners who are, basically, bed and breakfast. But there's some aspect of the bed and breakfast thing they couldn't meet, so they ended up being short-term rental. And those guys belong in the same tax classification as the owner operated...resident owner-operated bed and breakfast guy, so this measure ensures that. But I do want to also make note that there are some properties that are operated in multiple capacities. Like I know of a short-term rental where the house...the main house is a short-term rental, and the ohana is a long-term rental, but they're forbidden from getting a long-term rental exemption in that case. And there's also bed and breakfasts where there's long-term rental on the property, as well as bed and breakfast use. So again, there's a lot of different scenarios here. Clearly, the bed and breakfast guys who are owner operated should be in a different tax category from the short-term rental guys who are not owner-occupied. But then the matter of who should get an exemption and who shouldn't get an exemption gets a little bit messy because there's multiple situations there. And when the bed and breakfast ordinance was...first came about in 2009, one of the Councilmembers, Riki Hokama, wanted to make it very clear, these guys can't get a homeowner exemption. So that's . . . *(timer sounds)*. . . written into the bed and breakfast ordinance, and we really can't change that today without it going back to Planning Commission and such. Thank you for the opportunity to comment, Chair. I'm here for any of the history of this because I've been around since the beginning of all these ordinances and their various derivations.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Mr. Croly. I see a question from Member Sugimura. Please proceed, Member Sugimura.

COUNCILMEMBER SUGIMURA: Thank you, Mr. Croly. You are the walking history book for this whole thing. And based upon your examples --

MR. CROLY: Yeah.

COUNCILMEMBER SUGIMURA: -- that you gave, I wonder if you have some suggestions for us. Maybe not at this meeting, or if you do have it now, on how to handle those kinds of conflicts, I guess, is what you're talking about.

MR. CROLY: Yeah. Well, you know, the . . . *(inaudible)*. . . --

CHAIR RAWLINS-FERNANDEZ: So not during public testimony.

MR. CROLY: Yeah. Okay.

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CHAIR RAWLINS-FERNANDEZ: Clarifying questions only.

MR. CROLY: Yeah, because it doesn't apply *(audio interference)*

COUNCILMEMBER SUGIMURA: Well, he brought up the differences in his testimony. So maybe it's a discussion *(audio interference)* --

CHAIR RAWLINS-FERNANDEZ: *(audio interference)* --

COUNCILMEMBER SUGIMURA: -- after the meeting you *(audio interference)* --

MR. CROLY: Right. I'll send you an email about it. Sure.

COUNCILMEMBER SUGIMURA: Okay.

MR. CROLY: Thanks.

COUNCILMEMBER SUGIMURA: Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Sugimura. Any other questions for our testifier? Seeing none. We'll thank you for your testimony this morning, Mr. Croly.

MR. CROLY: And aloha.

CHAIR RAWLINS-FERNANDEZ: Aloha. Okay. We have an individual, Kurt Wollenhaupt, but I think he might be with one of the departments. Yeah. Okay. All right. That's the end of the list that we have. So I will open it up for anyone else who are...who's signed on that wish to testify. If you are signed on and wish to testify, please unmute yourself and you may proceed with your testimony. There's a WCA Design, Evan Oe and Guest. All right. Hearing no one speaking up to testify, we will proceed with the meeting because we can't close public testimony. So we'll...so my plan for today's meeting, Members, is to take up the first three items, we'll take our morning break, and then we'll take up the last item. So with the first three items, we'll need to take public testimony each time we bring up each item. We'll start...so with the first three items, I believe all three are...were introduced by Member Paltin. Okay. So we...my intention wasn't necessarily to take action today since it's the first time Members are seeing the legislation. My intention was to have discussion, ask questions, and then I can schedule it again at another time after Members have some time to think it through, speak with their constituents about it, and the public has time to provide feedback...unless, of course, there's overwhelming support to take action today, in which case we could consider that as well. Okay.

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**ITEM 106: BILL 68 (2022), CREATING A MANAGED RETREAT  
REVOLVING FUND (Bill 68 (2022))**

CHAIR RAWLINS-FERNANDEZ: So the first items is BFED-106, BILL 68 (2022), Creating a Managed Retreat Revolving Fund.

**. . .BEGIN PUBLIC TESTIMONY. . .**

CHAIR RAWLINS-FERNANDEZ: Okay. So at this time I will open public testimony for this item if you have not testified on this item yet. Is there anyone wishing to testify on this item that hasn't testified? Hearing no one speaking up, are there any objections to closing public testimony on BFED-106?

**COUNCILMEMBERS VOICED NO OBJECTIONS.**

**. . .END OF PUBLIC TESTIMONY FOR BFED-106. . .**

CHAIR RAWLINS-FERNANDEZ: Mahalo, Members. All right. So then we'll go to Committee Vice-Chair Paltin for opening remarks on her bill, and we have Ms. Kai Nishiki, who we requested to serve as a resource; Department of Finance representative; representative from the Planning Department. Okay. So we'll...but we'll begin with Member Paltin.

VICE-CHAIR PALTIN: Thank you, Chair. Thank you, Members. As you may know, my District has nine condo complexes at risk of falling into the ocean. The road fronting Ka'ōpala Bay, with water lines and sewer lines underneath of it, is at risk of falling in the ocean. In my meetings with the Department of Public Works, just to reroute that like 200-yard stretch of road is going to be \$15 million. And that doesn't even account for what we're going to do with the road that is left behind that is falling into the ocean. Parks has given us a vulnerability assessment of all our parks, and West Side has the most parks falling in the ocean. South Maui also does, and we both have a lot of tourist revenue. The majority of our real property tax revenue, whether it's from vacation rentals or tourist accommodations, comes from our shoreline properties. So at the point when all this is going to be hitting the fan, the revenue is probably going to drop down to minus. And at that point, it will be too late to take action. As we all know, we need to pass a balanced budget every year, but we can put money into these different accounts. And so, you know, when you talk to the property owners, obviously nobody wants to talk about this, especially, you know, if they don't plan on being alive in the next 20 years because that is when this will...we'll see at least 1 foot of sea level rise. People who aren't going to live to see 20 years from now don't really feel the need to talk about it. But I hope to live 20 years from now, my kids will live 20 years from now, their kids will live 20 years from now. And so this is like a starting point for the discussion of what we're going to do, how we're going to fund things. And at the very least, we can start making some blanket SMA permit qualifications with this fund on how to take down buildings if...use it as an incentive for folks to start this discussion, that there is money available. I didn't include...this is pretty similar to the SMA fund, but it's different in one key regard that...whereas the SMA Fund can be

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used to purchase property, this fund is not going to be used to purchase property. It's going to be to, you know, mitigate things. And if all else, if people abandon their properties and it actually does fall in the ocean, we at the County...people will be who folks turn to when there's all the rubble on the shoreline. And at the very least, we can tap these funds to remove it. So that's my spiel.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Paltin. Okay, Members. Let's see. I want to make sure...I was trying to make sure that I have everyone here. So I may miss...okay. From the Department of Finance, we have Deputy Director May-Anne Alibin and Real Property Tax Administrator Marcy Martin. From the Department of Planning, we have Deputy Director Jacky Takakura, Senior Planner Jim Biuka...Buika...sorry, dyslexic...and GIS Analyst Johann Lall. And Kai Nishiki. In accordance with Rule 18(A) of the Rules of the Council, any objections to designating those named as resource for this item?

**COUNCILMEMBERS VOICED NO OBJECTIONS.**

CHAIR RAWLINS-FERNANDEZ: Mahalo, Members. Okay. I'll now open...or, I guess, since we have Deputy Director Alibin from Finance and Deputy Director Takakura from Planning, I'll invite our Deputy Directors for any opening remarks. Deputy Director Alibin?

MS. ALIBIN: (*Audio interference*) and Members, nice to see all of you. Not much introduction, but with me today is our Real Property Assistant Administrator, Ms. Marcy Martin, to provide any responses or support for technical questions.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Deputy Director Alibin. Aloha, Ms. Martin. Did you have any opening remarks that you wanted to share on this bill?

MS. MARTIN: Yes. Thank you. The Division does have comments for both Bill 62 and Bill 102. So when these are addressed, we would like the opportunity to state our recommendations and concerns. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Ms. Martin. Okay. And now, I'll invite Deputy Director Takakura for any opening remarks on Bill 68.

MS. TAKAKURA: Thank you, Chair Rawlins-Fernandez. And good morning, Budget and Finance Committee. So thank you for preparing this bill because we know managed retreat is a huge issue that...creeping up on us faster than we realized. We do have, I guess, concerns or questions that maybe you want to address, depending on the direction the Committee would like to take in terms of preparing this bill. So is it okay if I just kind of go through my list that I've gathered from the team?

CHAIR RAWLINS-FERNANDEZ: Yes, please.

MS. TAKAKURA: So just some questions. And so, you know, these are, I guess, for the Committee to kind of decide, you know, what direction you would like this to go in.

