REAL PROPERTY TAX ADVISORY COMMISSION

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January 18, 2012

Council Chair Ernest Martin
Honolulu City Council
530 S. King Street
Honolulu, HI 06813

Dear Chair Martin,

On behalf of the members of the Real Property Tax Advisory Commission, I am pleased to submit the final report of the Commission to you and the members of the Honolulu City Council. This report includes all public testimonies, including comments received during the 30 day comment period from December 9, 2011 through January 9, 2012 in accordance with your recommendation.

This concludes the work of the Commission which dissolves on June 30, 2012. I want to acknowledge the contributions of Budget and Fiscal Services Director Mike Hansen and Real Property Tax Assessment Division Administrator Gary Kurokawa. Their guidance and expert testimony was an invaluable part of the process. I also want to commend the Commission members for their support and thank them for their participation in a most comprehensive review of the property tax exemptions.

Thank you for this opportunity to explore an equitable and more efficient real property tax system for all of the residents of the City and County of Honolulu.

Sincerely,

Lowell K Kalapa, Chair
Real Property Tax Advisory Commission

C: Members of the Real Property Tax Advisory Commission

COUNCIL COM. 15

530 South King Street, Room 202 • Honolulu, Hawaii 96813 • email: ccltbc@honolulu.gov

Final Report of the Real Property Tax Advisory Commission

January 2012

This report was prepared by the Office of Council Services
for the
Real Property Tax Advisory Commission.

Pursuant to Resolution 11-143, FD1, the Honolulu City Council established an Oahu Real Property Tax Advisory Commission and seven citizens were appointed to undertake an objective review of the City & County of Honolulu's real property tax system. More specifically, the Council directed that "the commission shall conduct a systematic review of the City's real property tax system's classes, exemptions, credits and minimum property tax, using such standards as equity and efficiency and starting with an initial review of exemptions."

Prologue

The Commission wishes to make it known that it took its charge seriously and without bias to any special interest. While some members, no doubt, represent specific special interests, all were asked to put those interests aside in the Commission's attempt to understand the genesis and rationale for the plethora of exemptions which riddle the Honolulu Real Property Tax ordinance. The Commission recognized that many of the current exemptions came about as a result of political pressure and constituency dissatisfaction in bearing the real property tax burden.

The Commission received comments from the public all of which are attached as a part of this report. Recognizing that many of its members gave of time from their already busy schedules, the Commission's meetings were kept within promised time limits and in many cases adjourned with discussions left incomplete. However, with the limited window of opportunity for open and candid discussion and allowing for input from the staff whose task it is to execute the policies established by prior state laws and Councils, the Commission believes that its review has been objective and evenhanded. While the Commission recognizes that many of its recommendations may not be politically popular or acceptable to various special interests, it believes that the sum of its recommendations makes the real property tax system far more fair and equitable as well as transparent.

With no preset or hidden agenda other than to take its charge from the Council's resolution to heart in its quest for equity and efficiency, the Commission consistently measured each exemption or dedication it discussed against the six principles of good tax policy outlined in its report. The Commission also recognized that the real property tax is indeed an ad valorem tax, that is a tax based on the value of the real property of the owner. The tax itself is the product of this value multiplied by the rate set each year by the City Council.

The Commission recognizes that rising property values are a matter of market forces and that with a finite source of urbanized land, values in Hawaii, especially in Honolulu, will continue to rise. While this is an often-heard complaint of long-time homeowners, they nonetheless have the ability to leverage that appreciated value or dispose of the appreciated value and reap the benefits of that appreciation. The Commission also notes the concern of some members that the recent failure of the Congressional "Super Committee" to adopt a reduction in federal spending will trigger automatic cuts to federal spending beginning in 2013. With Hawaii's heavy dependence on defense expenditures and with a large presence of federal and civilian personnel, such reductions in federal expenditures could have a substantial impact on the real estate values in Honolulu should demand for housing by those federal employees disappear.

On the other side is the argument that many long-time homeowners have no intention to divest their property in return for the unrealized gains their appreciated property represents. Many of these property owners are elderly and argue that because of their age or disability or fixed income they should be entitled to a bigger tax break. However, the same argument could be made for those who are just beginning their tenure in a home, because of their young age, they have rather limited earning capability, do not have other assets, or may have other indebtedness that the elderly no longer have. To that end, one of the Commission's more controversial recommendations raises the issue of what blanket exemptions attempt to achieve.

Critics of the repeal of the home exemption and the multiple, age-based home exemption need to ask the same question that Commission members asked and that is whether or not there is a direct correlation between physical condition and the need for tax relief. The Commission believes that critics must take an objective view of whom the taxpayer is and not base their assumptions on a quid pro quo that just because one is elderly or disabled that the person is necessarily poor. The Commission was made aware of several past examples of persons who were disabled, for example, who were subject to more lenient treatment under other State tax laws but had, in fact, substantial wealth and income that was then granted preferential treatment. Unless critics can prove that there is a direct link between age or physical condition and the need for additional tax relief, those exemptions cannot be justified.

The other point that the Commission would like to reiterate is that when such blanket exemptions are granted, those who are beneficiaries come to assume that the City can continue to provide the same level of services without cost to anyone. That is just not true. Someone must pay for the services that are provided to beneficiaries of the blanket exemptions. Taxpayers who are not so favored with a blanket exemption must pick up the cost of providing those services.

Thus, one of the misconceptions that such blanket exemptions create is the assumption that more City services can be provided because it is not costing a particular beneficiary group anything or very little for these City services. Thus, the accountability relationship between those who pay for those services and those who benefit is lost.

The Commission acknowledges that many who have been granted preferences (exemptions) under the current law will resist any attempt to reduce or eliminate those preferences; however, those beneficiaries must also acknowledge that they are also beneficiaries of City services. Those services must still be paid for out of what resources the City has collected from those not so favored. Thus, if many of these preferences are not curtailed or constrained and the cost of providing City services continues to rise, the burden of paying for those services must be shifted to all real property taxpayers who don't enjoy similar preferences. Reducing or eliminating many of these exemptions will help to spread the cost over all those who benefit from the services provided by the City and paid out of real property taxes. That being said, the Commission also wants to go on record that its recommendations to bring fairness and efficiency to the real property tax system should not provide license to elected officials to realize a windfall of new revenues while providing little or no tax relief to those who have been paying the tab all these years as Councils, both past and present, increased the number of exemptions. In

other words, broadening the base of the real property tax should be utilized to either reduce real property tax rates on current taxpayers or minimize any increase in rates for currently taxable property.

While it was not within the purview of the Commission's charge, the Commission notes that County expenditures must also be constrained and reined in as well. It was not the Commission's task to merely find ways to raise more money but to bring efficiency and equity to the real property tax system. Thus, the Commission believes that it is the Council's responsibility to address the spending side of the ledger.

Finally, the Commission wants to extend its appreciation to the Department of Budget and Fiscal services, in particular to Director Mike Hansen and his staff of the Real Property Assessment Division, its chief, Gary Kurokawa, Robin Freitas, and Bob Magota for all of the technical support and information they provided to the Commission. The Commission also extends its appreciation to the Office of Council Services and Council Chair Martin's office who provided staff support and coordination for the Commission's meetings.

THE MISSION AND THE SETTING

Charged with the goals of returning equity and efficiency to the system, the Commission recognized that after many years of amendment and political pressure the system had been riddled with numerous exemptions, exclusions, and dedications which had eroded the tax base and shifted the burden of taxation to categories of property that had not been so favored. As a result, accountability and transparency had been lost to the extent that many taxpayers do not know where their real property taxes were being spent. Others assumed that since they paid little or no real property taxes they could expect more and more in City services and facilities.

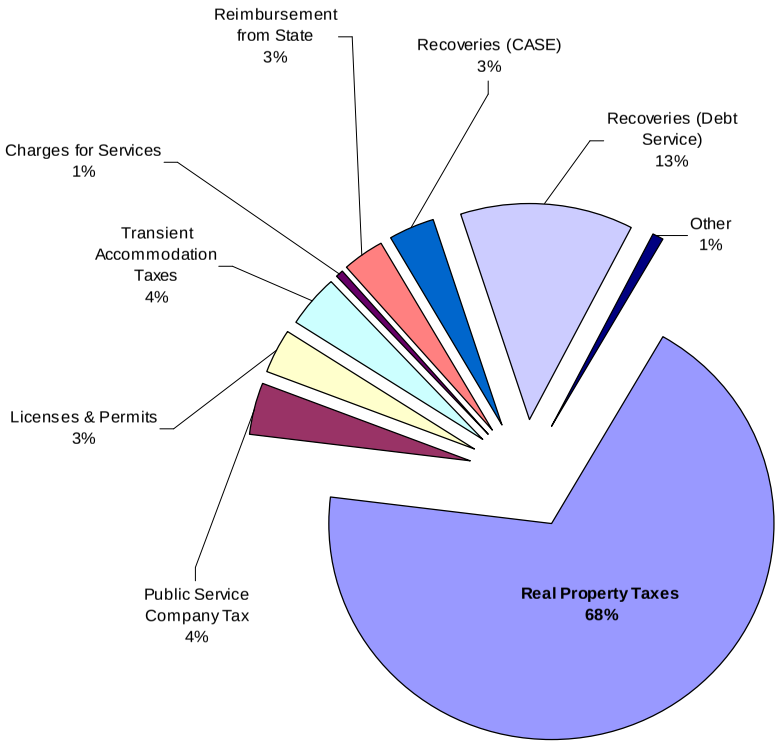
In an effort to place all members of the Commission on the same page, the members initially spent several sessions learning about the real property tax system as it exists currently. With the assistance of the Director of Budget and Fiscal Services and the head of the Real Property Assessment Division, Commission members had the opportunity to learn about the sources of the City's revenues, the large role that real property tax plays in the revenue picture and where those revenues are spent. The real property tax accounts for just over 68% of the City's general fund revenue (see Table #1). At the same time, the Commission also learned about the services that the real property tax revenues help to underwrite for the City (see Table #2).

The Commission learned about the numerous exemptions under the law and the estimated financial impact of foregone revenue as a result of those exemptions (see Table #3). In doing so, the Commission also learned about those exemptions that were inherited from the state when the real property tax was transferred from the state to the counties as a result of the change in the state constitution that turned over the responsibilities for the tax at the 1978 Constitutional Convention and those which have been added since the County took over the complete responsibility for the real property tax.

Table 1

Real Property Tax Revenue

General Fund Revenue (FY2012)



Source: FY2012 Budget

- Primary source of General Fund revenue
  - 68% of the City's General Fund revenue derived from real property taxes
  - In FY2012, the City expects nearly $800 million in real property tax revenue

Table 2

Where the City Spends Its Dollars

FY 2012 Operating Appropriations

General Fund Only

$1,085,483,963

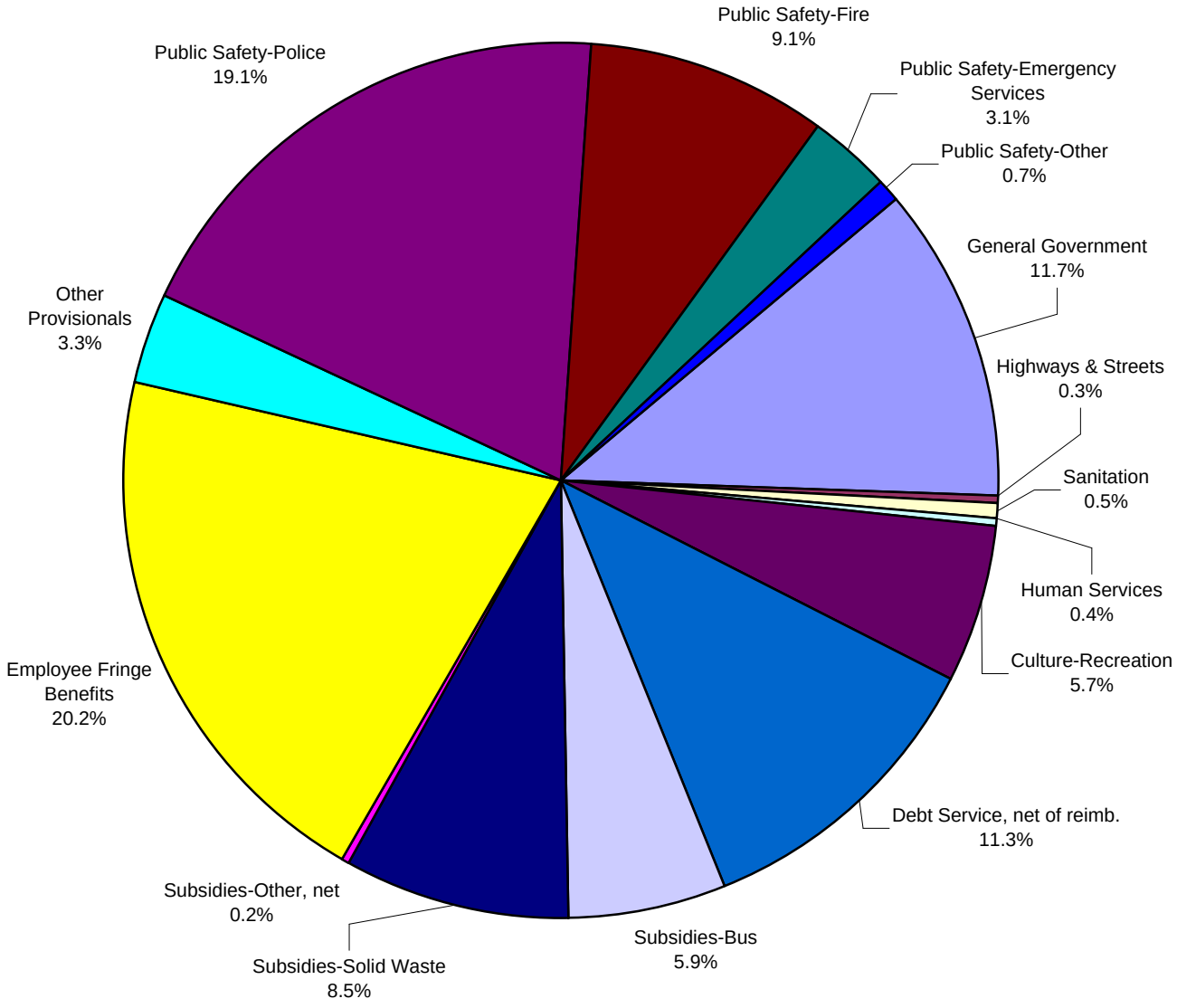


Table 3

(In Thousands of Dollars)

ROH Section	Type of Exemption	Count	Total Exempted Valuation	Tax Benefit
	Taxable:			
8-10.4	Homes	144,092	$14,093,897	$49,329
8-10.6	Homes of totally disabled veterans	940	$515,002	$1,804
8-10.7 8-10.8	Persons affected with leprosy Persons with impaired sight or hearing and persons totally disabled	3,271	$81,831	$290
8-10.9	Nonprofit medical, hospital indemnity association	77	$673,680	$7,646
8-10.10	Charitable purposes	1,709	$4,013,464	$25,919
8-10.12	Crop Shelters	23	$2,968	$17
8-10.13	Dedication (Dedicated lands in urban districts)	16	$29,986	$175
8-10.20	Low-income rental housing	273	$1,583,272	$6,617
8-10.22	Dedication (Historic - Residential)	255	$282,947	$990
8-10.23	Other exemptions (Hawaiian Home Land Lease)	2,978	$1,333,795	$4,682
8-10.24	Credit Union	77	$118,894	$1,473
8-10.25	Slaughterhouses	1	$2,787	$16
8-10.26	Qualifying construction work	15	$62,406	$774
8-10.27	Public service (Public utilities)	496	$789,452	$13
8-10.30	Dedication (Historic - Commercial)	5	$24,644	$305
8-10.32	Kuleana land	37	$23,775	$91
8-10.33	For-Profit Child Care Center	3	$4,436	$55
	Subtotal (Taxable)	**154,268**	**$23,637,236**	**$100,196**
	Non-Taxable:			
8-10.17	Exemption - Public property (Federal - Fee)	403	$6,069,179	$40,041
8-10.17	Exemption - Public property (State - Fee)	3,252	$11,408,598	$98,743
8-10.17	Exemption - Public property (County - Fee)	2,138	$4,873,719	$34,485
8-10.17	Exemption - Public property (Civil - Condemnation)	26	$30,837	$296
8-10.17	Exemption - Public property (Roadway & Waterway)	3,043	$10,954	$49
8-10.17	Exemption - Public property (Setback)	12	$108	$0
8-10.17	Exemption - Public property (Consulates)	29	$38,139	$134
8-10.23	Other exemptions (Hawaiian Home Land - Fee)	865	$982,081	$3,597
8-10.23	Other exemptions (Hawaiian Home Lease -7 years)	329	$171,983	$598
	Subtotal (Non-Taxable)	**10,097**	**$23,585,598**	**$177,943**
	Total - Exemptions	**164,365**	**$47,222,834**	**$278,139**

The Commission also learned the law directs that all real property be assessed at its highest and best use which in many cases provides the impetus for many of the exemptions or preferential assessment approaches available under the law. It learned that some of the exemptions which came over from the state have not been altered since they were transferred from the state law and, as a result of a provision in the state constitution, many of those exemptions were prohibited from being altered for a period of eleven years after the transfer of the tax from state jurisdiction to county control. Little, if no, attention has been devoted to a review of those exemptions since the transfer of the tax laws. As a result, the relevance of these exemptions has not been questioned until now.