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But the first one would be regarding existing structures. We should be clear if we're talking about private or public. You know, as Vice-Chair Paltin said, you know, moving public infrastructure is a priority. So if we want to put that specifically in the bill we should do that, you know, to make it clear, you know, private versus public. But the other comments is regarding mitigation, you want to define that here. That might be helpful because that can be a pretty broad term. The other question came up about...it refers to removal or relocation. One of the questions that came up is, does this include buyouts, so we want to be clear if it does or doesn't. So, yeah, if it doesn't, then we should make it clear in there. I wanted to point out...because I get to help administer the funding sometimes, you know that we have the SMA Fund, which was created a couple of years ago, yeah. So there could be some overlap here in terms of...you know, the 3.97.030, the revenue from any applicable fees. Because I think some of these fees could go to SMA Fund...which are going to SMA Fund now. And so if you want it to go to that fund, you know, you got to...we should make it really clear so that we don't misinterpret or misdirect any funding to the wrong one because, yeah, there's a lot of things that could overlap in that topic. Because special manage...you know, of course, managed retreat is going to be in the special management area, and so that's where the funding is all going now. And then just another question, this is again about private and...would the money go to assisting private property owners, or just for County projects, so that's the same thing. And then the last part of the bill under 3.97.040, Administration, there is a reference to administrative rules, and maybe that's where the criteria for priorities would be developed. And if you want that in there, then, you know, that would be good...helpful to give us some guideline...guidance in what we need to put in there. Buying properties as a group, along a beach cell, not just individual or unconnected properties. Oh, and then, of course, one last thing, and this is with the SMA Fund too, is, you know, these funds are for projects. One of the comments came up about personnel to manage the projects because, as you know, in the budget, you know, personnel is A and other projects are B, you know, and a thought is funding personnel to manage the projects. And that's just a thought if you wanted to have that in there or not. So that's our comments. Thank you very much for letting us ask all these questions.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Deputy Director Takakura. Okay. At this time, Members, we'll open up the floor for questions. I will put two minutes on the clock for everyone. Members, questions? Or did you want to start, Committee Vice-Chair Paltin, with any additional comments after receiving some of the feedback from the Department?

VICE-CHAIR PALTIN: Sure. Sure. As I mentioned in my first opening comments, it wasn't intended to buy out the property. So we can make that more clear, if it's necessary. In terms of either private or public, at this point, you know, I was open to both because there's many private folks that aren't willing to even start this discussion. So if we can help start the discussion by having these funds available to help with shoreline retreat, I was open to that. And then I wanted to keep it for public too, in case nobody goes for these funds, it's there for...you know, so I was open to public and private. In terms of mitigation, that's a good point. I would say it's for retreat, I mean, as the bill says. It's not for armoring T-groins and like that. It's to help properties

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retreat. So I don't know if that needs to be made more clear, as Ms. Takakura said. I do realize that there is some overlap in the SMA Fund, and if we need to be more clear. I think the fees can continue to go to the SMA Fund, and this was meant to be just 20 percent of the TAT because, you know, that's about 12 mil a year, and it's a good starting point, I figure. And then the SMA Fund can continue on as how that's going, and that can be used for buyouts. So I specifically didn't want this fund to be used for buyout, it's meant for...to assist with managed retreat. In my conversations with the Kahana Bay Steering Committee consultant, you know, how plenty people in my community just want them to tear it down and move back. They said they couldn't do that right away, there need to be SMA permits and all of this stuff. So to assist in folks that do want to tear it down and move back . . .(timer sounds). . . (audio interference) available to help them.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo for addressing those questions and comments, Committee Vice-Chair Paltin. Okay. I think I saw Member Lee with her hand up --

COUNCILMEMBER LEE: Yes, thank you.

CHAIR RAWLINS-FERNANDEZ: -- followed by Member Kama.

COUNCILMEMBER LEE: I like the proposal; however, I don't...I think that the TAT is too much to add to this account, number one. And I really believe, even though we have this enabling legislation, we should be working off of a cohesive plan...comprehensive, cohesive plan, and part of it would be to identify which projects would have priority. And I would think public infrastructure should be first before any private...you know, use for private homes or anything like that. So wouldn't you want us to hire someone to come up with a comprehensive plan first so that we see exactly what we're dealing with, and so then we can choose which projects should be prioritize and how much that we would need to pay for them.

CHAIR RAWLINS-FERNANDEZ: Would you like to (audio interference) --

COUNCILMEMBER LEE: So those would be my questions to Member Paltin.

CHAIR RAWLINS-FERNANDEZ: Okay, Member Paltin.

VICE-CHAIR PALTIN: Sure, but I think that should have been done 20 years ago. But, yeah, I could see prioritizing public, and then large buildings, like hotels, and then, you know, individual homes. And I did like Ms. Takakura's idea of, you know, going by beach...literal beach cell. You know, if you want to look at a group of condos, like the Kahana Bay Steering Committee has that literal cell. But I don't think that the TAT is...12 million is too much because we're talking about hundreds of millions. You know, in ten years we could have 100 million and start something. It's going to be...the price is going to be too much. . . .(timer sounds). . .

CHAIR RAWLINS-FERNANDEZ: (audio interference) --

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COUNCILMEMBER LEE: Okay, thank you.

CHAIR RAWLINS-FERNANDEZ: *(audio interference)* --

COUNCILMEMBER LEE: I don't agree, but thank you.

CHAIR RAWLINS-FERNANDEZ: Member Kama, followed by Member Molina, and then Member Sugimura. Member Kama.

COUNCILMEMBER KAMA: Thank you, Chair. So I just wanted to clarify, Member Paltin, you know, you said that you were looking at 20 percent of the TAT, did I hear that right? And then in the legislation it says one-third of the Maui TAT. So were you looking at 20 or 30? I mean, I just want to clarify that.

VICE-CHAIR PALTIN: Oh, good question, Member Kama. I was actually...whichever one I can get by that's higher, but you know, good question. It kind of --

COUNCILMEMBER KAMA: Okay.

VICE-CHAIR PALTIN: -- evolved. You know, 33.3 percent would be ideal, I think. But you know, if we can only get 20 percent, that's my fallback.

COUNCILMEMBER KAMA: Okay. Well, thank you. I just wanted to clear that up. But I like the conversation. I like where it's going. And I think...we weren't here 20 years ago, but we're here today, so at least, you know, we're still ahead of the game as far as I'm concerned. So thank you, Chair. Thank you, Member Paltin.

VICE-CHAIR PALTIN: And thanks for reading my legislation too.

COUNCILMEMBER KAMA: I always read your legislation.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Kama. Member Molina, followed by Member Sugimura.

COUNCILMEMBER MOLINA: Thank you, Madam Chair. I don't know who best to direct this question to. In terms of the Department that will oversee this fund, I will guess, say, Department of Finance. Do you have the sufficient personnel to oversee this fund if it's created? Maybe Ms. Alinbin [sic], if she could provide comment.

CHAIR RAWLINS-FERNANDEZ: Deputy Director Alibin.

MS. ALIBIN: Chair. No, not at this time. You know, we still need to take a look at, in detail, on what the impact is to the Department. But as far as administration and establishment of the fund...I mean, the fund can be established pretty easily in our financial system. But administering the fund itself, I mean we always do need additional support. And especially, you know, with the Transient Accommodation Tax

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as we're still, you know, trying to get that set up. There's a lot of, you know, resources that are being held currently, just in support of the Transient Accommodation Tax Collection. Thank you.

COUNCILMEMBER MOLINA: Okay. And just guesstimating, how many additional personnel you potentially would need, any idea at this time?

MS. ALIBIN: No, not at this time, Chair. Unless, Ms. Martin, do you have any estimate on...as far as real property tax is concerned?

CHAIR RAWLINS-FERNANDEZ: Ms. Martin.

MS. MARTIN: No, not regarding the Revolving Fund.

COUNCILMEMBER MOLINA: Okay. All right, thank you. Thank you, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. Member Sugimura.

COUNCILMEMBER SUGIMURA: Thank you. Thank you for this, Ms. Paltin. I just wanted to know from RPT how much we have collected so far from the TAT. I think we were estimating...well, from November...do you have any numbers? Are we on target? And *(audio interference)* --

CHAIR RAWLINS-FERNANDEZ: Deputy Director...Ms. Martin.

MS. MARTIN: Oh, I would refer that to the Deputy Director *(audio interference)* --

MS. ALIBIN: Chair.

CHAIR RAWLINS-FERNANDEZ: *(audio interference)* Alibin.

MS. ALIBIN: Yes. So as of August 3rd, just...this is for Fiscal Year 2023, we've collected 7.9 million for...from Transient Accommodation Tax.

COUNCILMEMBER SUGIMURA: So you're saying from the new fiscal year until August the 3rd? Is that what you're saying?

MS. ALIBIN: Yes, Chair. So this is just for a month of collection. So we did see for July, really high volume. And based on our discussion with the State Department of Taxation, it seems...without, you know, confirming the numbers, of course, seems that Maui had collected the highest among all the other counties, even, you know, compared to City and County Honolulu.

COUNCILMEMBER SUGIMURA: Very good. So I don't know who this next question would be, but the TAT funds, when it comes in and it goes into our budget, the discussion about using it for public infrastructure is already covered: is that right? In the budget, the use of these funds are already spoken for?



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CHAIR RAWLINS-FERNANDEZ: Deputy Director.

VICE-CHAIR PALTIN: It goes *(audio interference)* --

MS. ALIBIN: Chair. So what we...so for the formulation of the budget...so for Fiscal Year '23, the estimated revenues...total revenues from TAT is 60 million. And that is going into the General Fund. For budgeting purposes, we do not, you know, account for by revenue type. So it just goes into all...you know, to support all generally funded expenditures, which includes operations, and then also cash CIP.

COUNCILMEMBER SUGIMURA: One more question, if I could.

CHAIR RAWLINS-FERNANDEZ: *(audio interference)* your timer went *(audio interference)*

COUNCILMEMBER SUGIMURA: Oh, it went off? Oh, okay, I didn't hear. Next round then.

CHAIR RAWLINS-FERNANDEZ: Next round.

COUNCILMEMBER SUGIMURA: Thanks.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Sugimura. Member Johnson.

COUNCILMEMBER JOHNSON: Thank you, Chair. Very creative bill...or fund. I really appreciate this type of thinking because we are going to have to deal with this. And just like Councilmember Paltin said, that this will affect the amount of our tax revenue when the properties fall into the ocean. So this is going to be a big problem, and that's going to be big money. So I'm kind of curious on the way that we did the Affordable Housing Fund, where we made the Affordable Housing Fund be able to use bonds so we can pay off the bonds with the Affordable Housing Fund. Would...I guess I'll ask Councilmember Paltin, would you be interested in doing something along those lines, where this fund could use to pay off bonds for those big, you know, road buildings and sewer lines, all of those big infrastructure costs? Maybe you could get more bang for your buck if we use this fund to help pay off some of those bonds that would be, you know, those big multimillion dollar kind of projects.

CHAIR RAWLINS-FERNANDEZ: Committee Vice-Chair Paltin. You're muted. Unmute.

VICE-CHAIR PALTIN: Thanks. So the issue I see with that is at the time when we need to do this, our revenue generation is going to go to zero. Because, you know, you have to pay back the bond. And if the hotels are falling in the ocean, where are we going to get the money to pay the bonds back? Like they're going to estimate our capacity to generate the revenue...like it's kind of like a mortgage, you know they check out your income. And if all of our most expensive properties and our hotels, which generate the most of our income, are falling in the ocean, how are we going to pay back the bonds?

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COUNCILMEMBER JOHNSON: Okay. Yeah, I understand that. I guess the question would be is, do we have time? Like how appropriate, I'm out of time. Okay. Thanks. Thanks so much, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Johnson. All right. So anyone else for round one? If not, we'll go to round two. Okay. Member Paltin, and I know Member Sugimura had another question, and then Member Johnson. Committee Vice-Chair Paltin.

VICE-CHAIR PALTIN: Thank you. I just wanted to follow up on Member Molina's question and clarify. It was the administration of the fund that Deputy Director Alibin wasn't prepared for. It was the setup of the fund, was it correct, that she said that they could do, it's just the administration of the fund. And we'd obviously need to make administrative rules, I mean, first. So, you know, I would imagine...to me, the goal is to start building up the revenue, and then at the time we need it, it's there. It's not necessarily that we got to blow 10 million the first year. We got to, you know, plan how to use this in the most...like Chair Lee said, in the most efficient way. So I kind of feel like not being able to administer the fund yet shouldn't stop us if setting up the fund is available. Because like I said, we're going to need more than 10 million...more than 12 million for the problems on the horizon. And at the time when it really...we really need it, just know that our revenue generation capability is not going to be anywhere what it is now. And, you know, it's not about us because at that time, we won't be on the Council. So it's about, you know, future generations, future Councils, future leaders, and setting up a vision for how to at least begin to address the problems and start the discussions. So that would be my point to that.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Paltin. Member Sugimura, followed by Member Johnson, and then Member Lee, and then Member Sinenci. Member Sugimura.

COUNCILMEMBER SUGIMURA: Thank you. Going back to where I was on my first round. So I don't know who...I think maybe it's May-Anne that may...could answer this. But because we're talking about roads or different things that are really...is our kuleana, and we are, through our CIP budget, borrowing funds...our GO bond funds. And I wonder if she could tell us how much it is that we...it costs us to do that, when we bond things, it's like a charge card, versus using this cash, which is the TAT? So would that be May-Anne?

CHAIR RAWLINS-FERNANDEZ: Deputy Director --

MS. ALIBIN: Chair.

CHAIR RAWLINS-FERNANDEZ: -- Alibin.

MS. ALIBIN: Yeah. So without, you know, knowing the cost...having any estimates, you know, just the factors that we need to consider is, one, bonding it. You know, you have related bond issuance cost. And then also, once the bond is issued, we also need

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to consider the debt service payments. So, for example, for the upcoming bond issuance that we're preparing for...you know, about \$60 million bond float, we are estimating our...you know, for our first payment about \$4 million in the debt service payment only. That's, you know, towards the principal and interest. And, you know, I don't have an estimate on the total bond issuance cost. But per issuance, we do incur about, you know, between 200 to \$250,000 just related to issuance.

COUNCILMEMBER SUGIMURA: So you're saying when we do CIP now, which is in our budgets, that we actually pay for floating bonds versus this TAT money which is coming in...which is cash, right? So you're saying the CIP bonds that we float, that we been approving through our budget . . . *(inaudible)*. . . . *(timer sounds)*. . .

MS. ALIBIN: Chair? Yes.

CHAIR RAWLINS-FERNANDEZ: Deputy Director.

MS. ALIBIN: So in response to that, not...so our practice has always been we don't float based on what is budgeted in the CIP or what is authorized in the Bond Appropriation Bill. The County of Maui's...you know, has been very good with the management of our bond issuance. So we issue based on actual encumbrances, so these are contracts that have been executed and based on expenditures. Because the County of Maui has a, you know, good cash flow, you know, we have the ability to temporarily loan from the General Fund for the projects, you know, that are encumbered. So, you know, one thing that we normally certify before we encumber, you know, a contract is to make sure that we have the funds available. And, you know, our General Fund has the ability to upfront those temporarily until the bond has been floated.

COUNCILMEMBER SUGIMURA: Thank you. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Sugimura. Member Johnson, followed by Member Lee, and then Member Sinenci. Member Johnson.

COUNCILMEMBER JOHNSON: Thank you, Chair. You know, I understand what Councilmember Paltin was saying. So I kind of want to ask Deputy Director Alibin in regards to that. You know, we have *The Maui News* article that just said, you know, Maui County receives high scores in its bond ratings, there's AA-plus is a stable outlook, and AA1, another stable outlook. So when this...you know, when our...unfortunately it sounds so catastrophic, but when buildings start falling...you know, when this starts getting to really bad, and our infrastructure is crumbling, and buildings are falling into the ocean, do you think that will affect our bond rating?

CHAIR RAWLINS-FERNANDEZ: Deputy Director.

MS. ALIBIN: Chair. No, I don't think our bond rating agencies look at our infrastructure's condition, you know, as far as whether or not we have the well-maintained infrastructure. So I think that's just really County's management.

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COUNCILMEMBER JOHNSON: Uh-huh. Okay. All right. Well, that's good to hear. Okay. So I'm kind of short on time, so let me just jump into another different topic. Councilmember Paltin, you said one-third, and then you went to 20 percent. And when I'm reading the Affordable Housing Fund, they do it by...in the Charter, it's done by 3...they do a percentage. Is it better to have a percent, or why did you go by a fraction? This is just a simple, you know, minor detail, but why did you go by fraction instead of percentage?

CHAIR RAWLINS-FERNANDEZ: Committee Vice-Chair Paltin.

VICE-CHAIR PALTIN: Just when the first estimate was 60 million annually, and I thought 20 million was a good start. And then my fallback was 20 percent because, like how you said, 3 percent or whatever, and it's easier that way, so...I mean I was shooting for 20 million, and then fallback 12 mil.

COUNCILMEMBER JOHNSON: Okay. Thanks so much. Thank you, Chair. . . .*(timer sounds)*. . .

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Johnson. Member Lee, followed by Member Sinenci, and then Member Molina. Member Lee.

COUNCILMEMBER LEE: Okay. Again, it's kind of a continuation of that discussion with Member Paltin. My feeling is...you know, I like your bill because, of course, we have to plan for the future. And assuming that we do come up with a comprehensive, cohesive plan...because we need to plan other CIP projects in conjunction with, you know, saving our roads and so forth, to leverage whatever money we do have. But my concern is that we prioritize public facilities first. And maybe we should also think about creating an additional fee for those who are on the shoreline, you know, commercial properties, private properties because I don't see that as our high priority for us to save their buildings. But maybe help them in terms of if they want to move across the street or, you know, relocate, help them with rezoning, expediting, you know, those kinds of processes and stuff like that. But giving them actual money, that...that's what I have a hard time with. Okay. Thank you.

VICE-CHAIR PALTIN: Yeah, thanks for clarifying. I didn't mean to save their buildings with actual money, maybe it needs to be clarified. It was more...say their building falls in the ocean, and they abandon it, everybody's going to look and point at us, what are you doing with all this rubble dangerously in the shoreline. Like, you know, it's not to save a building, and it's not to give them money. It's if all the...else fails, the building has fallen in the water, what are we going to do about it kind of thing. And maybe that needs to be clarified in the bill, that that's the *(audio interference)* . . .*(timer sounds)*. . .

COUNCILMEMBER LEE: Okay.