Finally, as a result of the Congressional "Super Committee's" failure to come to terms on how to reduce the federal government's spending, automatic reductions in federal expenditures of $1.3 trillion will be initiated beginning January 1, 2013. With Hawaii's heavy dependence on federal defense expenditures, there will, no doubt, be severe effects for Hawaii's economy. One possibility will be a reduction in the presence of federal defense personnel in Hawaii. That being the case, there will, no doubt, be a reduction in demand for civilian housing, despite the fact that many military families live on military reservations. But even as those units are vacated, those families who rented or owned in the civilian market will take the opportunity to relocate to military reservations, especially if subsidies for civilian rentals are reduced or eliminated.

Similarly, the Commission also acknowledges that federal subsidies for housing such as the Section 8 program will reduce the attractiveness of rentals at market rates, thereby reducing the potential value of those properties. That being the case, the Commission anticipates a possible decline in real property values in the worst case scenario or at the very least, instability in the real estate market.

This gives the Commission rise for concern about the stability of the real property tax over the next few years and should provide an impetus for the Council to seriously consider the recommendations the Commission makes below in an attempt to stabilize the revenues from the real property tax by spreading the cost of operating the City over a broader base that will allow lower rates for all taxpayers.

GOOD TAX POLICY

After learning of the exemptions and other preferences granted to certain real property taxpayers, Commissioners believed that they needed some standard by which to measure the efficacy of each of the current exemptions. Commissioners looked for generally accepted standards of what constitutes good tax policy. Noting that the 1989 Tax Review Commission had established criteria which are generally accepted measurements of what constitutes good tax policy, the criteria were discussed by the Commission and accepted as the criteria by which to measure whether or not many of the exemptions and other preferences of the real property tax law meet these standards. These standards or criteria include:

- **Equity.** The tax burden should be fairly shared. Fairness is understood to mean that taxes should be borne: (1) by the person who receives the benefit of a government service

(the benefit principle) or; (2) by those with the means (the ability-to-pay concept). Taxpayers in similar circumstances should be taxed alike (horizontal equity), and taxpayers in unequal circumstances should be taxed on the basis of their ability to pay (vertical equity).

Income is the most commonly used measure of ability to pay. A tax structure is said to be "progressive" when the tax burden varies directly with income (borne to a greater extent by higher income taxpayers), "regressive" when the burden is inversely related to income (disproportionately borne by lower income taxpayers), and "proportional" when there is no change in burden as income changes.

- **Adequacy.** The tax system should generate sufficient tax revenues to meet government obligations and to fund spending plans. The other side of the adequacy standard is that, after allowing for normal fluctuations, the system should not produce tax revenues in excess of what is needed.

- **Stability.** The tax system should provide a stable and predictable flow of tax revenues. It should minimize the need for frequent or radical adjustments as economic conditions change and allow the government and taxpayers to make their plans with some certainty as to the impact of taxes. Unlike the State where rates are rarely changed, the City council annually sets the rates for the various categories of real property, rising or falling with the change in real property valuations and the demands of the spending programs of the City. Given this process, few changes should be made on an on-going basis to the structure of the real property tax as frequent change merely creates uncertainty for taxpayers and instability to the structure insofar as the sources of revenues.

- **Economic Neutrality (Efficiency).** The tax system should not interfere with private economic decisions. Taxpayers should not be inclined to structure their activities for the purpose of avoiding a tax or gaining a tax advantage. They should be able to compete on a "level playing field" where taxes do not confer an advantage on one party over another. Creating preferential treatment, as do many of the current exemptions, only encourages property owners to devise ways to reduce their exposure to the tax creating inefficiencies in the use of the property.

- **Simplicity.** The tax system should not be unduly difficult for taxpayers to comply with or for the government to administer. The cost of compliance and administration should not be out of proportion to the means at hand or the amount of tax involved. However, this does not prevent the law from requiring those who receive preferential tax treatment under the law to provide information justifying the preferential treatment.

- **Competitiveness.** The real property tax system of the City & County of Honolulu should compare favorably with the tax systems of other counties so that it does not discourage people from living in this county as opposed to other counties in the State or for that matter in other jurisdictions where real property taxes are an economic and financial consideration for living in that jurisdiction or conducting business here.

Utilizing these guiding principles of good tax policy, the Commission undertook a review of the nearly three-dozen exemption and dedication provisions of the County's real property tax ordinance and arrived at some overall conclusions.

WHO SHOULD PAY?

- Given that all taxpayers - be they individuals, businesses, or organizations - benefit from any variety of services provided by the City & County of Honolulu, all owners of real property should pay for the cost of these services based on their ability to pay or on their providing a public good that benefits the community at large.

- Preferences under the real property tax law should not be conferred merely because a property falls into a certain category of use or the property owner bears a certain characteristic be it a physical disability, age, or type of use of the real property.

- The Commission recognizes that certain preferences exist because of superior law which mandates that special consideration be given to these types of properties. Obviously federal and state properties are exempt because of superior law, but the Commission also recognizes that other laws override the County's ability to tax these properties. Among these is the first seven years of a Hawaiian Homes lease or where another tax is levied in lieu of the real property tax such as the Public Service Company tax which is levied in lieu of the real property tax on the gross income of public utilities, and foreign consulate real property.

- On the other hand, numerous exemptions and preferences were inherited from the state statute prior to the transfer of the responsibilities for the real property tax in 1978. Since many of these provisions had to be retained for an eleven-year period following the transfer of responsibilities for the tax, many of these were not subject to review over the years. The Commission finds that many of these preferences are obsolete and should be repealed. Among them is the exemption for the manufacture of pulp and paper products and the exemption for manufacturing facilities and equipment.

- Similarly, the Commission questioned the provisions which seem to confer preferences on facilities or structures that might otherwise be considered personal property. Among these provisions are those for alternate energy improvements and pollution control facilities. While it is understandable that these facilities might be considered real property, the Commission believes that a clarification of what constitutes real property as opposed to personal property might help assessors in determining what should be included for the purpose of the tax. It would appear that anything that is integral to the structure or the improvement should be considered real property as opposed to elements which, if removed, would not jeopardize the integrity of the facility or structure.

- Finally, the Commission believes that tax relief should be provided to those who truly do not have the ability to pay their fair share of the real property tax burden. The

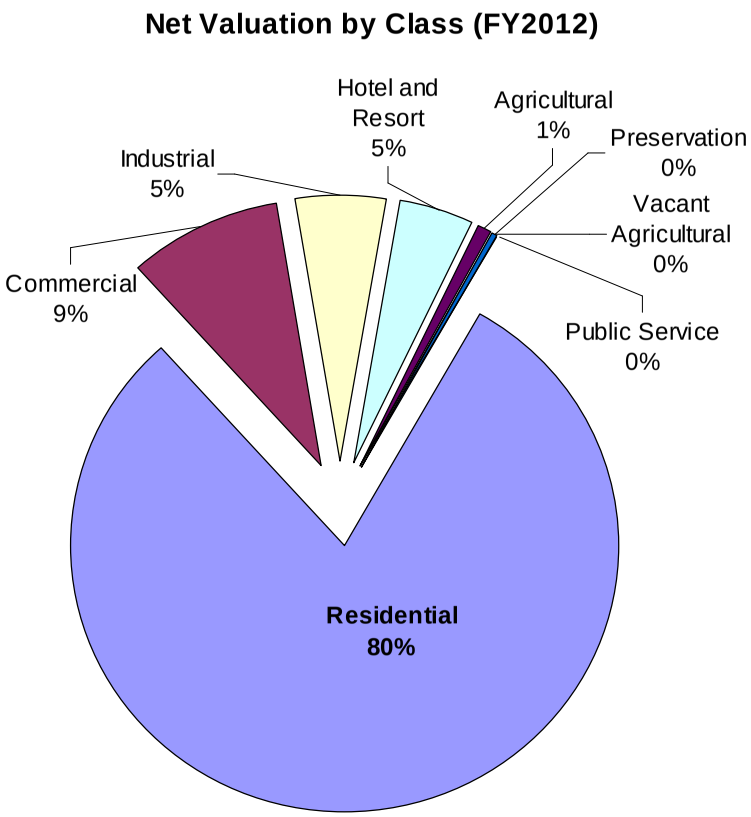
Commission recognizes that many real property owners have encumbered liabilities as a result of increases in valuation of surrounding properties through no fault of their own. While some may argue that if such property owners no longer can afford the rising tax bills as a result of increasing values, they can divest themselves of the property. While that may be an option for nonresidential properties, those who are homeowners may not find that as an option, especially the elderly who may have occupied the property for the majority of their lives. To that end, the Commission notes that the City & County already has a mechanism to provide relief to homeowners based on their ability to pay. Although the tax credit has its challenges, insofar as recognizing the need for tax relief, it is far superior to the blanket home exemption which is afforded regardless of an indication of the need for relief.

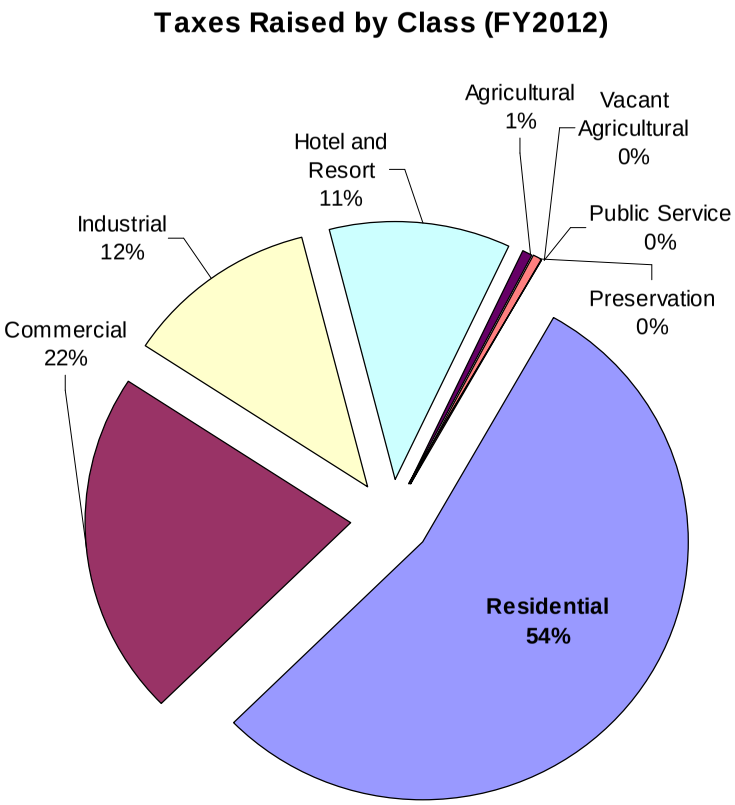
While the Commission raises the question of "who should pay" in its review of exemptions extended under the real property tax, the Commission would also like to note that over the years the shift in the tax burden with respect to who should pay has also affected the various categories of taxable real property. In a review of Table #4, the Council will note that while residential property accounts for more than 80% of the net assessed value of real property in the County, it contributes just over half of the actual tax dollars collected. Thus, the burden of paying for county services is shifted from residential to non-residential categories of property. Similarly, broad exemptions like those that will be discussed below shift the burden of paying for county services from those who are beneficiaries of the exemption to those who are not so favored.

With the foregoing as a frame of reference, the Commission would like to review some of its observations and make recommendations to the City Council to consider in reforming the real property tax system for the City & County of Honolulu. The Commission attaches an exhibit of all real property tax exemptions across all four counties as a reference of what preferences have been granted to which group of taxpayers (see Table #5).