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CHAIR RAWLINS-FERNANDEZ: *(audio interference)* Committee Vice-Chair Paltin. Mahalo, Member Lee. So, similar to what happened on the North Shore of O'ahu where the house fell in, and the windows, or glass, and all that dangerous...okay.

VICE-CHAIR PALTIN: *(audio interference)* --

CHAIR RAWLINS-FERNANDEZ: Yeah, we probably need to clarify that a little bit better. Okay. Member Sinenci, followed by Member Molina. Member Sinenci.

COUNCILMEMBER SINENCI: Thank you, Chair. And I just wanted to point out that in the bill, what I do like is the use of this fund to leverage Federal, State, and other funding that probably only the County would be able to apply for. So on the flip side of bonds, we're also able to increase that funding through matching funds. And so my question for Member Paltin, in the same lines as Chair Lee was, can we use this *[sic]* funds for infrastructure that is related to shoreline retreat?

CHAIR RAWLINS-FERNANDEZ: Committee Vice-Chair Paltin.

VICE-CHAIR PALTIN: That is the intention. As we seen in Member Sugimura's Committee, plenty of the Federal stuffs require like an 80-20 match, and things like that. And so, you know, this can be our match if we need to relocate utilities or whatnot. That was --

COUNCILMEMBER SINENCI: Okay.

VICE-CHAIR PALTIN: -- part of the intention if we need a match.

COUNCILMEMBER SINENCI: Okay. Thank you for that. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Sinenci. Member Molina.

COUNCILMEMBER MOLINA: Thank you, Madam Chair. Well, I have to give credit to my colleague from West Maui, she's a very forward thinker, thinking well beyond our years as to what could happen. Just two questions, first for my colleague, Ms. Paltin. Any other municipalities have something like this, you know, shoreline communities like, say, Florida, California? Did you do some research on your own to look at what other communities are doing? And then my second question would be for Finance, or maybe even the Planning Department, if they're aware of any potential grants that could be applied for and deposited into this account. Like, you know, you have the UH Maui Sea Grants, for example, something along those lines, so...anyway, I'll start with my colleague for my question.

CHAIR RAWLINS-FERNANDEZ: Committee Vice-Chair Paltin.

VICE-CHAIR PALTIN: Not to my knowledge. You know, when I went to the NACo in Denver, I was trying to search out those folks that are dealing with this...slim pickings. Even Florida, California, you know, where it is actively happening. So I was going to try to

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go to the WIR next time because Western states. But it's hard to find...like it feels like we're the tip of the spear, inventing the wheel, because I'm trying to find other resources, and there's not much. There's, like, Fiji relocated a whole village equitably, but...plenty guys digging their head in the sand.

COUNCILMEMBER MOLINA: Okay. Thank you. Okay. Now for, I guess, our Departments, if they could answer my question about any potential grants that could be applied for, and then maybe deposited into this account.

CHAIR RAWLINS-FERNANDEZ: Deputy Director Takakura.

MS. TAKAKURA: Thank you, Chair Rawlins-Fernandez. I don't know any of myself, but I know that one of our subject matter experts, Jim, is here. Maybe he might have some information to share. Jim, are you *(audio interference)* --

CHAIR RAWLINS-FERNANDEZ: Mr. Buika.

MR. BUIKA: Sure. Thank you. Good morning, Chair. Thank you for that question. There are...there are State-matching mitigation and funds from the disasters, which are usually matched 75 percent by the Feds, which are good...and/or the State. So there are . . .*(timer sounds)*. . . mitigation funds there. And also, you know, FEMA has buyout programs. And that was a good question by Jacky, is that locals may need to...a fund such as this could match a FEMA Federal Emergency Management buyout if there were properties that needed to be bought *[sic]* out. So there are some substantial Federal grants that we are attempting . . .*(inaudible)*. . . both Tara Owens and...from UH Sea Grant and myself are part of the State Hazard Mitigation Forum. It's not a...so we track it through the State Hazard Mitigation Plan...these dollars. So there are millions that come through and they could be matched. So this would be really good --

COUNCILMEMBER MOLINA: Okay.

MR. BUIKA: -- good program to match. Yeah. Thank you --

COUNCILMEMBER MOLINA: *(audio interference)* --

MR. BUIKA: -- for that question.

COUNCILMEMBER MOLINA: Great, I appreciate the responses. Thank you, Mr. Buika. And thank you, Director Takakura. Thank you, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. And *Civil Beat* just did an article yesterday. Hawai'i is the only state not seeking Federal buyouts to move residents away from flood. Mahalo, *Civil Beat*. Okay. I'm going to mute you *(audio interference)* okay. All right. Anyone else for a round...oh, Member Sinenci, were you raising your hand, or were you pointing?

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COUNCILMEMBER SINENCI: Yeah, sorry, somebody wasn't muted. Thank you.

CHAIR RAWLINS-FERNANDEZ: Yeah. Got him. Thank you. Okay. I have just one question, and it's for Deputy Director Alibin, and it's regarding our bond rating. So generally, our policy is to pass a balanced budget. And so banking money...I don't know. I don't...depending, I guess...so I know emergency funds...in banking money for emergency funds, that could help with our bond rating. But our policy is to generally pass a balanced budget. So my question is regarding whether you think that bond raters would look at banking money for the impacts of sea level rise as a form of emergency fund, forward looking to address some of these properties looking...that may be...well, that will be impacted in the future, or would it be not looked at favorably by doing this?

MS. ALIBIN: Chair. So with our...every issuances [sic] that we have, we...County of Maui works with a bond counsel on proper disclosure of our preliminary...what we call preliminary official statement, or our POS. And part of that disclosure is about climate change. And with the recent bond rating presentations that we've done few weeks ago, there's been a lot of emphasis based on our understanding on climate change. So we do have that disclosure in there. And I think...you know, personally, I think that's...it's a good idea, you know, to put up something similar to our Emergency Fund for climate change. One thing, though, one of the comments by the rating agency is with regards to our Emergency Fund reserve. You know, strategically, I believe in 2012, the Administration came up with a policy, and based on the GFOA's recommendation of building our emergency reserve up to 20 percent, you know, of our General Fund expenditure. They had made a comment that, you know, even though we have that strategically, the thing is having, I guess...having the County Council take upon that...you know, establishing through . . . (inaudible). . . whether it's Maui County Code having a set policy, you know, to build that fund would help the County of Maui as far as our rating is concerned.

CHAIR RAWLINS-FERNANDEZ: Awesome. Mahalo, Deputy Director Alibin. Okay, Members, what I am hearing is further discussion on the bill. So we'll defer. But before we do that...Committee Vice-Chair Paltin.

VICE-CHAIR PALTIN: I had one last comment in response to Chair Lee's...about the public infrastructure priority. And I agree with what she was saying, and I just wanted to link it to the Transient Accommodation Tax being able to prioritize infrastructure needs that...for shoreline retreat...managed retreat is that both the tourists and the residents will be negatively affected by our infrastructure and buildings falling into the ocean. Like you can't have HTA showing those condos getting barreled, Front Street getting, like, washed away, buildings in the shoreline. So that's the link for the TAT being...funding the managed retreat even if it goes to prioritize public infrastructure, and then literal beach cells of hotels, and things like that. So I don't think being able to prioritize public infrastructure will be a detriment, even though we're using TAT monies, because it affects tourism as well...or a lot. So just justifying.

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CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Committee Vice-Chair Paltin. Okay, Members, any objections to deferring BFED-106?

**COUNCILMEMBERS VOICED NO OBJECTIONS.** (Excused: KTK)

**ACTION: DEFER PENDING FURTHER DISCUSSION.**

CHAIR RAWLINS-FERNANDEZ: Okay (*audio interference*) okay, great.

**ITEM 80: BILL 62 (2022), SHORT-TERM RENTAL REAL PROPERTY  
TAX EXEMPTION FOR COUNTY RESIDENTS (Bill 62 (2022))**

CHAIR RAWLINS-FERNANDEZ: It's...okay, the next item on our agenda is BFED-80, Bill 62, Short-Term Rental Real Property Tax Exemption for County Residents. At this time we'll like to open public testimony for this item.

**. . .BEGIN PUBLIC TESTIMONY. . .**

CHAIR RAWLINS-FERNANDEZ: I see no one signed up on the list. Okay, any testimony on this item, testimony that has not been received? Member Johnson is excused. Okay. All right. Any objections to closing public testimony on BFED-80?

**COUNCILMEMBERS VOICED NO OBJECTIONS.**

**. . .END OF PUBLIC TESTIMONY FOR BFED-80. . .**

CHAIR RAWLINS-FERNANDEZ: Okay. All right. Mahalo, Members. This bill was introduced by Committee Vice-Chair Paltin. And we also have the Department of Finance for comments. We have Ms. Martin. Oh, and my apologies, I forgot to thank all our resources for the first item. And they're excused. Okay. So we'll start with Committee Vice-Chair Paltin for opening remarks. I'll put three minutes on the clock, and then we'll go to Ms. Martin. Committee Vice-Chair Paltin.