Table 4

Net Valuation and Taxes Raised by Class





Resolution 07-060, CD1: policy to set real property tax rates based on percentage of net revenue (55% residential and 45% non-residential excluding agricultural, vacant agricultural, preservation and public service)

Table 5

NUMBER and AMOUNT of EXEMPTION by TYPE and COUNTY for FISCAL YEAR 2011-12

(Amounts in Thousands)

	HONOLULU C&C		MAUI COUNTY		HAWAII COUNTY		KAUAI COUNTY		STATEWIDE	
Type of Exemption	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Federal Government	403	6,069,179	83	44,361	99	169,941	38	49,157	623	6,332,638
State Government	3,252	11,408,597	1,282	1,812,919	2,548	1,614,596	1,160	898,311	8,242	15,734,423
County Government	2,138	4,873,719	489	412,104	902	255,454	343	359,818	3,872	5,901,095
Government Leases - Total	0	0	89	79,166	45	25,791	18	11,215	152	116,172
Government Leases - Portion	0	0	52	16,406	74	34,718	16	7,259	142	58,383
Hawaiian Homes Commission	865	982,081	297	16,540	646	222,340	209	110,719	2,017	1,331,680
Hawn Homes Land - Basic	0	0	528	78,351	625	103,219	0	0	1,153	181,570
Hawn Homes Land - Multiple	0	0	137	20,467	430	82,309	0	0	567	102,776
Hawn Homes Land - Total Land	2,978	1,333,795	310	43	754	78,161	414	146,217	4,456	1,558,216
Hawn Homes Land - Vacant Land	0	0	192	456		0	0	0	192	456
Hawaiian Homes - 7 Year	329	171,983	350	61,105	123	28,251	130	38,263	932	299,602
Homes - Fee - (Basic)	80,150	6,417,134	19,072	5,231,579	18,787	1,586,522	7,867	482,887	125,876	13,718,122
Homes - Fee - (Multiple)	57,186	6,864,162	6,129	1,683,225	19,284	2,431,729	4,216	478,034	86,815	11,457,150
Homes - Leasehold - (Basic)	2,348	187,665	221	52,306	51	3,498	33	2,818	2,653	246,287
Homes - Leasehold - (Multiple)	2,361	280,863	585	159,581	139	15,251	178	20,284	3,263	475,979
In Lieu of Home Ex - Fee	1,964	330,126	0	0		0	0	0	1,964	330,126
In Lieu of Home Ex - Lease	83	13,947	0	0		0	0	0	83	13,947
Additional Home Exemption	0	0	0	0		0	1,481	80,630	1,481	80,630
Additional Income Exemption	0	0	0	0		0	0	0	0	0
Blind	295	7,398	27	658	99	2,916	11	515	432	11,487
Deaf	101	2,525	9	77	52	1,565	4	200	166	4,367
Leprosy	3	75	1	0	1	32	1	50	6	157
Totally Disabled	2,872	71,833	406	7,958	3,140	89,654	374	18,576	6,792	188,021
Totally Disabled Veterans	940	515,002	221	101,081	403	102,766	88	38,389	1,652	757,238
Cemeteries	43	38,226	7	951	47	4,527	13	7,387	110	51,091
Charitable Organizations	650	1,633,639	243	274,016	320	187,620	139	132,626	1,352	2,227,901
Childcare	0	0	22	1,100		0	0	0	22	1,100
Non-Profit Child Care Center	3	5,943	0	0		0	0	0	3	5,943
For-Profit Child Care Center	3	4,436	0	0		0	0	0	3	4,436
Churches	861	1,700,820	229	292,430	289	161,550	152	115,571	1,531	2,270,371
Civil - Condemnation	26	30,837	0	0		0	0	0	26	30,837
Combat Zone	0	0	0	0		0	0	0	0	0
Credit Unions	77	118,894	13	12,782	19	27,990	12	18,222	121	177,888
Crop Shelters	23	2,969	0	0		0	12	337	35	3,306
Enterprize Zone	0	0	0	0	4	3,218	0	0	4	3,218
Foreign Consulates	29	38,139	0	0	1	23	0	0	30	38,162
Forest Reserve	0	0	4	77	1	370	1	1,157	6	1,604
Historic Residential Properties	255	282,947	8	10,763	18	11,638	8	24,266	289	329,614
Historic Commercial Properties	5	24,644	0	0		0	0	0	5	24,644
Kuleana	37	23,775	15	2,856	17	4,318	20	14,216	89	45,165
Hospitals	77	673,680	11	43,159	2	14,133	4	14,173	94	745,145
Landscaping, Open-Space	16	29,987	1	10	17	2,022	0	0	34	32,019
Low-Moderate Income Housing	273	1,583,272	42	157,654	34	43,216	20	54,412	369	1,838,554
New Construction	15	62,406	0	0		0	0	0	15	62,406
Public Utilities	496	789,452	76	71,206	168	595,226	67	448,237	807	1,904,121
Roadways and Waterways	3,043	10,954	1,569	4,388	1,867	5,193	411	17,067	6,890	37,602
Safe Room	0	0	0	0		0	44	1,760	44	1,760
Schools	146	629,144	10	72,898	59	83,454	3	21,837	218	807,333
Setbacks	12	108	0	0	0	0	0	0	12	108
Slaughterhouse	1	2,787	0	0		0	0	0	1	2,787
Taro	0	0	46	12	0	0	0	0	46	12
Tree Farm	0	0	0	0	0	0	114	56,005	114	56,005
Miscellaneous	6	5,692	4	355	5	1,963	3	698	18	8,708
Military (Deployed)	0	0	6	2,724		0	0	0	6	2,724
TOTAL	**164,365**	**47,222,835**	**32,786**	**10,725,764**	**51,070**	**7,995,174**	**17,604**	**3,671,313**	**265,825**	**69,615,086**

Note: Amount includes government parcels at actual value and exemptions on federal leases, if any

THE HOME EXEMPTION

By far the largest financial impact and the most numerous of exemptions claimed are those claimed for owner-occupied residential property, otherwise known as the home exemption.

However, also included in this category are special provisions if the homeowner is disabled be it if the homeowner is blind, deaf, or otherwise disabled as a result of Hansen's disease. It should be noted that these latter exemptions because of disability are afforded an additional exemption of $25,000 on any property, while disabled veterans or their widows are afforded a complete exemption of their homes. These additional exemptions are in addition to the basic or multiple home exemptions granted to all homeowners. Further, because none of these latter additional exemptions have been altered since the real property tax was turned over to the County, the amount of the exemption amounts to less than a $100 annual reduction in the affected taxpayer's liability under the County's current rate scheme of $3.50 per thousand dollars of valuation. While state lawmakers may have had compassion for this group of disabled real property homeowners, physical impairment is by no means an indication of a taxpayer's ability to pay his or her fair share of the real property tax burden.

While the repeal of the complete exemption granted to disabled veterans may be seen as unpatriotic, the question should be whether or not tax relief is required. Providing a blanket exemption merely because of past military service and a disability is by no means an indication that all other taxpayers should be asked to subsidize the cost of providing County services to the favored individuals. If the intent of this archaic provision was to reward disabled veterans, then one must ask why wasn't the preference extended to all veterans or on the flip side, why is the complete exemption extended to all disabled homeowners rather than the mere $25,000 additional exemption currently provided to the disabled.

Again, the Commission notes that there is a mechanism available to those homeowners who cannot afford their fair share of the real property tax burden. In that respect, the real property tax credit process needs to be reviewed and streamlined, making the application process more user friendly.

It is therefore the Commission's recommendation that these additional home exemptions for the disabled be repealed in favor of providing tax relief on the inability to pay through the County's real property tax credit program.

A more important consideration in this discussion is the broader home exemption granted to all taxpayers who own and occupy their own shelter. According to the Real Property Assessment Division, there are more than 144,000 parcels that qualify for this exemption which had a gross impact of revenue forgone of more than $49 million during fiscal year 2012.

The Commission recognizes that the home exemption has its genesis in the 1930's when families displaced by the droughts of the Midwest wandered from town to town as they moved West. As an incentive to encourage these wandering families to set down roots and contribute to a growing community, the home exemption was offered to attract these families to settle. There

was no rationale behind the home exemption other than it was a financial incentive to stabilize what would otherwise have been a transient community with the incentive that those that benefit would receive county services at a discount. Since then the home exemption has become an "entitlement" for being a homeowner. What it does ignore is that for those who cannot afford to purchase their own shelter or choose to rent, no such financial incentive is available to them. Thus, either renters pay the full bill for county services or the landlord assumes a larger share of the cost for County services if the burden of the real property tax cannot be passed on to the renter.

While the Commission does recognize the difficult political challenge that a repeal of the home exemption may pose for elected officials, it nevertheless believes that by doing away with the home exemption, equity and transparency will be restored to the real property tax system. When eliminating the home exemption, Commissioners believe that this action be undertaken with an overall reduction in real property rates so as to maintain revenue neutrality. The opportunity that this action can contribute to revenue neutrality should be extended across the board to both residential and nonresidential classes of real property.

For those homeowners who might experience financial hardship with the loss of the home exemption or the multiple home exemption which is based on advanced age, the Commission believes that the real property tax credit currently available under County ordinance can provide more effective tax relief to those who need help. In fact, more homeowners may now qualify for the tax credit relief as a result of the loss of the home exemption or multiple home exemptions.

The Commission poses the philosophical question, "Is the home exemption the appropriate means of tax relief for shelter?" The Commission recognizes that the home exemption is granted regardless of a person's ability to pay because it is granted to rich people and to poor people. The home exemption is granted only to people who own their shelter and not to those who rent their shelter. Since the Commission subscribes to the idea that the homeowner's exemption is not an efficient means of tax relief, it supports the repeal of the home exemption.

The Commission recommends that the home exemption, the multiple home exemption, and the "in lieu of" home exemption be repealed. In place of these exemptions, the Commission recommends that the real property tax credit be utilized to provide tax relief to those who do not have the ability to pay their fair share of the real property tax burden.

REAL PROPERTY TAX CREDIT VERSUS IN LIEU OF EXEMPTION

The county currently has two programs to provide relief to low-income homeowner occupants – the real property tax credit and the in lieu of exemption. Both programs require submission of an application with related documents. The in lieu of exemption, however, is available only to those homeowners who are 75 or older. The exemption is good for up to five years. In order to be eligible for the in lieu of exemption, total household income must be less than 80% of the median income for the county as determined by the U.S. Department of Housing

and Urban Development. The Real Property Assessment Division processes the in lieu of home exemption applications.

The real property tax credit is available to homeowner occupants whose combined titleholder income does not exceed $50,000. (If a titleholder is married and files a joint return, however, the spouse's income is also included.) Applications for real property tax credit are processed by the Treasury Division and are good for one year. Many elderly who apply for the in lieu of exemption also apply for the credit. Since the requirements and applications are similar, seniors are often confused. This results in phone calls to the wrong division as well as frustration on the part of the applicant. In addition, staffing and other resources are used inefficiently as two sets of employees are required to process basically the same information.

The Commission therefore recommends that Council repeal the in lieu of home exemption and offer only the real property tax credit, which is available to a broader base of low-income homeowners.

NONPROFIT ORGANIZATIONS

Another controversial exemption is that which is granted to charitable organizations "and others," an exemption that was also inherited from the state statute and which for an eleven-year period after the transfer of the tax from the state to the counties could not be touched. As the Commission learned, the term "and other" has forced the administrative staff to apply an uneven interpretation as to what "and other" charitable organization means when it comes to the application of this exemption.

For those members of the Commission who regularly work with charitable organizations either as volunteers or as tax practitioners, the bright line definition is that by the Internal Revenue Code as Section 501(c)(3) organizations on which the Service has conferred tax exempt status with respect to income realized by the charity for its exempt purposes. By utilizing the reference to the federal Code that defines such organizations, the Commission believes that administrators will have much more clarity in applying the preferential tax treatment to such organizations. The Commission notes that Section 501(c)(3) organizations include those that are religious, charitable, educational, and scientific organizations that meet the standards established by the Internal Revenue Code. Thus, requiring organizations applying for this real property tax preference to provide evidence of the letter of determination from the Internal Revenue Service will help to mitigate any administrative problems encountered in the past when determining what "charitable" organizations qualify.

Therefore, it is the recommendation of the Commission that the ordinance be amended to define "nonprofit charitable" organizations as those that have been determined to qualify under the federal Code Section 501(c)(3).

This amendment would not only be in the interest of expediency and clarity, but it would bring consistency and uniformity in the application of this tax preference. In doing so, the Commission believes that this provision of the law can be consolidated and streamlined.

Conversely, the Commission notes that there are several other "nonprofit" organizations that while designated under the Internal Revenue Code Section 501(c) are not (c)(3) organizations but are qualified under other subsections of that Section including labor unions and governmental employee organizations under subsection (c)(4), some cemeteries under subsection (c)(13) and patriotic societies under subsection (c)(19).

That being said, your Commission continues to believe that all real property owners should pay their fair share for the benefits provided by the County. Your Commission notes that the most obvious public benefits provided by the County include police and fire protection and health and sanitation. At the same time, your Commission acknowledges the benefits provided by many of these nonprofit organizations and, therefore, does not believe that such organizations should be asked to pay their full share of the real property tax burden. However, these nonprofit organizations must acknowledge that other taxpayers are subsidizing the cost of the benefits they receive from County government.

As noted earlier in this report, the Commission believes that all property owners should pay something for the benefits they receive from the County. Totally relieving a property owner of sharing in the cost of County services and benefits violates the accountability relationship between those who must pay for those benefits and those who enjoy those benefits. Complete exemption from the real property tax for such organizations shifts the burden to all other taxpayers, some of whom may or may not subscribe to the type of services such nonprofit organizations provide. To wit, members of a religious organization who may ardently defend the tax-exempt status of their institution may not necessarily support an organization which advocates for planned parenthood. Thus, in the interest of equity and fairness, consideration should be given to asking all nonprofit organizations to contribute something to the provision of County services.

Council members will ask how then can such organizations be asked to contribute something toward the cost of providing City services. Given that the real property tax is based on the valuation of the real property owned or utilized, the Commission believes that each nonprofit organization's contribution to the cost of paying for County services should be based on the value of the real property used for the exempt activity. While those real property owners not so favored with a tax preference pay on the basis of 100% of the fair market value of the property they own, the Commission believes that such nonprofit organizations should be asked to pay their fair share of the real property tax burden based on a percentage of the assessed value of the property that is utilized for the exempt purpose.

This means smaller nonprofit organizations which utilize little, if any, real property probably will continue to pay the minimum tax while larger organizations with substantial real property will pay more than the minimum tax. Known as an assessment ratio, it is not uncommon to find such assessment ratios on the mainland where tax relief is extended to certain types or classes of property by basing the real property owner's real property tax liability on a percentage of the value of the real property being taxed. Although the Commission is not prepared to make a recommendation on the exact percentage of market value on which such

nonprofit organization should be taxed, the Commission wants to make it explicitly clear that the assessment ratio be greater than zero but not more than 100% of fair market value. Should the Council believe that other "nonprofit" organizations deserve some sort of tax preference insofar as paying their fair share of the real property tax burden, then consideration should be given to setting the smallest assessment ratio for recognized nonprofits as determined by the Internal Revenue Service as section 501(c)(3) organizations and those other nonprofits with other determinations at a higher assessment ratio.

Regardless, the Commission recommends that those entities which currently are totally exempt because they tend to be nonprofit in nature be subject to a levy of the real property tax albeit at a percentage less than full market value in recognition of the community benefit they provide. Such impost should be based on a percentage of the fair market value utilized for the exempt activities.

The Commission recognizes that inasmuch as these properties have been exempt for many years, accurate valuations have not been made on a contemporary basis, as there was little return on investment given the fact that such exempt properties produced no income to the City to justify expending resources on obtaining up-to-date and current valuations.

Again, should the Council wish to afford nonprofits other than those holding a section 501(c)(3) designation some sort of property tax relief, consideration should be given to a higher assessment ratio than that afforded Section 501(c)(3) organizations.

Some commission members supported no change to the current tax rate ($300 minimum tax rate) for 501(c)(3) entities. Among their concerns were:

- Nonprofit 501(c)(3) organizations require tax exemption on real property because they provide necessary programs and services that the government sector is not willing or able to provide.

- The amounts being charged through increased taxation end up being a small contribution to local government budget but with adverse impact to the nonprofit budget. Nonprofits must cut seriously to pay this bill. The ownership of real property does not reflect an organization's ability to pay the real property tax. If these programs and services cease to exist because of increased taxation, those in need will either not receive the service or will turn to government agencies to provide these services. It will be more costly for government to provide these services.

- The public wants their charitable contributions to nonprofits to go toward community services, not taxes. Taxing these organizations has the effect of discouraging giving and volunteering. Our community needs more of what these organizations and volunteers do, not less.

- Increasing the real property tax rate for nonprofit 501(c)(3) organizations fundamentally undermines the ability of nonprofit organizations to deliver on their charitable missions and challenges their IRS tax-exempt status.

CREDIT UNIONS

Although credit unions are organized and established under Section 501 of the Internal Revenue Code - more specifically under Section 501(a) - and are recognized as instrumentalities of the federal government, the federal law provides that credit unions may be subject to taxation of their real property. While exempt from taxation on income earned and on purchases of personal property for consumption by the credit union, the federal law is explicit about the ability of local governments to tax the real property of credit unions.

In the Commission's review of the credit union exemption the Commission learned that while credit unions are exempt by federal law from the taxation of income and purchases of personal property, the law is specific that local jurisdictions may impose their real property tax on these entities. Therefore, the real property tax exemption was specifically enacted to provide the credit unions such an exemption. Given that the Commission is of the belief that all real property owners who benefit from County services should pay something for those services, the Commission believes that, like the exemptions for charitable organizations, credit unions' real property should be subject to the property tax based on an assessment ratio of the fair market value of the credit union's real property.

The Commission received numerous communications from various credit unions imploring the Commission not to repeal the current exemption citing the fact that these organizations provide financial services to their memberships which normally cannot be accessed at traditional financial institutions. Others cited as a result of being granted the exemption, they are able to enhance the earnings of their members and reduce the cost of loans made to their members. In other words, real property taxpayers are being asked to subsidize the benefits credit unions afford their members such as paying higher interest rates on deposits and extending lower interest rates on it loans to members.

Thus, the Commission questions the validity of this exemption and recommends that the Council consider complete repeal of the exemption.

The Commission notes that on one hand those that have a limited field of membership only serve that defined field of membership and not the community at large. Conversely, the Commission notes that for those credit unions that have a field of membership that is community based, one has to question whether or not those institutions maintain a competitive advantage over traditional financial institutions. Should the Council determine that this repeal may be politically unacceptable, consideration should be given to applying an assessment ratio as recommended above for other nonprofit organizations, albeit at a higher ratio than that granted to Section 501(c)(3) organizations.

KULEANA LANDS

This is a rather recent exemption adopted at the behest of a number of Hawaiian organizations led primarily by the Office of Hawaiian Affairs (OHA). This provision of the law provides a complete exemption to Hawaiians who were beneficiaries of the division of lands implemented by the Great Mahele under King Kamehameha III and as authorized by the L 1850, p. 202 as amended by L 1851, p.98. These lands must have remained in the same family(ies) since that time in residential or agricultural use.

The Commission questions the underlying rationale - that is what these lands distributed by the King and remaining in the same family since that time - has to do with the benefits provided by the County. If the argument is that by not providing the exemption, these families would be displaced as a result of the real property tax burden, the Commission again notes that there are mechanisms in place that recognize the ability or inability of a property owner to pay his or her fair share of the cost of County services provided to these land owners. To maintain a complete exemption for these lands while their owners benefit from County services means that other real property taxpayers are subsidizing the cost of the benefits enjoyed by the owners of Kuleana lands.

To reiterate a point made earlier, the Commission believes that everyone who benefits from the County's array of services should have a part in paying for those services. Not only do such broad exemptions grant relief where none may be needed, but they also assure that the burden for paying for those services is shifted to another class of property owners who are not so favored.

Therefore, the Commission recommends that the Council consider repealing the exemption for Kuleana lands and in its place direct these property owners to the tax credit mechanism to provide relief to those Kuleana property owners who truly cannot afford to pay their fair share of the cost of County services.

HISTORIC RESIDENTIAL EXEMPTIONS

No doubt a major impetus for the creation of this Commission was the controversy generated by the blanket exemption granted to historic residential real property. This measure was adopted as an incentive to encourage homeowners and prospective homeowners to protect and preserve historic residential properties. Inasmuch as there are no laws that prohibit the destruction or removal of such properties, the Council was encouraged years ago to adopt such a blanket exemption for properties which meet the qualifications as specified by ordinance.

However, as the media expose revealed, this exemption was subjected to rampant abuse as the guidelines governing it lacked clarity while at the same time the department lacked sufficient resources to monitor compliance with the requirements of the exemption. Since that time, the City Council has adopted provisions that substantially clarify the requirements of the exemption and give enforcement tools to the department to ensure that these standards are met.

However, the Council refrained from making changes to the benefits afforded under this exemption in anticipation that this Commission will make a recommendation.

Like the exemption for nonprofit organizations, Commission members believe that these historic residential properties should pay something for the City services they enjoy. However, characteristics of these properties vary substantially and a flat exemption amount would be unfair to larger properties where there is substantial valuation (such as a historical colonial home in Manoa or Nuuanu) in favor of a smaller and more modest plantation home in historic Ewa villages.

Commissioners looked to the provisions extended to historic commercial properties and believe that a similar approach could be applied to historic residential properties. The Commission notes that commercial historical properties that are also listed on the historic register are afforded a 50% reduction in their property tax liability provided they meet certain requirements including recording a maintenance agreement in the Bureau of Conveyances. The 50% reduction in real property tax liability amounts to the same thing as if the property had been assessed at a 50% assessment ratio.

The Commission notes its earlier recommendation that in order to recognize the differences between property characteristics and size of properties utilized by nonprofit organizations that relief be provided by way of a reduced assessment ratio for residential historic properties. While the Commission is not prepared to make a recommendation as to what that ratio would be, it would nonetheless be more than zero (fully exempt) and less than 100% (or full market value).

It was brought to the attention of the Commission that some historic residential properties are not necessarily owner occupied. Some were used as rentals while others were used for an assortment of commercial activities such as banquets or weddings. While some may not agree that such historic residences should be used for commercial activities or not be owner occupied, the Commission is sensitive to the fact that many of these historic properties are costly to renovate or maintain and in many cases these properties have been inherited from older generations where the current generation of owners do not have the resources to upkeep those residences. Thus, these current owners are caught between selling the property to someone who may not be interested in preserving and maintaining the historic structure or perhaps demolish the historic structure and put the parcel to a higher and better use, an alternative that would certainly be a loss to the community.

The Commission is reminded that there have been numerous examples where these hard choices had to be made and more often than not it meant the loss of the historical residence. Such was the case of the Katuski home which stood in the path of progress with the construction of the H-1 freeway as it crossed Keeaumoku Street. Although the fate of this historic residence befell the ravages of fire before a decision could be made, the alternatives faced by the owner's widow and two children were limited as they did not have the resources to either move the structure or if it had been moved by the state, the resources to maintain this grand old Victorian structure.

Another example is the grand Cooke mansion on Nehoa Street where the family was faced with the settlement of the estate. The huge blue rock mansion was, no doubt, a maintenance challenge that none of the beneficiaries could afford to undertake. Thus, the decision was made to demolish the structure and subdivide the parcel on which it stood. Unfortunately, that historic structure also befell the ravages of fire before any decision could be made to preserve it.

The Commission also is aware that in Europe many noble families which inherited large manors and estates have resorted to opening their historic homes to visitors as a way to afford those visitors the opportunity to see how their ancestors lived and as a way to generate income to maintain and preserve these historic homes. Therefore, it does not seem unreasonable to allow owners of such historical residential properties to utilize the properties to generate resources that would assist in the cost of maintaining and preserving the historic structure.

Recognizing that this would create two categories of historical residential real property that would be afforded a preference as an incentive to preserve and maintain such structures, the Commission reiterates that different assessment ratios could be set depending on how the historical residential structure is used. For example, those historic residential structures that are not owner occupied and used for commercial activities could be assessed at a 50% assessment ratio, as could commercial historical properties while those which are owner occupied could then be assessed at a lesser ratio. There still would be an advantage between historical residential properties and historical commercial properties if the Council continues to tax residential and commercial properties at different rates

Finally, the Commission notes again that historic commercial properties must record a maintenance agreement in the Bureau of Conveyances in order to qualify for the preferential treatment under the real property tax ordinance. While such an agreement may not be appropriate for historic residential real property, consideration might be given to allowing owners of historical residential real property to offset their real property tax liability with the amount of qualified expenditures - as certified by the state historic preservation officer. Inasmuch as the intent of the preference is to encourage not only the preservation of the historic property but also the maintenance of it as well, it would seem only reasonable that such an offset would ensure the maintenance of the property. There would be some reasonable nexus between the amount of tax relief afforded and the amount the homeowner expends to upkeep the property in its historic condition.

Thus, to summarize, the Commission believes that historic residential real property should be afforded relief by applying an assessment ratio that results in a valuation that is less than fair market value and that actual qualified maintenance expenses be allowed to offset any resulting real property tax liability but no less than the minimum tax.

AGRICULTURAL LANDS

The Commission regrets that it did not have sufficient time to fully appreciate and understand the provisions relating to agricultural lands, including the dedication provisions and qualifying agricultural improvements for dedicated vacant agricultural lands.

It is the Commission's understanding that the agricultural dedication provisions were inherited from the state where the dedication provisions were established with the intent of encouraging the preservation of land used in agricultural and came to a zenith during the mid-1970's when the provision was enhanced to encourage the preservation of agricultural lands used in the production of sugar and pineapple. Just prior to the 1978 Constitutional Convention that transferred the administration and policy setting of the real property tax to the counties, recapture provisions were added to impose a recapture of the taxes that would have otherwise been due as if the land had been in highest and best use plus a 10% penalty.

Ironically, it was during the 1978 Constitutional Convention that a provision was added for the designation of "important agricultural lands" in an attempt to ensure the preservation of important agricultural lands. While it took nearly 30 years and various studies of land evaluation and assessments, the state legislature finally adopted incentives to land owners to set aside agricultural lands as "important agricultural lands." In the meantime a Council-created task force convened for the purpose of addressing the issue of alleviating the burden of the real property tax on agricultural activities and out of its recommendations the current provisions which provide that any incremental increase in the value of the real property due to improvements shall be exempt from real property taxes for a period of seven (7) years after the construction of these improvements.

Given the newly-enacted state law to encourage the designation of "important agricultural lands" which provides a variety of incentives including tax credits for agricultural improvements made to the designated properties, the Commission believes that a more comprehensive review of the current real property tax provisions as they complement or conflict with the new state law governing "important agricultural lands" is necessary.

Therefore, the Commission recommends that the real property tax provisions with respect to the incentives to promote agricultural activity should be a priority agenda item for the next Commission. In the meantime, the staff of the Department of Budget and Fiscal Services should be directed to analyze how the County provisions and the new state law comport. The Commission also notes that there is another Council Task force charged with the implementation of the Important Agricultural Lands law and believes it might be appropriate to refer the real property tax provisions to that Task Force.

SPECIFIC EXEMPTIONS

While the Commission has referenced a number of more specific exemptions such as those for alternate energy improvements and air pollution control facilities and others which have not been previously mention such as crop shelters and slaughterhouses, the rationale for these exemptions is not inherently clear.

Given the changing environment, the Commission questions the need for some of these exemptions. For example, as a result of rising costs for traditional energy sources, consumer demand is moving in the direction of alternate energy production. Should this trend continue, what was at one time considered the unusual will become the common. With the proliferation of solar and photovoltaic farms, will the current exemption sap the potential resources of the real property tax? Similarly, as a result of federal mandates with respect to air quality will incentives for air pollution control facilities be necessary?

On the other hand, the Commission recognizes the challenges of agricultural property owners in recent years; however, the Commission did not have the opportunity to learn more about the rationale for the exemptions provided for slaughterhouses and crop shelters, as well as the exemptions provided for other nonprofits not covered in ROH Section 8-10.10 such as charitable nonprofit medical indemnity or hospital service associations and nonprofit organization thrift shops.

The Commission also notes that both nonprofit childcare centers designated under Code Section 501(k), as well as for profit childcare centers, enjoy exemptions from the real property tax. While all of these organizations may serve the public good, they should not be afforded the same dispensation as the pure nonprofit organizations with the (c)(3) determination.

To better understand the reason for these exemptions, the Commission recommends that these exemptions be scheduled for repeal and that the City Council hold hearings in an effort to gather information and justification for the continuation of these exemptions.

ACCURACY OF INFORMATION

In its review of the various real property tax exemptions, the Commission learned that not all properties are assessed annually as the Real Property Assessment Division's resources are devoted to properties for which taxes would be higher than the minimum tax and little was to be gained by assessing properties that were exempt. Given that not all properties are assessed annually, information provided to the Commission regarding the amount of foregone revenue is inaccurate, making it difficult to determine the amount subsidized by other taxpayers. Under Section 8-7.1(a) of the Revised Ordinances of Honolulu, all taxable properties are required to be assessed annually.

A representative from Real Property Assessment Division informed the Commission that they currently rely on self-reporting and complaints to determine when property owners no longer qualify for particular exemptions or dedications. A Commission member pointed out that

outside sources are available to help the administration determine when certain changes in property ownership or usage may occur and therefore may impact tax assessments. For example, the Internal Revenue Service (IRS) regularly updates its list of nonprofit organizations that have lost their exempt status. The IRS publishes the list at www.irs.gov and makes it available in Acrobat or Excel format for easy downloading and searching. Other resources available for review and comparison are as follows:

- Homeowner data from other counties – to reduce claims of multiple homeowner exemptions within the state;

- Homeowner data from other states from sources such as LexisNexis.com – to reduce claims of multiple exemptions by out-of-state homeowners; and

- Foreclosure records – to reduce claims of homeowner exemptions by owners who are not eligible for such exemptions.

In light of this information, some Commission members believe that adequate resources should be allocated to the Real Property Assessment Division to allow the annual assessment of all taxable properties as required by law and that the Division take advantage of the outside sources listed above to increase compliance with the real property tax law and rules. This will allow for a more accurate assessment of the impact of real property tax policies such as those which govern exempt properties.

TRANSPARENCY, ACCOUNTABILITY, EFFICIENCY AND FAIRNESS

The Commission wishes to extend its appreciation to the City Council to have had this opportunity to review the numerous exemptions which were inherited from the state and which were added by previous Councils over the years since the County assumed complete control of the real property tax exemptions in 1989. This has been the first such review of those exemptions since they were enacted or inherited and we trust that the Commission's review has been fair and objective.

As required by the enabling resolution establishing your Commission, its members stand ready to discuss, explain and otherwise clarify its recommendations and will dissolve as of June 30, 2012.

MEDIA and COMMENTS

August 15, 2011 through December 7, 2012

Property tax exemptions in peril as panel tries to make system fair

POSTED: 01:30 a.m. HST, Nov 14, 2011

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Members of a city advisory commission want to end levy breaks for homeowners as well as for schools, churches and charities

By Rob Perez

An independent review panel is leaning toward recommending that the city abolish property tax exemptions for roughly 150,000 Oahu homeowners, including the blind, elderly and disabled, as part of a major but controversial effort to bring more fairness, efficiency and accountability to the tax system while generating additional revenue for city services.

The Real Property Tax Advisory Commission also is leaning toward proposing to the City Council that exemptions for charitable organizations, credit unions, schools, churches and other groups be eliminated or substantially pared.

The reforms being discussed are meant to provide tax relief that is more closely linked to a landowner's ability to pay rather than giving such breaks simply because one belongs to a particular category, such as homeowners or disabled veterans, according to the commission's chairman, Lowell Kalapa, who heads the Tax Foundation of Hawaii. The reforms also would more equitably spread the burden of funding city services, he said.