VICE-CHAIR PALTIN: Thank you, Chair. As we all know, the cost of living in Maui is pretty high, and many...or, you know, there is a portion of residents that subsidize their working jobs with revenue from short-term rentals. So this is just another tool in the toolbox, as we're increasingly raising the taxes on short-term rentals, and they fund the majority of our revenue, to not create unintended consequences by taxing residents out of their income source. And to limit it...you know, if they have multiple short-term rentals, only one can apply, and you know, just kind of starting out slow on this, and it can be adjusted if need be. But, you know, when we raise the short-term rental taxes, we do get testimony from residents who are just, you know, holding it together with their short-term rental supplementing their income. And this is one way to offset those increases for our residents only.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Committee Vice-Chair Paltin. Okay. Ms. Martin.



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MS. MARTIN: Thank you, Chair. The Division does have some concerns and comments. Currently we are automating the long-term rental exemption, and we anticipate the completion in about one year from now. But we are also short staffed, and in our Assessment Section, our property technical, so implementing a new exemption during this time is not ideal. There are no way [sic] to determine the financial impact of this bill, as we have no way to know how many Maui residents own a short-term rental. It's not just residents that own an owner-occupied property. For example, it could be a resident that doesn't own any other property. And because this exemption is tied to tax returns, it will require Social Security number maintenance. And right now, for compliance reasons, our current system is set up to only allow Social Security on one exemption. So we would have to figure out how to implement this with that restriction. With all tax relief programs, the Division asked Corporation Counsel to scrutinize the ordinance for improprieties and uniformity issues. I also think that the long-term rental exemption and that this proposed exemption should be scrutinized against each other because the tax relief may be similar, and how will that...how would the exemptions compete. And like the childcare facilities exemption, we feel this exemption should require annual filings to avoid compliance issues. With the home exemption, the Division monitors when the mailing address is not the property address. And this exemption will not have that same tool. And also, that tax return requirement may not work the way it does with the current home exemption due to no nexus between the owner and the property. For example, all TVR owners should be filing a State of Hawai'i income tax returns. Some may live in states where there are no income tax filing requirements. We aren't sure if this will create a compliance problem. Those are my comments for now. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Ms. Martin. Committee Vice-Chair Paltin, did you want to respond to any of the comments before I open up the floor for questions?

VICE-CHAIR PALTIN: I guess my only comment would...or question in response would be this is a policy decision.

CHAIR RAWLINS-FERNANDEZ: Yes.

VICE-CHAIR PALTIN: I think it would be good for us to get a handle of how many of our short-term residences are resident-owned because there's much speculation every year. I think that data is important to the discussion on setting taxes as well.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Committee Vice-Chair Paltin. And before I open up the floor to questions, Deputy Corporation Counsel Toshikiyo...okay, I wanted to check with you for any opening comments on...regarding the constitutionality of the bill, or any legal concerns.

MS. TOSHIKIYO: Thank you, Chair. I just wanted to make sure we were all looking at the right version. I'm sorry, because I think that there might be...Bill 62, as was originally submitted to the Council. And then there is also Member Paltin's amendment summary form. And I believe that *(audio interference)* --

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CHAIR RAWLINS-FERNANDEZ: I think the intention would be to work off of the updated bill from *(audio interference)* --

MS. TOSHIKIYO: Oh, okay. Okay. Perfect. Thank you. Perfect. Thank you. Yes. Actually, we did have that discussion when we were reviewing...oh, I thought I...thought I signed it, sorry. Yes. The discussion as to the constitutionality because of the *(audio interference)* requirement that it *(audio interference)* allow for the resident. But again, these are for the short-term rental classification, so they'll all still be classified as a short-term rental, but be allowed an exemption if they are a County resident. And I think there is enough of a basis, as Ms. Paltin has stated, and previously when this came up in a brief discussion during the budget session regarding the economy providing a benefit to residents and the circular economy. And I think as, you know, this Council continues through their policymaking, to provide enough of a basis to give this benefit to the residents, I think we should be okay.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Deputy Corporation Counsel Toshikiyo. Okay, Members, I'll put two minutes on the clock. I see Member Lee with her hand up. Member Lee.

COUNCILMEMBER LEE: Question for Ms. Martin. When will you know the extent of the fiscal implications of implementing this ordinance? How much of a loss will we, you know, sustain as a result of the home exemption? And I'm assuming that this exemption is for one short-term rental, in addition to the residence occupied...home occupancy, right? Just...like they're able to get two, yeah? Okay. So you said you don't know what the implications are yet. When will you know the implications so that we know how much money we won't be collecting?

CHAIR RAWLINS-FERNANDEZ: Ms. Martin.

MS. MARTIN: Chair. Thank you. I can tell you, based on the current tax rate, if the exemption is \$100,000, it would provide \$1,185 in tax relief to the property owner. However, we have no way of knowing how many property owners will qualify until we opened up the application period.

COUNCILMEMBER LEE: Don't you work with Planning on that? Don't you folks have an idea of how many units you're talking about? No?

CHAIR RAWLINS-FERNANDEZ: Ms. Martin.

MS. MARTIN: Okay, Chair. We could guesstimate a minimum number of qualified applicants, checking people who have a home exemption. But there may be owners who are residents that . . .*(timer sounds)*. . . don't have a home exemption, and that we couldn't determine.

COUNCILMEMBER LEE: Okay. Thank you.

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CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Lee. Members, questions? Okay. If no questions, comments? Or if you want to think about this more, we can do that too. Okay. Member Molina, followed by Member Sugimura.

COUNCILMEMBER MOLINA: Just one quick question, Madam Chair, I guess maybe for Corporation Counsel. So with this, you can be a resident in one year. So say I'm originally a California resident, I move to Maui, open up a short-term rental, hang out here for a year, and that would make me, under this bill, eligible, then, for the tax relief.

CHAIR RAWLINS-FERNANDEZ: Deputy Corporation Counsel.

MS. TOSHIKIYO: Yes. Thank you, Chair. Thank you, Member Molina. Under this current version, so long as they have filed their resident State of Hawai'i tax return for the previous year. So similar to the home exemption, where that is a requirement in order to determine residency. So if that fits within your scenario, then that would be correct.

COUNCILMEMBER MOLINA: Yeah. Okay. Because I know we kind of have a tendency to provide relief more towards the long-time kama'aina, if anything, that are doing short-term rentals. But in this case, you could just...I don't know if we could...should establish some parameters as far as the number of years to be a resident and qualify for this, you know, exemption in terms of being a short-term owner, but...yeah. So that's kind of where my...not concern, but just questions lie, where I could just hang out here for a year, move in from the mainland, get the short-term rental and bang, I qualify for tax relief, whereas you had kama'ainas been here for years, and waiting, and then...I don't know, just maybe an issue of maybe fairness. I don't know. I may be wrong, but thought just crossed my mind, so...but thank you for the response. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. Member Sugimura.

COUNCILMEMBER SUGIMURA: Thank you. Yeah, I look forward to thinking this through further. And I would like speak to Tom Croly, which he said he would contact my office, as my questions were not allowed during the testimony period. So I'll dig deeper into this, and wait for you to bring it up. Thanks.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Sugimura. Okay. And for myself, my concern with this bill would be that it might end up serving as an incentive to do this. And I feel like part of the housing crisis that we're in right now is using housing as a business. And I think that that's part of the problem, is that we shouldn't be using shelter, something necessary for living, as a business. *(Audio interference)* pushing a lot of our people out, pricing people out, and resulting in increased houselessness. So I will follow my colleagues in thinking through this more, but appreciate Member Paltin's creativity and trying to figure out how to help our residents. Okay. I don't see any...oh, Member Kama, did you want to --

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COUNCILMEMBER KAMA: I just wanted to make a comment, Chair. Thank you. I think it...my heart of hearts tell me it's a good bill. And I know we have a lot of questions, and things like that. So as we take the time to think about it, or read through it and get a better understanding of it, I'm hoping that we're all going to come back and say, okay, this is how we can all make it work. And that's my hope for us as we dive deeper into this piece of legislation that's before us today. Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Member Kama. Okay. And then before we defer this item, I'll call on Committee Vice-Chair Paltin for any closing comments.

VICE-CHAIR PALTIN: Thank you. And I would just say that, you know, we have so many thousands of TVR units that we can't...and short-term rentals that we can't seem to legally end. And, you know, we're not 100 percent sure, but there's been estimates given of how many are owned by offshore residents and onshore residents. We've had talks about economic development, economic diversification and circular economy. You know, if we can't get rid of these TVRs or STRs, I would prefer that the economic development angle of it becomes circular economy rather than funneling profits offshore. So that's kind of part of the reason why I introduced it. And the other reason is the trend on taxation of STRs is going up, and up, and up, and I don't want it to get to the point where all of our thousands of STRs are owned by offshore people, and they're the ones pulling our strings. So that's a little bit where I'm coming from.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Committee Vice-Chair Paltin. All right. Members, any objections to deferring BFED-110...no --

COUNCILMEMBER KAMA: No objections.

CHAIR RAWLINS-FERNANDEZ: -- BFED-80. Yeah, BFED-80.

**COUNCILMEMBERS VOICED NO OBJECTIONS.** (Excused: GJ and KTK)

**ACTION: DEFER PENDING FURTHER DISCUSSION.**

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Members. And we'll thank our resource personnel for helping us with this item. Okay. So it's 10:34. We'll just...we'll take our break now. And then when we return, we'll open testimony on BFED-110 again, complete our discussion on that, and then BFED-85. Okay. Any objections or questions on proceeding in that fashion?

**COUNCILMEMBERS VOICED NO OBJECTIONS.**

CHAIR RAWLINS-FERNANDEZ: Okay, wonderful. So it's 10:34. We'll return at 10:45. Okay. All right. The Budget, Finance, and Economic Development Committee is now in recess. ...*(gavel)*...

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**RECESS: 10:34 a.m.**

**RECONVENE: 10:45 a.m.**

CHAIR RAWLINS-FERNANDEZ: . . .*(gavel)*. . . Will the Budget, Finance, and Economic Development Committee please return to order. It's 10:45 on August 4th.

**ITEM 110: BILL 102 (2022), PROHIBITING PROPERTIES WITH  
TRANSIENT VACATION RENTALS FROM RECEIVING THE  
HOME EXEMPTION (Bill 102 (2022))**

CHAIR RAWLINS-FERNANDEZ: Okay. We are now on BFED-110, Bill 102 (2022), Prohibiting Properties with Transient Accommodation *[sic]* Rentals from Receiving the Home Exemption. We'll first open public testimony on BFED-110 for any individuals who did not already provide testimony.

**. . .BEGIN PUBLIC TESTIMONY. . .**

CHAIR RAWLINS-FERNANDEZ: Anyone wishing to provide testimony, please unmute yourself now, and you may proceed. Okay. Hearing no one speaking up to testify. Members, are there any objections to closing public testimony on BFED-110?

**COUNCILMEMBERS VOICED NO OBJECTIONS.**

**. . .END OF PUBLIC TESTIMONY FOR BFED-110. . .**

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Members. Okay. All right. This is the third bill that's been introduced by Committee Vice-Chair Paltin. So we'll start with Member Paltin for opening remarks, and then we'll go to the Department of Finance. Committee Vice-Chair Paltin.

VICE-CHAIR PALTIN: Thank you. So this bill is ultimately kind of closing a loophole for some of the properties that are operating short-term rentals, TVR-type things, but in getting the homeowner exemption, now they automatically can get the owner-occupied tax class category. Even if they have like 11 short-term rentals on the property, they're paying \$2 per thousand like all the...or tiered tax rates, which are...you know, owner-occupied is the lowest. So it's a little bit of a loophole closer, fairness equity bill where if you're running a bunch of short-term rentals, or even one short-term rental, and you qualify for the owner-occupied, you're not paying short-term rental tax category, you're not paying hotel tax category. So it's a little bit of a compromise because they are living on the property, then we're putting them in as commercial residential. And I can explain more later, if you like.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Committee Vice-Chair Paltin. And we have Ms. Martin, our Real Property Tax Administrator, with opening comments. Ms. Martin.

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MS. MARTIN: Thank you, Chair. Yes, I would agree that this bill is addressing a current inequity. If you have a B&B permit, you go into commercialized residential, where right now, if you had a property that was entitled to do short-term rentals that didn't have a permit, one house is owner-occupied, one house is short-term rental, you get the owner-occupied rate. So this would correct that inequity. With that being said, however...now, this year we've created another override class, the long-term rental. So it's possible that that may need to be corrected. I got a sample property, and I calculated the current owner-occupied...I happen to know this has an owner-occupied and has short-term rentals. If that property was long-term rental as opposed owner-occupied, they would be paying less, and they would be paying at commercialized residential. So that's something for you to think about. Another issue to look at would be at the bottom of the bill, under item number 8, and perhaps Deputy Toshikiyo should take a look at this, I think the word homeowner should be owner-occupied. So that might be a cleanup in this bill. And I just want to make a general comment that it may be difficult for the Real Property Division to find some of these parcels. They will be found over time, but it may take more than a year. And it will be a tax increase for the people that we know of. I would think we should probably notify those owners. And those would be my comments.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Ms. Martin. Okay. We'll go back to Committee Vice-Chair Paltin for any comments in response to feedback from the Department, and then I'll open the floor for the Members to ask questions. Member Paltin.

VICE-CHAIR PALTIN: So I guess it would be a clarification of what she was saying. If we don't want them, are you saying that they shouldn't be allowed to get the homeowner exemption or the long-term rental exemption if they do short-term rental on their property?

CHAIR RAWLINS-FERNANDEZ: Ms. Martin.

MS. MARTIN: Oh, Chair. I would ask that you...as a policy decision, you consider do you want the...a property that's...say there's just two dwellings. One dwelling is long-term rental, and one dwelling is short-term rental. You know, do you want them to pay the long-term tax rate, or do you want to pay the short-term tax rate, or commercialized residential, and then the same with the homeowner. So just making sure that the two...or the three classifications are in balance, owner-occupied, commercialized residential and long-term rental. And I think if you get a spreadsheet and kind of do the math, you'll see if what you're doing is what you would like to accomplish.

VICE-CHAIR PALTIN: And I would just say that owner-occupied is our lowest tax class category, correct? And I think that, you know, this is a glaring loophole, to me. And then I would like to plug it right away, and then we can work on those other ones. Because owner-occupied assumes that, you know, you're living there, and you're not short-term renting [sic] it, is a little bit where I'm coming from. It's not fair to people who are just owner-occupied and not short-term renting [sic] it, you know. I mean, I don't know how much more clear that can be.

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CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Committee Vice-Chair Paltin. Members, I'll now open the floor for questions. Please raise your hand if you have any questions. Member Lee.

COUNCILMEMBER LEE: Well, I still don't quite understand it myself. I'm not sure what loophole you're trying to close. Because I was, in particular, looking at item number 4 where there's a deletion and an addition. See that...operates as a transient vacation rental in any capacity. Okay.

VICE-CHAIR PALTIN: I can explain. Okay, here's an example.

COUNCILMEMBER LEE: Okay.

VICE-CHAIR PALTIN: Okay. There's a property that has eight cottages, and three suite rentals, and the owner lives on the property. It's classified as hotel zoned. But because the owner lives on the property, they file a homeowner exemption. Because it's zoned hotel, they can do transient vacation rental. So now eight cottages, three suite rentals, homeowner exemption, they're paying owner-occupied class. That's a loophole.

COUNCILMEMBER LEE: Well, because I see it as...on those cottages or *(audio interference)* they can be used as short-term rentals, which would be, you know, \$11.85 per thousand, as opposed to commercialized residential, which is \$4.40. That's a huge *(audio interference)* --

VICE-CHAIR PALTIN: Well, if you want to tax them at that, I'm open to it, but they're getting taxed at owner-occupied. They're not getting taxed at short-term rental. Even though they're doing eight cottages short-term rental, three suites short-term rental, the entire property is getting taxed at owner-occupied.

COUNCILMEMBER LEE: Okay, that's wrong. Yeah, that's wrong. I agree. But I'm not sure that this language is sufficient to close that loophole, is my concern. . . .*(timer sounds)*. . .

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Member Lee. Members, any other questions? Okay. I put two minutes on the clock for myself. I am supportive of this bill. For today, I would like to...my preference would be to defer, and I'll work with Ms. Martin on some of the concerns she brought up to ensure that we're going to achieve what it is that we want to achieve with the policy language. And my intention is to also close some loopholes on the long-term rental exemption and classification as well. Even if we were to pass it next month, this wouldn't go into effect until next fiscal year anyway, so we have some time. And I will expedite scheduling this again after working with Ms. Martin to ensure that we will accomplish what it is that we're hoping to accomplish with this. Any other questions? Okay. Committee Vice Chair Paltin.

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VICE-CHAIR PALTIN: Given what Member Lee was saying, I guess, you know, I felt commercialized residential was a compromise. But if she's thinking that it should be taxed at hotel instead, I think we need to all get on the same page so that we're knowing what we're talking about. If Members are okay with there being an owner occupant, then it would go into the commercial residential tax category, which is for B&Bs, but it's not necessarily operating as a B&B because there is these separate dwellings. So I think since we're here altogether and we can talk about it with the Sunshine Law, we should try to see if we get on the same page. If Members are okay with it being commercialized residential in that case, or if they think that, you know, short-term rental is being used, regardless of them being an owner-occupant also on the property that...you know, and I'm...you know what I proposed, but I'm open, you know, to the will of this body. So I just would put that out there, since we're here today, clarify that we're all on the same page.

CHAIR RAWLINS-FERNANDEZ: Okay. Do you want to phrase your question, and I'll ask each Member their preference?

VICE-CHAIR PALTIN: Okay. So would Members prefer, if there is an owner occupant on a piece of property that is legal to do transient vacation rentals, the tax classification be commercialized residential or short-term rental? Which is the preference?

CHAIR RAWLINS-FERNANDEZ: Okay. And then I'll just...I'll call on each video that I have on my screen in that order. Member Sugimura, do you have a response to Member Paltin's question?

COUNCILMEMBER SUGIMURA: I do not. So honestly, I got to think about it.

CHAIR RAWLINS-FERNANDEZ: Okay. Member Lee.