The commission, formed by the Council in the wake of several recent property tax controversies, has been meeting since August to discuss ways to reform the system. Despite the potential impact of what's being considered, the discussions so far have drawn little public attention.

But that's likely to change once the panel makes its recommendations to the Council before the end of the year.

Politically influential groups that have long benefited from the exemptions — many have been on the books for decades — are expected to intensely lobby the Council, arguing that the tax breaks are justified. And with five of the nine Council seats up for election next year, the chances of anything especially controversial passing are slim, some say.

Kalapa, a tax policy expert, acknowledged the political storm that could be created but said the commission's task was to propose ways to improve the system without regard for political consequences.

"We were created to take the political heat off elected officials," he said.

Council Chairman Ernest Martin said he expects the commission's recommendations to get serious consideration by the Council, and agrees that some exemptions are obsolete and should be eliminated. But he said he doubts the Council would support abolishing the homeowner exemption.

"No doubt, it'll be very contentious," Martin said.

The main focus of the advisory commission thus far has been the 40-plus property tax exemptions that economist Paul Brewbaker, vice chairman of the panel, described as a "gobbledygooky hodgepodge with seemingly no rational pattern."

The exemptions, amounting to roughly $100 million in lost revenue annually, cover a range of categories, from slaughterhouses, crop shelters and for-profit child care centers to historic homes, cemeteries and foreign consulates.

"I had no idea how complex and convoluted some of these things were," said Brewbaker, who questioned the need for any exemptions.

ELIMINATING the homeowner exemptions, claimed by more than 144,000 owners and amounting to nearly $50 million in lost city revenue annually, is the most controversial proposal being discussed. The main exemption reduces the taxable value of a residence by $80,000, saving occupant homeowners who apply $280 a year based on current tax rates.

Additional exemptions are permitted if the homeowner is 65 or older, blind, deaf, a disabled veteran or in a variety of other categories.

Kapolei homeowner and Realtor John Riggins said eliminating the standard exemption wouldn't be fair because many homeowners made their retirement plans partly based on the tax breaks. He also said removing the exemption would exacerbate Hawaii's already serious housing affordability problem.

"I just don't think that's a good idea at all," Riggins said.

But Kalapa and other commission members questioned the fairness of giving tax relief without regard to one's ability to pay, noting that multimillionaires living in mansions are getting the same breaks as homeowners living in modest homes struggling to pay their bills.

Kalapa also questioned the fairness of homeowners getting tax relief while renters — who make up nearly half of Oahu's households — get none.

"There is no equity for people who don't own their own homes," he said.

Similarly, some commission members noted that wealthy nonprofits pay the same $300 minimum tax for parcels valued at more than $100 million as cash-strapped nonprofits owning small patches of land assessed at fractions of that value.

Property taxes generate the bulk of the city's revenue and are used to pay for fire, police, ambulance and other services.

The idea behind the reforms is that everybody uses those services, so everyone should pay their fair share, with adjustments made for those who can't afford their tabs or those who provide services that benefit the city, Kalapa said.

"If you don't pay for it, then someone else does, subsidizing your share," he added.

And if people forgo paying their fair share, they still get the same level of city services, but the accountability

link — making sure taxpayer dollars are spent wisely — becomes obscured because they aren't footing the bill, according to Kalapa.

For homeowners who can't afford their property taxes, the city has a low-income tax credit program that reduces the tab, assuming the homeowner meets the eligibility criteria. If the exemptions are eliminated, Kalapa said, that program can provide relief for those in need.

The commission was not asked to consider the city's budget challenges in coming up with recommendations, but panel members understand that eliminating exemptions will result in more tax revenue.

"We're keenly aware of the fact that there's a $100 million shortfall," Kalapa said.

While the commission is not evaluating the city's property tax rates, some members say the Council should consider lowering the residential rate in conjuction with eliminating the homeowner exemptions.

Natalie Iwasa, a certified public accountant and member of the commission, described the current property tax and exemption system as a mess that needs to be overhauled.

Holly Huber, a database specialist who has been examining the city's system for more than a year, said she continues to find numerous errors or inaccuracies because of a lack of oversight.

"Every time I look at something, I just shake my head," she said. "I can't believe what a nightmare it is."

She noted, for instance, that the city assessed the land for Punahou School's 74-acre campus at only $37,000, while ‘Iolani School's 22-acre parcel is valued at $105 million.

City Budget Director Mike Hansen explained that assessments for tax-exempt property owned by nonprofit groups, including schools, have not been a top priority because those organizations pay only $300 regardless of the value of their parcels. The city has focused its limited staff on taxable properties, he said.

That would have to change, though, if one of the proposals under consideration by the commission is adopted. According to the proposal, only nonprofits with a 501(c)(3) designation would be eligible for an exemption, and the relief would be based on a percentage of the value of the organization's parcel.

Commission member Lisa Maruyama, president of the Hawaii Association of Nonprofit Organizations, said land values don't reflect an organization's ability to pay, given that some nonprofits are land rich but cash poor. She opposes changing the existing nonprofit exemption.

Kalapa acknowledges that whatever the commission decides, the proposed changes will face tough going at the Council. "People won't like what we're going to say, but at least it'll be out there for people to talk about and debate."

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Reduce complexity of tax exemptions

POSTED: 01:30 a.m. HST, Nov 22, 2011

StarAdvertiser.com

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CORRECTION: An earlier version of this editorial erred in stating that Punahou School and ‘Iolani School pay differing city property taxes for their campus acreage. Like other nonprofit groups, the two schools pay equal amounts of $300, although Punahou's 74-acre campus was assessed at $37,000 while ‘Iolani's 22-acre parcel is valued at $105 million, according to city Budget Director Mike Hansen.

Also, the misinformation was wrongly linked to Holly Huber, a database specialist.

In addition, a homeowner who is at least 65 years old gets an additional tax exemption of $140 rather than $1,400, as stated in the editorial, and homeowners older than 75 receive exemptions less than that was stated.

State legislators and the Abercrombie administration experienced this year the wrath involved in shelving tax exemptions to help balance the budget, and the City Council should enter a similar arena carefully. A review panel’s move toward abolishing property tax exemptions in their entirety should be considered with skepticism.

Legislators in this year’s session voted to suspend nearly two dozen general excise tax exemptions to bring in $173 million, considering that to be preferable to raising the tax across the board. Likewise, the City Council would be smart to zero in on tax exemptions for those who need it least, focusing on apparent inequities, rather than raise property tax rates for all property owners.

For example, Holly Huber, a database specialist who has examined the system, shakes her head in observing Punahou School’s $37,000 property-tax assessment for its 74-acre campus, while ‘Iolani School was assessed $105 million for its 22-acre parcel.

But like other nonprofit groups with tax-exempt property, the two schools pay equal amounts of $300, according to city Budget Director Mike Hansen.
Huber told the Star-Advertiser’s Rob Perez, about the numerous errors or inaccuracies due to lack of oversight: “I can’t believe what a nightmare it is.”

Most of the city’s revenue comes from property owners, who pay a total of nearly $800 million in real property taxes. The rest comes from fuel taxes, user fees such as TheBus fare, monthly sewer fees and a share of the state’s hotel room tax.

Honolulu property tax exemptions are sizable, amounting to more than $100 million of would-be fees, and

nearly half of that goes to homeowners. While each homeowner is allowed to subtract $80,000 from the home's actual value to determine the taxable amount at $3.50 per $1,000 value, a homeowner who is at least 65 years old gets an additional exemption of $40,000, which amounts to $140 in tax exemptions per year. With each 10 years of age after that, the homeowner gets what can amount to an additional tax reduction of $70.

Retirees depending mainly or entirely on monthly Social Security payments as their income can be expected to respond as they did earlier this year when Gov. Neil Abercrombie called for subjecting pension income to state income taxes. The Legislature reacted by rejecting the proposal.

The City Council-formed Real Property Tax Advisory Commission is leaning toward recommending that the city abolish property tax exemptions in their entirety, including not only the elderly but the blind and disabled. It also leans toward proposing that the exemptions for charitable organizations, credit unions, schools, churches and other groups be eliminated or substantially reduced.

Lowell Kalapa, the commission's chairman and head of the Tax Foundation of Hawaii, said the group was "created to take the political heat off elected officials" by presenting what is sure to draw emotional opposition, as it should.

Hawaii is recognized for its relatively low property tax rates, for good reason. Virtually all other jurisdictions in the country use property taxes as revenue for their schools systems, and that amounts to a lot. Hawaii relies on state income taxes to pay for public schools.

Overall, Hawaii's taxes are high, and the commission's sweeping recommendation would have the effect of increasing them drastically for middle-income families in today's tough economy.

This tax advisory commission is to be lauded for taking a stern look at the mishmash of property tax exemptions — an overdue task — to take stock, and to ferret out inequities or obsolete exemptions that warrant elimination. But tread carefully: Flattening property taxes based on philosophy will likely have dire consequences on the practical. Five of the nine Council members are up for election next year and should know better than to sharply increase taxes by eliminating property tax exemptions across the board.

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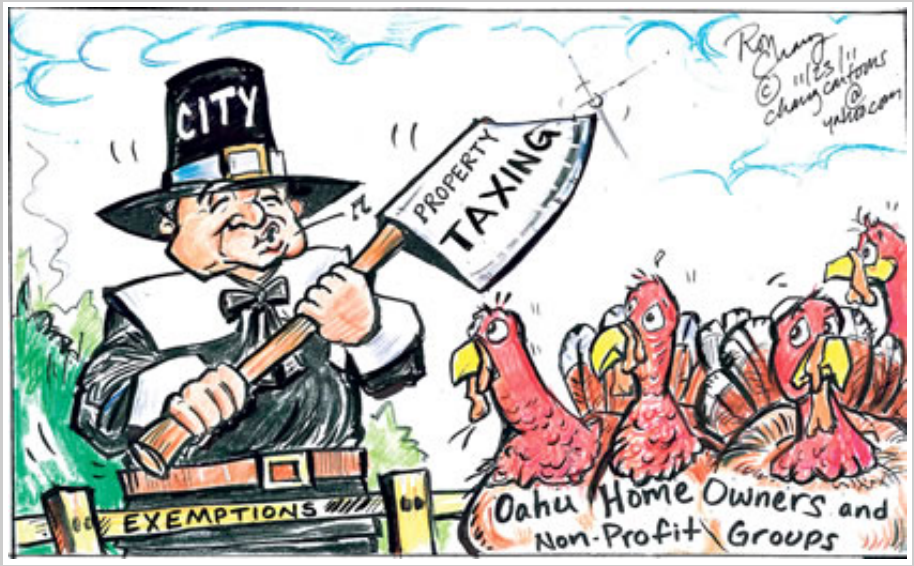
MidWeek

Roy Chang

November 23, 2011
By Roy Chang



Find this article at: http://www.midweek.com/content/columns/roychang_article/roy_chang509/

Letters to the Editor

POSTED: 01:30 a.m. HST, Dec 01, 2011

StarAdvertiser.com

For Thursday, December 1, 2011

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Editorial erred on city tax exemptions

The Star-Advertiser editorial, "Reduce complexity of tax exemptions," contains misrepresentations and factual errors that confuse readers about real property taxes and exemptions (Star-Advertiser, Our View, Nov. 22). First, it erroneously refers to Punahou and Iolani schools' $37,000 and $105 million assessed values, respectively, as "taxes." Both schools qualify for a real property tax exemption and pay the minimum tax of $300 per parcel.

The editorial also erroneously quantifies the tax savings associated with the homeowner's exemption program. A $40,000 exemption actually amounts to $140 in taxes and not $1,400 as indicated in the editorial. Likewise for a person who qualifies for additional exemptions, those who are more than 75 years old and meet low income requirements, would realize an additional tax exemption equivalent to $70 for each subsequent five-year age bracket and not $700, as stated in the editorial.

The city welcomes any opportunity to provide taxpayers with accurate information and assistance.

Mike Hansen
Department of Budget Fiscal Services director

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Sunday, December 04, 2011

Kalapa vs Property Tax Exemptions: Vitality of County Depends on Everyone Paying Their Share

By Lowell L Kalapa @ 4:22 PM :: 233 Views :: Oahu News, Oahu Politics

Vitality of County Depends on Everyone Paying Their Share

by Lowell L. Kalapa, Tax Foundation of Hawaii

Coming under fire in the City & County of Honolulu is the plethora of real property tax exemptions from those granted to charitable organizations to those offered to homeowners who promise to preserve their historical residences to credit unions and to churches.

Perhaps realizing that dealing with a politically sensitive issue, such as who gets a tax break from paying the real property tax, was best left to folks who didn't have to worry about being reelected, the Honolulu City Council left the task to a group of citizens concerned about the fairness and equity of the real property tax system. Recognizing that each of the existing exemptions from the real property tax has a vocal constituency, the Real Property Tax Review Commission examined the principles of a good tax policy as the genesis of its discussion rather than being swayed by the arguments of the various constituency groups.

One of the primary principles of a good tax policy is imbedded in equity, that is, where taxpayers are basically the same, they should be treated alike. What is likely to be a highly controversial recommendation of the Commission is the possible elimination of the home exemption. The Commission questioned why taxpayers who owned their shelter got a tax break while those who rent their shelter get none. In many cases renters do not own their own shelter but rent because home ownership can be very expensive in Hawaii. Although renting one's shelter may not be a true indicator that one is not capable of purchasing and owning one's own shelter, it is certainly a consideration.

Thus, if one were to look at providing equity between those who own and those who rent their shelter, then the home exemption tips the scale against renters who get no similar break on the property tax burden imposed on their landlords which is imbedded in their rent.

Similarly, Honolulu, as well as its Neighbor Island colleagues, provides multiple home exemptions because the homeowner happens to be older than the general population. While filial piety may dictate that one honor their elders, again, there is no economic reason why a person who happens to be over a certain age should get any greater tax relief than those in the general population.

Additional exemptions are also conferred on those who happen to be blind or disabled or for that matter are disabled veterans. Again, the tax principles breached include not only equity but also efficiency, as these disabilities must be verified.

One the other hand, commissioners questioned the exemption for public utility property and it was explained that the counties receive payments from the state's public service company tax in lieu of the real property tax. If the counties were to tax the real property of utility companies, which includes obscure rights of way and booster station boxes sitting in a forest of high-rise condominiums, the valuation of these parcels would create an administrative nightmare. Thus, the exemption from the real property tax is provided for public utilities in return for being able to tax these particular landowners on a percentage of their gross income. In this case the tax principle of efficiency is achieved.

Then there is the huge problem of what to do with all those charitable organizations that currently are exempt from the real property tax. First of all, the Commission learned that unlike federal and state income tax laws, the provision that the counties inherited from the state when the duties for the real property tax were transferred to the counties was so vague that the exemption was liberally interpreted. In an effort to give more precise direction to real property tax

administrators a rewrite of the provision for charitable nonprofit organizations was undertaken to define it as for those that are recognized by the federal Code as being section 501(c)(3) organizations.

The Commission then recognized that while many of these organizations provide services or goods that government might otherwise have to provide, they, like taxable property owners, utilize many of the same county services such as police and fire protection, sewers, mass transit and so on. To that end, it was generally believed that all property owners should pay something for those very basic health and public safety services albeit at a discount in recognition of the fact that they provide services for the public good. This recommendation recognizes the tax principle of revenue adequacy.

- 30 -

From: David.L.Zevenbergen@hawaii.gov
Sent: Thursday, August 25, 2011 3:44 PM
To:
Cc: Natalie
Subject: Property Tax Concerns
Attachments: CC_Bill_55_DLZ_Comments.PDF

Attached is a copy of Bill #55 dealing with the property tax exemption for historic properties along with my comments. I do not have a problem paying property taxes as long as I feel I am being treated equitably. I have also owned historic homes when I lived on the mainland and was not given as preferential a treatment as quite a few of the historic homeowners here on Oahu. $300 per year is a joke, especially when the property value exceeds $1 million. Not having the property either publicly accessible or visible and still claiming the exemption is criminal and for the property to be given an automatic extension begs abuse. I suggest the City/County of Honolulu set aside enough funds to establish an enforcement program complete with non-negotiable fining capacity for a period of three to five years, then the program becomes funded through enforcement of fines. Set up a schedule for inspection with mandatory re-inspection every ten years.

On a positive note, some of Bill 55(2010) has satisfactorily been improved upon, unfortunately, it still does not seem to have much teeth. I will be more than happy to talk with you and/or the Commission in the future. I would have been there on Monday if it were not for my having to be at a work-related conference in San Francisco.

Thank you for your time.

Sincerely,

Dave

David L. Zevenbergen
Hawaii Scenic Byways Coordinator
State of Hawaii Dept. of Transportation
Highways Division
869 Punchbowl St., Honolulu, HI 96813
Planning Branch, Room 301
Advance Planning Section
W: 808-587-6341
F: 808-587-1787
E: David.L.Zevenbergen@hawaii.gov
C: 360-701-8498

UZ.

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ORDINANCE _____

BILL 55 (2010)

A BILL FOR AN ORDINANCE

RELATING TO THE REAL PROPERTY TAX EXEMPTION FOR HISTORIC RESIDENTIAL REAL PROPERTY.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. The purpose of this ordinance is to amend the minimum real property tax for historic residential real property dedicated for preservation.

SECTION 2. Section 8-11.1, Revised Ordinances of Honolulu 1990 ("Real property tax–Determination of rates"), is amended by amending subsection (g) to read as follows:

"(g) Notwithstanding any provision to the contrary, there shall be levied upon each individual parcel of real property taxable under this chapter a minimum real property tax of $300.00 a year, except for properties exempt under Section 8-10.27, and except as otherwise provided in Section 8-10.28(b)(2) and Section 8-10.22(k)."

SECTION 3. Section 8-10.22, Revised Ordinances of Honolulu 1990, is amended to read as follows:

"Sec. 8-10.22 Exemption—Historic residential real property dedicated for preservation.

(a) Portions of residential real property which are dedicated and approved by the director of budget and fiscal services as provided for by this section, shall be exempt from real property taxation to the extent provided under subsection (k), except as provided by Section 8-9.1. The owners shall assure reasonable visual access to the public. from the nearest public street and/or ADA accessible public right of way.

(b) An owner of taxable real property, that is the site of a historic residential property that has been placed on the Hawaii Register of Historic Places after January 1, 1977, desiring to dedicate a portion or portions thereof for historic preservation, shall petition the director of budget and fiscal services.

(c) The director of budget and fiscal services shall review the petition and determine what portion or portions of the real property shall be exempted from real property taxes. The director shall consult with the state historic preservation office in making this determination. The director may take into consideration whether the current level of taxation is a material factor which threatens the continued

existence of the historic property, and may determine the total area or areas of real property that shall be exempted.

(d) The approval of the petition by the director shall constitute a forfeiture on the part of the owner of any right to change the use of the owner's exempted property for a minimum period of 10 years, ~~automatically~~ renewable indefinitely, subject to cancellation by either the owner or the director upon five years' notice at any time after the end of the fifth year. No automatic renew. Reapply every ten years, unless complaints are received by the Office of Budget and Fiscal Services.

(e) Failure of the owner to observe the restrictions of subsection (d) of this section shall cancel the tax exemption and privilege retroactive to the date of the dedication, and all differences in the amount of taxes that were paid and those that would have been due but for the exemption allowed by this section shall be payable together with interest at 12 percent per annum from the respective dates that these payments would have been due, provided the provision in this subsection shall not preclude the county from pursuing any other remedy to enforce the covenant on the use of the land.

(f) Any person who becomes an owner of real property that is permitted an exemption under this section shall be subject to the restrictions and duties imposed under this section. Seller is required to tell buyer of restrictions and duties under property tax exemption. Failure to do this will result in a fine, not to exceed $10,000 and loss of exemption.

(g) The director shall prescribe the form of the petition. The petition shall be filed with the director by September 1st of any calendar year and shall be approved or disapproved by October 31st of such year. The exemption provided for by this section shall be effective October 1st of the same calendar year.

(h) An owner applicant may appeal any determination as in the case of an appeal from an assessment.

(i) Subject to HRS Chapter 91, the director shall adopt rules and regulations decreed necessary to accomplish the foregoing. Since there has not been any enforcement, this needs to change.

(j) The owner of a historic residential property that has received an exemption from real property taxation pursuant to this section shall place and maintain on that property a sign or plaque that has been approved by the director and the state historic preservation officer. Subject to HRS Chapter 91, the director shall adopt rules prescribing the requirements for such a sign or plaque. Has this happened? If not, WHY?
The owner shall maintain said property to a reasonable and prudent standard.

(k) All properties receiving an exemption under this section shall be subject to a real property tax which is the greater of: (1) ????? percent of the tax based upon the
0.25

property's fair market value determined in the manner provided by ordinance, at such a rate as shall be determined in the manner provided in Section 8-11.1, less any applicable exemptions, refunds, or credits; or (2) $??????? 300,00 ."

SECTION 4. New material is underscored. When revising, compiling or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the revisor of ordinances need not include the underscoring.

From: Holly J Huber [hollyjhuber@gmail.com]

Sent: Wednesday, September 14, 2011 8:20 AM

To: CCLBC

Subject: Holly's Complete Testimony

Aloha,

This email has the entire text of my submitted testimony and omits the attachment. I want to see if you receive the entire testimony, if the attachment is left off. This message ends with my contact info.

Please let me know! All the best,

Holly

FOR MEMBERS OF THE REAL PROPERTY TAX ADVISORY COMMISSION
for its Meeting on Tuesday, September 13, 2011
Public Testimony from Holly Huber
<!--[if !supportEmptyParas]--> <!--[endif]-->
Aloha Commission Members:

In the past year, I have personally undertaken a review of Honolulu's Real Property Tax data. Using data purchased from the City, I have been able to analyze a wide range of property records and generate detailed reports on property tax issues before the City Council such as changes in land classification and exempt properties.

My careful analyses raise serious concerns regarding the integrity of the City's Real Property Tax data and systems. There are many inaccuracies in the data that preclude the Real Property Assessment Division from implementing a uniform and equitable system for valuation.

Real property taxes are the primary source of revenue for the City and County of Honolulu's general fund. Unfortunately, the current system of real property tax assessment is riddled with errors and inequities; a comprehensive overhaul is needed as well as a parcel-by-parcel review of all Oahu property.

In 2010, the City Council spent a great deal of time making changes and fixes to property tax laws. It was found that many of the ordinances are not being enforced, are not enforceable, or are contradicted by administrative rules.

Property tax exemptions have been the focus of numerous bills and resolutions over the past year but with little action taken by the Council. The Real Property Tax Advisory Commission was created to assist the Council by providing a comprehensive review of the existing system. Your evaluation is greatly needed. I am happy to offer my assistance. Please contact me if you have any questions or would like additional information (see contact info below).

CHARITABLE EXEMPTIONS ON OAHU

Most exemptions are determined by use of the property, not strictly ownership. This important distinction was mandated by the Kingdom of Hawaii in the late 1800s when a court ruled that not all of the Bishop Estate's lands were exempt from taxation, only those used for a charitable purpose.

The Revised Ordinances of Honolulu (ROH) restricts the charitable exemption of property based on its use:

> *Sec. 8-10.10 Exemption--Charitable purposes.* [in part]
>
> (a) There shall be exempt from real property taxes real property, or a portion thereof, designated in subsection (b) or (c) of this section and meeting the requirements stated therein, **actually and (except as otherwise specifically provided) exclusively used for nonprofit purposes.**
>
> (c) Exemption is allowed by this subsection for property used for charitable purposes which are of a community, character building, social service or educational nature ….
>
> > (d) **If any portion of the property which might otherwise be exempted under this section is used for commercial or other purposes not within the conditions necessary for exemption (including any use the primary purpose of which is to produce income even though such income is to be used for or in furtherance of the exempt purposes) that portion of the premises shall not be exempt** but the remaining portion of the premises shall not be deprived of the exemption if the remaining portion is used exclusively for purposes within the conditions necessary for exemption.
> > [emphasis mine]

There are some exceptions to this rule. Churches can claim as tax-exempt any property used for parsonages or incidental use. The valuations for 2011-2012 exempt property show that Oahu's church properties exceed charitable properties in number and value: 861 churches valued at $1,700,820,000 top the 650 charities valued at $1,633,639,000. Note that these church properties do not include schools, hospitals or retirement homes which are categorized separately.

Exemptions are granted by RPAD based strictly on self reporting by the exempt applicant. The process is a rubber stamp with no scrutiny. Once a property is declared exempt, there is no follow-up or subsequent review. This lack of oversight and enforcement has led to many inconsistencies and abuses.

Property Tax Exemption Based on Use: Nonprofit Cafes/Restaurants

In March, I filed the following complaints with RPAD regarding commercial restaurants located in 100% tax-exempt properties:

1. Downtown @ the HiSAM TMK 210170010000

The State of Hawaii receives a full exemption from property tax for leasing 250 South Hotel Street, also known as No. 1 Capitol District Building. However a portion of this tax-exempt property, valued at $ 23,781,700, is being used for a commercial restaurant.

Downtown @ the HiSAM is a full-service restaurant located at the Hawaii State Art Museum. The restaurant opened to rave reviews in 2007. According the state's website, Downtown is open for lunch Monday through Saturday, evenings on First Fridays, and "may also be booked for private functions." Due to its popularity, reservations are recommended.

Under the Revised Ordinances, Downtown @ HiSAM must pay the appropriate property taxes for its commercial operations, including back taxes for years in which the assessment was omitted.

2. The Honolulu Academy of Arts Pavilion Cafe TMK 240140210000

The Honolulu Academy of Arts receives a full exemption from property tax as a nonprofit. However a portion of this tax-exempt property, valued at $22,681,900, is being used for a commercial restaurant.

The Pavilion Cafe is a full-service restaurant located at the Honolulu Academy of Arts. The Pavilion Café opened in May 2001 occupying 3,100 square feet in the Luce Pavilion Complex.

Under the Revised Ordinances, the Honolulu Academy of Arts had an obligation to report this status change to its exempt property within 30 days and pay the appropriate property taxes for the commercial use.

Currently the property is classified as RESIDENTIAL however the land classification should be changed to COMMERCIAL upon consideration of the parcel's actual as well as highest and best use. Taxes paid on the non-exempt portion of the property should be at the commercial rate.

3. The Contemporary Cafe at the Contemporary Museum TMK 250080010000

The Contemporary Museum Honolulu receives a full exemption from property tax as a nonprofit. However a portion of this tax-exempt property, valued at $10,891,000 is being used for a commercial restaurant.

The Contemporary Cafe is a full-service restaurant located at the Contemporary Museum. The Contemporary Café has been in operation for many years; it's open six days a week for lunch, coffee and dessert.

Currently the property is classified as RESIDENTIAL however the land classification should be changed to COMMERCIAL upon consideration of the parcel's actual as well as highest and best use. Taxes paid on the non-exempt portion of the property should be at the commercial rate.

Under the Revised Ordinances, the Contemporary Museum Honolulu had an obligation to report this status change to its exempt property within 30 days and pay the appropriate property taxes for the commercial use.

4. Mission Houses Museum Cafe and Tea Parlor TMK 210320020000

The Mission Houses Museum receives a full exemption from property tax as a nonprofit. However a portion of this tax-exempt property, valued at $8,129,700 is being used for a commercial restaurant.

The Mission Houses Museum Café and Tea Parlor is a full-service restaurant located at the Mission Houses Museum. The Café and Tea Parlor has been in operation for a number of years; it's open five days a week for breakfast and lunch, and on Saturdays for afternoon tea. The Café and Tea Parlor "may also be booked for private functions."

Under the Revised Ordinances, the Mission Houses Museum had an obligation to report this status change to its exempt property within 30 days and pay the appropriate property taxes for the commercial use.

5. Champs Bistro at Leeward YMCA TMK

The Leeward YMCA receives a full exemption from property tax as a nonprofit. However a portion of this tax-exempt property, valued at $3,374,200, is being used for a commercial restaurant.

Champs Bistro is a takeout café located at the Leeward YMCA. The March 16th Honolulu Star-Advertiser featured a restaurant review of this establishment. It appears that Champs Bistro has been operating at this location since June 2010.

Under the Revised Ordinances, the Leeward YMCA had an obligation to report this status change to its exempt property within 30 days and pay the appropriate property taxes for the commercial use. The YMCA should be well aware of these requirements as they pay property taxes for the in-house restaurants at their Nuuanu, Manoa, and Atkinson locations.

All five of these complaints cited ROH Sec. 8-10.10 (above) and when appropriate:

Sec. 8-10.18 Lessees of exempt real property.

(a) When any real property which for any reason is exempt from taxation is leased to and used or occupied by a private person in connection with any business conducted for profit, such use or occupancy shall be assessed and taxed in the same amount and to the same extent as though the lessee were the owner of the property….

Sec. 8-10.1 Claims for certain exemptions.

(d) The owner of any property which has been allowed an exemption under Sections 8-10.4, 8-10.6 through 8-10.11 … has a duty to report to the assessor within 30 days after such owner or property ceases to qualify for such an exemption for, among others, the following reasons:

(2) A change in the facts previously reported has occurred concerning the occupation, use or renting of the premises, buildings or other improvements thereon; or

(3) A change in status has occurred which affects the owner's exemption.

Sec. 8-7.1 Valuation--Considerations in fixing.

(c)(1) Land shall be classified, upon consideration of its highest and best use…

You will note that the Bishop Museum (TMK 160240010000) is not on this list of complaints; $450,300 of the $44-million COMMERCIAL property is taxable. This year the Bishop Museum paid $5,583.72 in property taxes. The five organizations listed above paid $300 each in minimum tax for their exempt properties.

In the 6 months since I filed these complaints I have found a number of other similar violations including the Salvation Army's Waioli Tea Room and the Hare Krishna's $9.99 Lunch Buffet and Catering Company. I am awaiting a response from RPAD to my pending complaints before I file additional ones. It is unfortunate that when this issue was brought up in the August 29th Commission meeting, RPAD did not mention the current status of so many of Honolulu's most prominent tax-exempt properties.

Many of the aforementioned properties also have tax-exempt gift shops. RPAD Administrator Gary Kurokawa told the Commission that such shops may be considered tax exempt despite the fact some are run by commercial contractors. The Hawaii State Dept of Taxation requires these museum gift shops pay General Excise Tax (GET) on all items sold. It appears the RPAD has no clear methods of assessing the commercial use of tax-exempt property.