COUNCILMEMBER LEE: Yes. I don't know where you find these people, Member Paltin, I've never heard of this situation. But if I had my way, I would charge them higher than commercialized residential. Yeah, give them the home exemption on the owner occupant unit, but the other units that are used for short-term rental--not long-term rentals, but used for short-term rentals--you could give them that exemption that you were suggesting in a previous...the previous proposal that you had. But still...and I...I wouldn't charge them, necessarily, the hotel rate, but certainly the short-term rental rate with, possibly, the exemption that you were proposing in the previous one. But that was only for one unit, yeah. How does anybody get a permit for eight units on their property?

CHAIR RAWLINS-FERNANDEZ: Is that a question for Ms. Martin? I don't think it's a question for Committee Vice-Chair Paltin (*audio interference*) --

COUNCILMEMBER LEE: Okay. But anyway --

CHAIR RAWLINS-FERNANDEZ: -- unless she knows.



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COUNCILMEMBER LEE: -- the main thing is...the main thing is that they're using it for short-term rental purposes, yeah.

VICE-CHAIR PALTIN: Yeah.

COUNCILMEMBER LEE: And commercialized residential is really meant for B&Bs and that's why they have the \$4.40. They're making huge...big bucks on these short-term rentals. They should be charged \$11.85. That's my two cents. Thanks.

VICE-CHAIR PALTIN: *(audio interference)* there's another property with only three cottages that they rent out, and they're getting owner-occupied as well. But I would say, you know, the way that this occurs is predating our TVR laws and whatnot, and then loopholes.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Member Lee. Member Sinenci, if you had a response --

COUNCILMEMBER SINENCI: *(audio interference)* --

CHAIR RAWLINS-FERNANDEZ: -- to Member Paltin's question.

COUNCILMEMBER SINENCI: -- short-term rental rate.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Member Sinenci. Member Kama.

COUNCILMEMBER KAMA: I agree, charge them the higher rate. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Kama. Member Molina.

COUNCILMEMBER MOLINA: Yeah, you know, these people found a loophole, I mean it's their good fortune, but you know, all good things must come to an end at some point. Higher rate, and I like this direction that we moving in. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. Okay. So...oh, Member Sugimura, you have *(audio interference)* --

COUNCILMEMBER SUGIMURA: *(audio interference)* yeah, I concur. Just listening to this. Thank you.

CHAIR RAWLINS-FERNANDEZ: All right. So I think we have our answer. Member Paltin.

VICE-CHAIR PALTIN: Oh. And just one more thing, I did submit additional information on how the loophole came to my attention, it's in the meeting details if folks wanted to read that as well. But it's not just based on this one property. And I don't know if we want to specify. I mean in speaking with Ms. Toshikiyo this morning, another situation was identified. Like, for example, we have the so-called Minatoya List, which all those properties are legal to do short-term rental without a permit. So imagine a

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three-bedroom Minatoya List property where the owner lives in one bedroom, and then Airbnbs [sic] out the other two bedrooms. In that case, they can apply for a homeowner exemption, and get owner-occupied tax class, and legally...I guess in that case, it would be a B&B because they are living in the same unit. And so in that case, I would support commercialized residential if they live in the same unit that they're renting out on a short-term basis. But I think, like Chair Lee said, if they're not in the same house, then it's not really a B&B, it's more a short-term rental. So I'm not sure...they live in the same unit, then maybe the B&B rate. If they live in a separate unit, then short-term rental rate for those structures, maybe, or something.

CHAIR RAWLINS-FERNANDEZ: Yeah, it sounds like we have the legislative intent. Member Lee.

COUNCILMEMBER LEE: Yes. And they also have the option, Member Paltin, of declaring it and going...and transforming it into the long-term rentals. You know, all those little cottages. And that long-term rentals are, you know, like \$3...you know, the rate is \$3, so...and that would serve our purpose, which is to provide more affordable housing. So they have choices.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Lee. Okay. And I see Finance Director Teruya on...if the Department had any comments on this.

MR. TERUYA: Good morning, Chair and Members. Sorry, late on this item. I just been following, just recently. I see a lot of comments and questions from a lot of the Members. You know, this has been a discussion, at least for the last ten years that I been on multiple TIGs, et cetera. And a lot of the problems stem with how we had our code written in the past, where it was a two-part code, where one, you're an owner occupant, and then what is the use. The other three counties separate use and exemption whereby you can get an exemption; however, your classification is based on their highest and best use. So in the example that Ms. Paltin is bringing up, you could possibly get your exemption, but you couldn't get the classification. So there's ways that can be maybe discussed further down the road when...it's possibly not the best time to be discussing this on the floor...if not, this Committee will go on forever. But if you want to take this up on the side where we can give you guys examples of how you guys want to handle this legislation, and then from there, give you guys the options to vote on. But I think right now, you're stuck with an ordinance that allows them to reap the benefits, and that's how...that's the ordinance. You not going to have a foolproof system where everybody is exactly cut and dry. So I think...right now, I think Ms. Paltin provided some legislation that will eliminate that moving forward. But if you guys want the Department to assist with giving the Council scenarios for them to choose how they want to either handle exemption and classification separately, we can always offer you guys that option. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Director, for that additional comment. I see Ms. Martin turned on her video. Did you have further comments, Ms. Martin?

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MS. MARTIN: I concur with Director Teruya. And I think a spreadsheet with examples would help clarify what we're trying to accomplish.

CHAIR RAWLINS-FERNANDEZ: I agree. Visual aids always help. Mahalo, Ms. Martin. Okay. All right. Members, any last questions or comments? If not, we'll defer. Okay. Any objections on deferring --

VICE-CHAIR PALTIN: Wait, I got one last question --

CHAIR RAWLINS-FERNANDEZ: Oh.

VICE-CHAIR PALTIN: -- I mean comment.

CHAIR RAWLINS-FERNANDEZ: Committee Vice-Chair Paltin.

VICE-CHAIR PALTIN: So I just wanted to clarify for the Members, this one I wasn't giving away money, I was trying to collect more money. So just clarifying it for you guys. Not giving away...the opposite. One was giving away, one was not. Just putting it out there . . . *(inaudible)*. . .

CHAIR RAWLINS-FERNANDEZ: *(audio interference)* mahalo, Committee Vice-Chair Paltin. Okay. Any objections to deferring BFED-110?

**COUNCILMEMBERS VOICED NO OBJECTIONS.** (Excused: GJ and KTK)

**ACTION: DEFER PENDING FURTHER DISCUSSION.**

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Members.

**ITEM 85: LEGISLATION AND DISCUSSION ON THE EFFECT OF THE  
CORONAVIRUS PANDEMIC, rules, cares act, AND RELATED  
ISSUES** (CC 20-207, CC 20-275)

CHAIR RAWLINS-FERNANDEZ: All right. The last agenda item we have is BFED-85, Legislation and Discussion on the Effects *[sic]* of the Coronavirus Pandemic, Rules, CARES Act, and Related Issues. We have...oh, do we have the Managing Director on? Okay. We invited...oh, okay, there. We invited the Management Department, Department of Finance, for...to be with us as resource personnel. Okay. So we'll begin with the Department of Management, followed by Department of Finance, on opening comments. And again, this isn't only exclusive to CARES Act funding. I know that we closed out that initial funding that we got back in 2020. Okay. I see Deputy Managing Director Josiah Nishita with us. Mahalo for being with us. Are you here to provide opening comments?

MR. NISHITA: Thank you, Committee Chair Rawlins-Fernandez. I apologize, I just found out a little bit ago that our Managing Director wasn't going to be able to be here for the

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meeting. So I don't have anything prepared, but if you guys have any questions, I'd be happy to try to help. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Deputy Managing Director. Okay. And from the Department of Finance, Director Teruya or Deputy Director Alibin.

MS. ALIBIN: Hi, Chair. Good afternoon...and Members. So with respect to the CARES Act funding, the Department of Finance, in conjunction with the Budget Office, have already closed out the matter as far as the reporting is concerned, and the funding with the State in...I think...I believe it's July 10 of this year. And with regards to the ARPA funding, we...the Department of Finance recently submitted the quarterly report for April 1st, 2022 to June 30, 2022 with the U.S. Treasury. And I can provide more details if you have any questions. I'll be here in support. Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Deputy Director Alibin. All right. Members, I'll put two minutes on the clock for everyone. Member Lee.

COUNCILMEMBER LEE: Ms. Alibin, do we have any...did you say there was a balance on the ARPA funds? And is there a balance on any State funds?

CHAIR RAWLINS-FERNANDEZ: Deputy Director.

MS. ALIBIN: Chair. So for the CARES Act, which was funded through the State, so the...we had spent about 66 million out of the 66 million that we were appropriated. With the CARE...I mean the ARPA funding, our anticipated allocation from...direct funding from the Fed is about 50 million. However, we only received half of that. So the County is still waiting for the second tranche of the ARPA funding. So in total, out of the 50 million, we...County has already obligated approximately 10 million from the ARPA funds.

COUNCILMEMBER LEE: And how do you decide how to spend the funds?

MS. ALIBIN: Chair. So with regards to the ARPA funding, the U.S. Treasury has about 200 pages of guidelines. And they had actually produced a interim final rule. And then they came up with another final rule that was issued recently in April, with all of the eligible expenses *(audio interference)* --

COUNCILMEMBER LEE: Okay. And are you expecting any more additional emergency funds or any types...other funds?

MS. ALIBIN: Relating to the COVID-19, Chair, the...all that I'm aware of is, you know, the appropriation from the American Rescue Plan Act of the total of 50 million, which is...County has through December 31st, 2026 to expend.