In addition to the specific complaints above, I have come across the following questionable exemptions of real property:

* a 6-acre church property operating a cafe, bookstore, gym, and radio station

* for-profit cosmetic surgery services operating in non-profit hospitals and medical centers

* numerous “religious retreat” centers and camps renting out tax-exempt rooms and conference space to individuals and businesses

* claims that operating members-only gyms and renting rooms to college students and visitors at market price is an exempt activity

* tax-exempt churches that provide free religious services 1 day a week and paid parking and Japanese weddings the other 6 days

* religious bookstores listed as churches and receiving full property tax exemptions

* vacant buildings and land receiving charitable property tax exemptions

* six downtown high-rise condominium units exempted as church parsonages

* a Waikiki beach-front, members-only private club house and restaurant with a $10 million property exemption (exempt organization is a 501c4)

* a commercial office building with a $2.1 million exemption for a nonprofit whose exempt purpose is to lease business offices

CHARITABLE EXEMPTIONS ON THE MAINLAND

Honolulu isn't the only municipality dealing with real property tax issues. Earlier this year, a Wisconsin thinktank wrote a detailed report about exemptions in their state titled **Too Many Loopholes** (download pdf).

New Orleans' property tax review commission released a report in February urging major changes in the system of routinely awarding property tax exemptions to private schools and universities, churches, charities and other nonprofit organizations. (download report) The findings of their report, issued by the Bureau of Government Research (BGR), are most relevant to issues being discussed by Honolulu's Commission:

> **... a tax exemption is in reality a subsidy, and there should be an identifiable quid pro quo for granting it.** The framework for exemptions should be based on a clear articulation of the types of services or benefits that the government considers worthy of its indirect financial support. These services could be narrowly defined as services that the government would have to provide if the nonprofit community did not. They could be more broadly defined to include services and amenities that the government considers important to the quality of life in the community. **In any case, exemptions should not be granted merely on the basis of nonprofit status.**
>
> BGR is not implying that all nonprofit property should be added to the tax rolls. **Rather, it is making the point that these exemptions have a price tag, both for the other taxpayers and the City. Given the significant cost, this area deserves careful scrutiny and dispassionate analysis of the costs and benefits.**
>
> When we last researched the issue, all states had cemetery, religious, educational and charitable purpose exemptions for nonprofits. This was not the case for some of the other exemptions – fraternal, trade organizations, etc. The scope of the exemptions was in some cases very strictly defined, and in other cases left wide open to interpretation. For example, the definition of religious purpose varies considerably. While some states exempt property used for religious organizations for a range of diverse purposes, others define religious purposes narrowly, limiting the exemption to property used for public worship. Operating definitions of what's charitable also vary widely.

In Milwaukee, lax regulation of property tax exemptions found church properties renting to businesses and some holding no services. (read story1 and story2), prompting the City to ask residents for assistance in monitoring their system (read story3).

In Illinois, property tax exemptions for hospitals are being challenged because the medical institutions aren't providing enough charity care. State Challenging Hospitals Tax Exemptions (New York Times, September 10, 2011)

In Boston and San Francisco, tax assessors have been sending property tax bills for long-vacant churches to the Roman Catholic Dioceses. In Wisconsin, a county is reviewing the property tax exemption for a church-run luxury retirement home.

The City of Boston is assessing 'payments in lieu of taxes' or PILOT payments on its top 40 nonprofits with many organizations willing to pay their fair share to ensure the well-being of the city (read article).

About 52% of Boston's land area is owned by tax-exempt organizations (including the state and federal governments). Although 117 municipalities in 18 states have PILOT programs, Boston is the first to roll out a uniform system, aimed at taxing nonprofits with properties valued at $15 million or more.

Below are Honolulu's TOP 41 largest exempt property owners (amounts are EXEMPT property values from 2010-2011):

ROMAN CATHOLIC CHURCH OF HAWAII $218,576,900
KAMEHAMEHA SCHOOLS/BISHOP ESTATE $190,497,700
KAISER FOUNDATION HEALTH PLAN $146,803,400
CHURCH OF JESUS CHRIST LATTER DAY SAINTS $125,405,300
KAHALA SENIOR LIVING COMMUNITY INC $117,482,900
IOLANI SCHOOL $115,878,400
QUEENS MEDICAL CENTER $107,587,300
THE SALVATION ARMY $76,560,200
ARCADIA RETIREMENT RES $70,047,200
HAWAII MEDICAL SERVICE ASSN $65,496,900
CENTRAL UNION CHURCH $56,270,100
EPISCOPAL CHURCH IN HAWAII $48,511,200
SHRINERS HOSPITAL $48,099,000
BISHOP MUSEUM $47,260,300
HONPA HONGWANJI MISSION $44,959,100
KAPI'OLANI MEDICAL CENTER $44,252,800
STRAUB HOSPITALS $41,831,300
YOUNG MEN'S CHRISTIAN ASSN $41,768,900
HAWAII PACIFIC UNIVERSITY $34,971,900
REHAB HOSPITAL OF THE PACIFIC $33,946,200
ROMAN CATHOLIC CHURCH SCHOOLS $33,107,000
FIRST ASSEMBLY OF GOD $32,619,700
HAWAII BAPTIST ACADEMY $32,411,100
HAWAII SCHOOL FOR GIRLS $31,130,500
KUAKINI MEDICAL CENTER $30,918,500
BYU-HAWAII $30,095,900
GOODWILL INDUSTRIES $30,094,000

HONOLULU ACADEMY OF ARTS $29,814,700
KAWAIAHAO CHURCH $29,185,800
HAWAII ASSN SEVENTH DAY ADVENTISTS $26,728,200
FATHERS OF SACRED HEARTS CHURCH $22,194,500
CASTLE MEDICAL CENTER $21,625,200
FATHERS OF SACRED HEARTS SCHOOL $20,902,400
SOKA GAKKAI INTL - USA $20,884,300
PALAMA SETTLEMENT $19,977,700
PUNAHOU SCHOOL $19,692,900
JAIMS $18,318,900
SACRED HEARTS ACADEMY $17,601,500
KAHI MOHALA $17,296,200
MAKIKI CHRISTIAN CHURCH $15,776,800
JODO MISSION OF HAWAII $15,298,000

TOP 41 TOTAL EXEMPT PROPERTY OWNERS: $2,191,880,800

The property tax for these exempt organizations would have been $7.5 million in 2010 (calculated at the lowest, residential rate).

NONPROFITS UNDER SEIGE

If nonprofits feel they are under attack from municipalities looking to maximize revenues, it's because they are victims of their own successes. The national growth rate for nonprofits exceeded 60% in the decade from 1999 to 2009. Honolulu has also been part of the trend, as evidenced by the attached spreadsheet comparing property tax exemptions in 1995 with the 2010 numbers.

HOMEOWNERS EXEMPTION

The Homeowner exemption, over $14 billion in 2011-2012, is by far the single largest category of property tax exemptions. And like most exemptions, there is little or no oversight or enforcement by RPAD. Currently, there is no system in place to ensure that Honolulu is, in fact, the principal residence of the recipients of homeowner exemptions.

According to a September 2010 New York Times article: “Typically, cheaters assert that a home is their primary residence when in fact they live elsewhere much of the time.” Municipalities on the mainland have been cracking down on undeserving recipients of the tax break and recovering significant funds. “Hallandale Beach, Fla., which two months ago began an intensive effort to stop fraudulent claims, … has returned $85 million of taxable property to tax rolls and collected $1.2 million in back taxes.”

“LexisNexis, the information services company, began offering the so-called Homestead Exemption Fraud Detection Solution, which allows tax officials to cross-reference homestead registrations with multiple public records databases to find inconsistencies like, for example, a driver’s license or voting record in another state that might indicate someone really lives somewhere else,“ according to the article.

Honolulu is such a popular destination for second homes with people from the mainland and neighbor islands. RPAD should definitely consider utilizing such a service to eliminate fraud in the homeowner exemption category.

In Baltimore, city officials are cracking down on vacant properties receiving the homeowners exemption (see article). A county in Florida has found 871 dead people getting an owner-occupant tax break (see article).

CREDIT UNIONS

Credit unions are not-for-profit 501(c)(4) organizations. In 1988, the Honolulu City Council voted to exempt credit unions from property taxes. (ROH 8-10.24)

On Oahu, there are currently 67 exempt credit unions assessed at a total value of $234 million, according to the 2010-2011 property tax data. These 67 credit unions paid a combined total of only $20,100 in property tax this year.

The City could collect $2.9 million in annual real property tax on credit unions if the Council were to repeal the exemption for the upcoming fiscal year (based on the 2010-2011 assessments and tax rates).

Most of these credit unions would barely feel a pinch. According to a recent Honolulu Star-Advertiser article, HawaiiUSA, the largest credit union in the islands, has $1.2 billion in assets, with HFSCU, not far behind with $1.19 billion in assets. Surely these well-funded, members-only institutions can afford to pay their fair share to support City services.

ISSUES RAISED AT THE AUGUST 29TH MEETING

Minimum Real Property Tax

Properties that are totally exempt from the real property tax, (e.g., hospitals, schools, nonprofits, churches, historic homes, etc) pay a minimum annual tax regardless of property value. The minimum real property tax for 2010-2011 is $300. Earlier this year, the City Council voted to raise the minimum to $400 for the next fiscal year.

In November, the Honolulu Star-Advertiser printed an article, **One Tax Fits All,** highlighting the inequity of charging cash-strapped nonprofits the same property tax as Kamehamemeha Schools, which paid only $300 this year for its 425-acre campus valued at $157 million.

According to the Dept of Budget & Fiscal Services, there were 13,021 parcels paying the minimum property tax in 2010-2011. Of those, 5,750 parcels were totally exempt. The remainder were parcels that would have paid less than $300 annual property tax due to their low value.

For 17 years prior to 2010, the minimum real property tax was only $100. From 1993 to 2010, owners of exempt property paid only $100 per year. Before that the rate was $25 per year and in 1978, when the real property tax administration was turned over to the City, the minimum real property tax was just $7 per year. FYI, currently the minimum tax on Maui and the Big Island is $100 and on Kauai it is only $25. However the neighbor islands have considerably fewer exempt properties than Oahu.

Even at the new, increased rate $400 per year, the minimum real property tax does not cover the cost of the free garbage pickup provided to many exempt properties. Nor does the minimum begin to cover the City's costs for public works, public safety and emergency services.

In April the City Council voted on a number of bills addressing the inequity of the minimum real property tax. Recognizing that one size doesn't fit all, Bill 26 proposed a two-tier system for property used for charitable purposes. Bill 27 offered a more progressive approach, exempting property only up to a certain value. The Budget Director testified that implementation of either measure would require additional time for RPAD to update valuations since exempt property is not valued annually. Both bills were set aside to await the recommendations of the Commission.

Background on Historic Homes & Reclassified Property Owners

In the August 29th meeting, members of the Commission brought up the issue of the Historic Homes exemption. Historic Homes received much media attention because the exemption was emblematic of the many problems the Commission is addressing, in part equity, enforcement, and public purpose. It was found that the City was making no attempt to enforce the rules for historic homes; 117 of the 250 were found not to be in compliance with the most basic requirements of reasonable visual access and historic plaques. Honolulu residents and many City Council members were outraged to learn that some of the homes receiving the tax break were inaccessible to the public, n disrepair, owned by mainland investors and foreign corporations, used for commercial activity and vacation rentals, and owned by wealthy and prominent individuals who could well afford the upkeep of their muliti-million-dollar estates.

This was in stark contrast to the other prominent real property tax issue, the “gap group” of homeowners who had their residential property reclassified to commercial or industrial in 2010. These modest properties saw a four-fold increase in their property tax and were given no warning or recourse until the City Council passed tax relief measures to rectify the problem.

At the March 2nd Budget meeting, affected homeowner Evelyn Cullen testified on the issue:“My parents, they live in a shack in Kalihi and can you imagine paying almost $20,000 for property taxes and at that time acting-mayor Caldwell was paying just $300 living in this beautiful mansion. Do you know how that made me feel?”

See the following Honolulu Star-Advertiser articles for more information:

Tax Jump Alarms Kalihi Residents
(August 2010)

Owners of Housing Labeled Commercial Get One More Chance
(March 2011)

117 Historic Homes Do Not Abide By Rules
(April 2011)

Property Tax Rules Burden the Poor
(September 2010)

Hidden Homes Get Big Tax Breaks
(September 2010)

Some Historic Homes in Disrepair
(October 2010)

Obama Party Stays in Home Taxed at $300
(December 2010)

I hope this information is helpful. Please contact me if I can provide additional data or clarification. All the best,

Sincerely,

Holly J. Huber

1519 Nuuanu Ave #154 * Honolulu HI 96817
phone: 808-554-7692 * email: hollyjhuber@gmail.com

excludes nontaxable	Gross Valuation	Total Exemptions	Percent Exempt	Net Valuation	Amounts Raised by Taxation
1995	$102,089,909,000	$14,012,412,000	14%	$88,077,497,000	$411,893,000
2010	$178,034,158,000	$23,584,782,000	13%	$154,449,376,000	$797,722,000
including nontaxable					
1995	$120,846,102,000	$32,768,605,000	27%	$88,077,497,000	
2010	$201,181,564,000	$46,732,188,000	23%	$154,449,376,000	

HONOLULU	1995		2010		MEASURE OF CHANGE		
Type of Exemption	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**	%
Federal Government	279	4,504,973,000	393	5,825,568,000	114	1,320,595,000	29%
State Government	2,582	9,500,493,000	3,263	11,501,204,000	681	2,000,711,000	21%
County Government	1,834	3,920,534,000	2,117	4,953,865,000	283	1,033,331,000	26%
Government Leases - Portion	190	278,415,000	0	0	-190	-278,415,000	-100%
Hawaiian Homes Commission	394	102,259,000	845	504,607,000	451	402,348,000	393%
Hawn Homes Land - Total Land	1,993	429,735,000	2,884	1,343,615,000	891	913,880,000	213%
Hawaiian Homes - 7 Year	136	31,005,000	364	189,869,000	228	158,864,000	512%
Homes - Fee - (Basic)	57,811	2,311,954,000	79,594	6,371,441,000	21783	4,059,487,000	176%
Homes - Fee - (Multiple)	57,406	5,797,058,000	55,990	6,724,966,000	-1416	927,908,000	16%
Homes - Leasehold - (Basic)	7,198	287,870,000	2,520	201,245,000	-4678	-86,625,000	-30%
Homes - Leasehold - (Multiple)	5,081	503,377,000	2,381	283,333,000	-2700	-220,044,000	-44%
In Lieu of Home Ex - Fee		0	1,851	309,869,000	1851	309,869,000	
In Lieu of Home Ex - Lease		0	66	11,199,000	66	11,199,000	
Blind	329	8,134,000	309	7,666,000	-20	-468,000	-6%
Deaf	91	2,270,000	105	2,594,000	14	324,000	14%
Leprosy	3	75000	3	75000	0	0	0%
Totally Disabled	3,314	82,041,000	2,993	74,662,000	-321	-7,379,000	-9%
Totally Disabled Veterans	338	110,634,000	908	496,180,000	570	385,546,000	348%
Cemeteries	48	34,067,000	43	40,383,000	-5	6,316,000	19%
Charitable Organizations	490	755,469,000	847	1,666,051,000	357	910,582,000	121%
Non-Profit Child Care Center		0	1	337000	1	337,000	
For-Profit Child Care Center		0	4	6,175,000	4	6,175,000	
Churches	799	1,127,971,000	849	1,739,045,000	50	611,074,000	54%
Civil - Condemnation	70	124,048,000	26	31,748,000	-44	-92,300,000	-74%
Credit Unions	35	50,382,000	67	234,280,000	32	183,898,000	365%
Crop Shelters	44	2,864,000	24	2,968,000	-20	104,000	4%
Foreign Consulates	9	22,899,000	29	39,827,000	20	16,928,000	74%
Historic Residential Properties	47	37,728,000	240	262,529,000	193	224,801,000	596%
Historic Commercial Properties		0	5	25,627,000	5	25,627,000	
Kuleana		0	31	22,095,000	31	22,095,000	
Hospitals	66	462,933,000	71	639,656,000	5	176,723,000	38%
Landscaping, Open-Space	16	20,497,000	16	30,551,000	0	10,054,000	49%
Low-Moderate Income Housing	1,063	811,686,000	262	1,595,228,000	-801	783,542,000	97%
New Construction		0	24	71,548,000	24	71,548,000	
Public Utilities	496	707,888,000	488	796,387,000	-8	88,499,000	13%
Roadways and Waterways	2,945	3,893,000	3,041	13,055,000	96	9,162,000	235%
Schools	98	722,247,000	117	703,548,000	19	-18,699,000	-3%
Setbacks	5	1,435,000	6	370000	1	-1,065,000	-74%
Slaughterhouse	1	807000	1	2,900,000	0	2,093,000	259%
Miscellaneous	18	10,964,000	5	5,922,000	-13	-5,042,000	-46%
TOTAL EXEMPTIONS	145,229	32,768,605,000	162,783	46,732,188,000	17554	13,963,583,000	43%