COUNCILMEMBER LEE: Thank you. . . .*(timer sounds)*. . .

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CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Member Lee. Okay. Members, any other questions? Committee Vice-Chair Paltin.

VICE-CHAIR PALTIN: I was wondering about the pallet houses. My understanding was we didn't put them all out, and now that we're having to take them down, what is the plan for those pallet houses?

CHAIR RAWLINS-FERNANDEZ: Deputy Managing Director.

VICE-CHAIR PALTIN: Can we return them --

MR. NISHITA: Thank you.

VICE-CHAIR PALTIN: -- *(audio interference)* the money back.

MR. NISHITA: I apologize, I was...I just started speaking, so I didn't hear what that last part was, Councilmember Paltin.

VICE-CHAIR PALTIN: Oh, I just was wondering if we can return them and get the money back.

MR. NISHITA: Okay. Yeah. Thank you, Committee Chair Rawlins-Fernandez. It sounded like the first part of the question is, do we have some that hasn't been, I guess, built yet. And then what are the plans for the current site...eventually going to be taken down. Is that the gist of it?

VICE-CHAIR PALTIN: Yeah. Like do we have to, now, pay for the storage of unused pallet shelters? Or like what is the plan?

MR. NISHITA: Okay. Yeah, thank you very much. The Council did put in some money for, essentially, a program through...I believe it's Ka Hale a Ke Ola. I believe Lawrence Kauha'aha'a and some others were going to be involved in that in West Maui. So *(audio interference)* --

VICE-CHAIR PALTIN: Yeah, they said they couldn't use the pallet shelters because they'd need building permits. And they were working with Ka Hale a Ke Ola to use ten of their already built units. And so the pallet shelters weren't going to work out for them. So it would seem like we have 50 pallet shelters we're not using.

MR. NISHITA: Okay. Well, that's the first I've heard that the pallet shelters won't work for them. We've been looking at...the Governor had contacted the counties about possible emergency declaration related to homelessness, and you know, if some projects could benefit from...it's the same problem that we're dealing with at Waialae Park is that, you know, now that the emergency proclamations have ended . . . *(timer sounds)*. . . you know, there are zoning restrictions and other sorts of things that are now in noncompliance. So yeah, there's a couple of different, you know, thought processes

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into, you know, keeping those programs running in different areas. But I'll follow up on Ka Hale A Ke Ola's concern about the use of them out in West Maui. Thank you.

VICE-CHAIR PALTIN: Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Committee Vice-Chair Paltin. Members, any other questions? Member Sugimura, and then *(audio interference)* --

COUNCILMEMBER SUGIMURA: This is for Josiah relating to that discussion. I think that the Legislature appropriated \$15 million Ohana Zone, and I wonder if we could, you know, tap into that to...and put this together so that we can utilize those pallet homes.

CHAIR RAWLINS-FERNANDEZ: Deputy Managing Director.

MR. NISHITA: Thank you, Committee Chair Rawlins-Fernandez. Yeah. I mean, I know our Department of Housing and Human Concerns is looking to, you know, utilize as much of the Ohana Zone funding as possible, and looking at different, you know, programs that could be encompassed with that. You know, in terms of...I don't believe that funding has any relation to, kind of, the COVID or, you know, ARPA funding that we've received. But it is something that I think, you know, we can have further discussions with...with departmental resources who are more involved in those areas. Thank you.

COUNCILMEMBER SUGIMURA: Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Member Sugimura. I'll ask if there's anyone else for round one. Okay. Seeing no hands. Then we'll go to round two. Member Lee.

COUNCILMEMBER LEE: Josiah, are you still there? Josiah?

MR. NISHITA: Yep. Here.

COUNCILMEMBER LEE: So are you dismantling the pallet homes at Wai'alae?

MR. NISHITA: Eventually, you know, that site will be restored back for community use --

COUNCILMEMBER LEE: Uh-huh.

MR. NISHITA: -- for that area. The timeline does change from time to time, so depending on some things that are occurring.

COUNCILMEMBER LEE: Okay.

MR. NISHITA: So I'll need to get an updated...the time frame for that. But our anticipation was to move existing units to Ka Hale a Ke Ola's Lāhainā facility. And then there's other organizations that have also asked, like Aloha House, and some other nonprofits and churches that have inquired about utilizing those shelters for, you know, unsheltered individuals.

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COUNCILMEMBER LEE: Okay. So how many do you have in storage that would...you would be distributing out?

MR. NISHITA: I got to go look at the numbers. I believe...kind of what Councilmember Paltin threw out, I believe is correct, about 50, maybe somewhere along that lines. *(Audio interference)* --

COUNCILMEMBER LEE: Yeah, but you have like 23 or so at Waialae. Is that included in the 50?

MR. NISHITA: No, it...those are additional units.

COUNCILMEMBER LEE: Okay. Yeah, I'm sure there are other places...Aloha House, and Family Life Center, and Salvation Army, as well as West Maui. Because West Maui has 5 acres at their center. Yeah. Thank you.

MR. NISHITA: Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Member Lee. Okay. Committee Vice-Chair Paltin.

VICE-CHAIR PALTIN: Thank you. My question is, can the ARPA funds be used for the purchase of land or housing, for affordable housing, like Lāhainā Crossroads *(audio interference)* housed.

CHAIR RAWLINS-FERNANDEZ: Deputy...oh, whoever would like to take it.

MS. ALIBIN: Chair, I can take that. So with regards to the coronavirus portion of the American Rescue Plan Act, land acquisition is not one of the eligible uses. However, the County had also received a separate emergency rental program under the American Rescue Plan Act. So I would defer to the Department of Housing *[sic]* Human Concerns to respond on that if...you know, or maybe Deputy Managing Director have more information.

VICE-CHAIR PALTIN: And just the reason I ask is the current situation at Lāhainā Crossroads is kind of unstable. And I don't know how long we can continue in that without some action being taken.

CHAIR RAWLINS-FERNANDEZ: Deputy Managing Director.

MR. NISHITA: Yeah, as...I mean my understanding is the same as May-Anne that she just relayed. I would just note that as time kind of goes on though, the Feds are, you know, revising and updating their guidance and, at times, do make it kind of less restrictive, or open it up to other areas. So that's not to say that, you know, in the future, or maybe even in the near future, that something, you know, along those lines might be more possible. I'm not aware of the emergency rental assistance funding

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being able to be used like by a jurisdiction for purchase of land or structures. But it's something that . . . *(timer sounds)*. . . we can inquire about.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Committee Vice-Chair Paltin. All right. Seeing no other hands. Okay. BFED-85, so we'll defer this item, and I'll schedule it again in a few months and we can, you know, get any additional updates with anything related to this. Okay. Any objections to deferring BFED-85?

**COUNCILMEMBERS VOICED NO OBJECTIONS.** (Excused: GJ and KTK)

**ACTION: DEFER PENDING FURTHER DISCUSSION.**

CHAIR RAWLINS-FERNANDEZ: Okay, wonderful. Ms. Milner, did I open up testimony on BFED-85 before we took it up?

MS. MILNER: Sorry, Chair. No, I don't believe you did.

CHAIR RAWLINS-FERNANDEZ: Yeah, I don't believe I did either. Okay.

**. . .BEGIN PUBLIC TESTIMONY. . .**

CHAIR RAWLINS-FERNANDEZ: Before we defer, are there any testifiers wanting to provide testimony on BFED-85? There's no one on the list. Okay. Hearing no one speaking up to testify. Any objections to closing public testimony on BFED-85 and *(audio interference)* --

COUNCILMEMBER KAMA: No objections, Chair.

**COUNCILMEMBERS VOICED NO OBJECTIONS.**

**. . .END OF PUBLIC TESTIMONY ON BFED-85. . .**

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Kama. Okay. And deferring BFED-85?

**COUNCILMEMBERS VOICED NO OBJECTIONS.**

**ACTION: DEFER PENDING FURTHER DISCUSSION.**

CHAIR RAWLINS-FERNANDEZ: Mahalo, Members. All right. That brings us to the end of the agenda. You all worked so hard today. Give you an extended lunch, starting early. Okay. We have Affordable Housing Committee this afternoon at 1:30, and a Council meeting tomorrow. Any other announcements or anything else before we adjourn? Okay. Mahalo to our resources for helping us with each of the items. Ms. Milner, is there anything I should be aware of before we adjourn?

MS. MILNER: No, Chair. The Committee has addressed all items on the agenda.



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CHAIR RAWLINS-FERNANDEZ: Good job, Members. All right. It's 11:23 on August 4th, and the Budget, Finance, and Economic Development Committee is now adjourned. . . .(gavel). . .

ADJOURN: 11:23 a.m.

APPROVED:



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KEANI N.W. RAWLINS-FERNANDEZ, Chair  
Budget, Finance, and Economic Development Committee

bfed:min:220804:th

Transcribed by: Tricia Higa

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CERTIFICATION

I, Tricia Higa, hereby certify that pages 1 through 41 of the foregoing represents, to the best of my ability, a true and correct transcript of the proceedings. I further certify that I am not in any way concerned with the cause.

DATED the 31st day of August 2022, in Mililani, Hawai'i

  
Tricia Higa