2010	HONOLULU C&C		MAUI COUNTY	
Type of Exemption	**Number**	**Amount**	**Number**	**Amount**
Federal Government	393	5,825,568	80	45,109
State Government	3,263	11,501,204	1,259	2,117,030
County Government	2,117	4,953,865	482	456,137
Government Leases- Total	0	0	88	84,216
Government Leases - Portion	0	0	51	20,170
Hawaiian Homes Commission	845	504,607	296	17,544
Hawn Homes Land - Basic	0	0	466	66,888
Hawn Homes Land - Multiple	0	0	133	18,578
Hawn Homes Land - Total Land	2,884	1,343,615	355	48
Hawn Homes Land - Vacant Land	0	0	153	22
Hawaiian Homes - 7 Year	364	189,869	325	60,276
Homes - Fee - (Basic)	79,594	6,371,441	19,238	5,434,282
Homes - Fee - (Multiple)	55,990	6,724,966	6,170	1,740,900
Homes - Leasehold - (Basic)	2,520	201,245	247	62,859
Homes - Leasehold - (Multiple)	2,381	283,333	598	169,448
In Lieu of Home Ex - Fee	1,851	309,869	0	0
In Lieu of Home Ex - Lease	66	11,199	0	0
Additional Home Exemption	0	0	0	0
Additional Income Exemption	0	0	0	0
Blind	309	7,666	28	684
Deaf	105	2,594	9	114
Leprosy	3	75	1	0
Totally Disabled	2,993	74,662	452	9,409
Totally Disabled Veterans	908	496,180	202	104,543
Cemeteries	43	40,383	7	1,129
Charitable Organizations	847	1,666,051	236	292,906
Childcare	0	0	26	1,300
Non-Profit Child Care Center	1	337	0	0
For-Profit Child Care Center	4	6,175	0	0
Churches	849	1,739,045	225	325,345
Civil - Condemnation	26	31,748	0	0
Combat Zone	0	0	0	0
Credit Unions	67	234,280	12	13,557
Crop Shelters	24	2,968	0	0
Enterprize Zone	0	0	0	0
Foreign Consulates	29	39,827	0	0
Forest Reserve	0	0	4	77
Historic Residential Properties	240	262,529	7	11,166
Historic Commercial Properties	5	25,627	0	0
Kuleana	31	22,095	7	1,230
Hospitals	71	639,656	11	44,670
Landscaping, Open-Space	16	30,551	1	10
Low-Moderate Income Housing	262	1,595,228	44	172,056
New Construction	24	71,548	0	0
Public Utilities	488	796,387	76	93,440
Roadways and Waterways	3,041	13,055	1,522	4,680
Safe Room	0	0	0	0
Schools	117	703,548	10	81,337
Setbacks	6	370	0	0
Slaughterhouse	1	2,900	0	0
Taro	0	0	59	188
Tree Farm	0	0	0	0
Miscellaneous	5	5,922	4	398
Military (Deployed)	0	0	5	2,506
TOTAL	162,783	46,732,188	32,889	11,454,252
calculated TOTAL	162,783	46,732,188	32,889	11,454,252

1995	HONOLULU C&C		MAUI COUNTY	
Type of Exemption	**Number**	**Amount**	**Number**	**Amount**
Federal Government	279	4,504,973	52	17,242
State Government	2,582	9,500,493	1,341	655,558
County Government	1,834	3,920,534	362	203,838
Government Leases - Portion	190	278,415	43	9,510
Hawaiian Homes Commission	394	102,259	237	27,004
Hawn Homes Land - Basic	0	0	289	23,759
Hawn Homes Land - Multiple	0	0	98	10,277
Hawn Homes Land - Total land	1,993	429,735	87	4,919
Hawn Homes Land - Vacant Land	0	0	137	608
Hawaiian Homes - 7 Year	136	31,005	35	7,535
Homes - Fee - (Basic)	57,811	2,311,954	11,179	445,786
Homes - Fee - (Multiple)	57,406	5,797,058	6,063	543,134
Homes - Leasehold - (Basic)	7,198	287,870	372	14,870
Homes - Leasehold - (Multiple)	5,081	503,377	346	32,514
Additional Home Exemption	0	0	0	0
Blind	329	8,134	36	816
Deaf	91	2,270	14	324
Leprosy	3	75	3	50
Totally Disabled	3,314	82,041	438	10,402
Totally Disabled Veterans	338	110,634	32	7,324
Cemeteries	48	34,067	3	47
Charitable Organizations	490	755,469	130	75,400
Churches	799	1,127,971	218	125,484
Civil - Condemnation	70	124,048	0	0
Credit Unions	35	50,382	8	4,881
Crop Shelters	44	2,864	0	0
Foreign Consulates	9	22,899	0	0
Forest Reserve	0	0	4	67
Historic Residential Properties	47	37,728	3	582
Hospitals	66	462,933	10	28,999
Landscaping, Open-Space	16	20,497	1	10
Low-Moderate Income Housing	1,063	811,686	4	14,937
Public Utilities	496	707,888	71	52,908
Roadways and Waterways	2,945	3,893	921	553
Schools	98	722,247	6	14,342
Setbacks	5	1,435	0	0
Slaughterhouse	1	807	0	0
Miscellaneous	18	10,964	8	1,654
TOTAL	145,229	32,768,605	22,551	2,335,334
calculated TOTAL	145,229	32,768,605	22,551	2,335,334

2010	HAWAII COUNTY		KAUAI COUNTY	
Type of Exemption	**Number**	**Amount**	**Number**	**Amount**
Federal Government	99	170,641	38	50,581
State Government	2,553	1,633,283	1,178	920,077
County Government	788	247,018	334	278,325
Government Leases- Total	78	37,609	17	11,540
Government Leases - Portion	46	26,039	13	7,109
Hawaiian Homes Commission	658	224,603	354	160,585
Hawn Homes Land - Basic	625	102,320	0	0
Hawn Homes Land - Multiple	406	76,727	0	0
Hawn Homes Land - Total Land	771	81,025	355	129,329
Hawn Homes Land - Vacant Land	0	0	0	0
Hawaiian Homes - 7 Year	111	26,226	41	11,300
Homes - Fee - (Basic)	19,400	1,652,184	7,938	475,032
Homes - Fee - (Multiple)	82	5,794	4,293	486,440
Homes - Leasehold - (Basic)	18,399	2,317,126	33	2,988
Homes - Leasehold - (Multiple)	174	19,981	164	19,293
In Lieu of Home Ex - Fee	0	0	0	0
In Lieu of Home Ex - Lease	0	0	0	0
Additional Home Exemption	0	0	1,480	80,961
Additional Income Exemption	0	0	0	0
Blind	101	2,861	11	529
Deaf	55	1,602	3	150
Leprosy	1	35	1	50
Totally Disabled	3,023	86,605	377	18,796
Totally Disabled Veterans	390	107,857	87	40,135
Cemeteries	45	4,457	13	8,528
Charitable Organizations	312	189,220	134	147,638
Childcare	0	0	0	0
Non-Profit Child Care Center	0	0	0	0
For-Profit Child Care Center	0	0	0	0
Churches	289	168,017	145	123,186
Civil - Condemnation	0	0	0	0
Combat Zone	0	0	2	809
Credit Unions	19	29,663	11	10,386
Crop Shelters	0	0	9	275
Enterprize Zone	3	1,901	0	0
Foreign Consulates	1	23	0	0
Forest Reserve	1	370	1	1,157
Historic Residential Properties	18	11,767	8	29,164
Historic Commercial Properties	0	0	0	0
Kuleana	16	4,447	13	6,885
Hospitals	2	14,718	4	14,242
Landscaping, Open-Space	28	4,072	0	0
Low-Moderate Income Housing	32	44,321	17	59,678
New Construction	0	0	0	0
Public Utilities	169	599,394	56	211,496
Roadways and Waterways	1,847	5,400	411	19,285
Safe Room	0	0	36	1,440
Schools	58	78,778	3	21,837
Setbacks	0	0	0	0
Slaughterhouse	0	0	0	0
Taro	0	0	0	0
Tree Farm	0	0	14	9,499
Miscellaneous	5	2,062	4	1,465
Military (Deployed)	0	0	0	0
TOTAL	50,605	7,978,146	17,598	3,360,187
calculated TOTAL	50,605	7,978,146	17,598	3,360,190

1995	HAWAII COUNTY		KAUAI COUNTY	
Type of Exemption	**Number**	**Amount**	**Number**	**Amount**
Federal Government	88	88,934	39	19,150
State Government	2,338	970,030	1,046	471,872
County Government	657	169,417	300	92,655
Government Leases - Portion	46	10,254	17	2,669
Hawaiian Homes Commission	354	60,464	249	39,049
Hawn Homes Land - Basic	342	33,723	0	0
Hawn Homes Land - Multiple	187	21,590	0	0
Hawn Homes Land - Total land	327	17,518	0	0
Hawn Homes Land - Vacant Land	0	0	0	0
Hawaiian Homes - 7 Year	74	8,731	3	416
Homes - Fee - (Basic)	14,790	585,389	5,679	226,805
Homes - Fee - (Multiple)	10,341	847,942	3,684	334,480
Homes - Leasehold - (Basic)	371	14,392	172	6,880
Homes - Leasehold - (Multiple)	281	22,198	216	19,873
Additional Home Exemption	0	0	1,531	57,780
Blind	71	2,209	20	929
Deaf	33	1,172	3	150
Leprosy	4	108	1	50
Totally Disabled	1,655	54,105	350	14,778
Totally Disabled Veterans	86	10,014	23	4,126
Cemeteries	50	3,254	9	2,651
Charitable Organizations	159	71,837	67	56,372
Churches	282	77,757	132	44,092
Civil - Condemnation	0	0	0	0
Credit Unions	5	5,656	10	4,640
Crop Shelters	0	0	10	341
Foreign Consulates	1	23	0	0
Forest Reserve	2	4	1	4,048
Historic Residential Properties	9	5,635	8	9,588
Hospitals	1	1,297	4	11,644
Landscaping, Open-Space	36	6,702	0	0
Low-Moderate Income Housing	27	35,120	6	8,422
Public Utilities	161	41,943	66	13,501
Roadways and Waterways	1,347	285	455	11,637
Schools	39	42,658	2	732
Setbacks	1	16	0	0
Slaughterhouse	0	0	0	0
Miscellaneous	15	2,235	4	501
TOTAL	34,180	3,212,612	14,107	1,459,831
calculated TOTAL	34,180	3,212,612	14,107	1,459,831

2010	STATEWIDE	
Type of Exemption	**Number**	**Amount**
Federal Government	610	6,091,899
State Government	8,253	16,171,594
County Government	3,721	5,935,345
Government Leases- Total	183	133,365
Government Leases - Portion	110	53,318
Hawaiian Homes Commission	2,153	907,339
Hawn Homes Land - Basic	1,091	169,208
Hawn Homes Land - Multiple	539	95,305
Hawn Homes Land - Total Land	4,365	1,554,017
Hawn Homes Land - Vacant Land	153	22
Hawaiian Homes - 7 Year	841	287,671
Homes - Fee - (Basic)	126,170	13,932,939
Homes - Fee - (Multiple)	66,535	8,958,100
Homes - Leasehold - (Basic)	21,199	2,584,218
Homes - Leasehold - (Multiple)	3,317	492,055
In Lieu of Home Ex - Fee	1,851	309,869
In Lieu of Home Ex - Lease	66	11,199
Additional Home Exemption	1,480	80,961
Additional Income Exemption	0	0
Blind	449	11,740
Deaf	172	4,460
Leprosy	6	160
Totally Disabled	6,845	189,472
Totally Disabled Veterans	1,587	748,715
Cemeteries	108	54,497
Charitable Organizations	1,529	2,295,815
Childcare	26	1,300
Non-Profit Child Care Center	1	337
For-Profit Child Care Center	4	6,175
Churches	1,508	2,355,593
Civil - Condemnation	26	31,748
Combat Zone	2	809
Credit Unions	109	287,886
Crop Shelters	33	3,243
Enterprize Zone	3	1,901
Foreign Consulates	30	39,850
Forest Reserve	6	1,604
Historic Residential Properties	273	314,626
Historic Commercial Properties	5	25,627
Kuleana	67	34,657
Hospitals	88	713,286
Landscaping, Open-Space	45	34,633
Low-Moderate Income Housing	355	1,871,283
New Construction	24	71,548
Public Utilities	789	1,700,717
Roadways and Waterways	6,821	42,420
Safe Room	36	1,440
Schools	188	885,500
Setbacks	6	370
Slaughterhouse	1	2,900
Taro	59	188
Tree Farm	14	9,499
Miscellaneous	18	9,847
Military (Deployed)	5	2,506
TOTAL	263,875	69,524,773
calculated TOTAL	263,875	69,524,776

1995	STATEWIDE	
Type of Exemption	**Number**	**Amount**
Federal Government	458	4,630,299
State Government	7,307	11,597,953
County Government	3,153	4,386,444
Government Leases - Portion	296	300,848
Hawaiian Homes Commission	1,234	228,776
Hawn Homes Land - Basic	631	57,482
Hawn Homes Land - Multiple	285	31,867
Hawn Homes Land - Total land	2,407	452,172
Hawn Homes Land - Vacant Land	137	608
Hawaiian Homes - 7 Year	248	47,687
Homes - Fee - (Basic)	89,459	3,569,934
Homes - Fee - (Multiple)	77,494	7,522,614
Homes - Leasehold - (Basic)	8,113	324,012
Homes - Leasehold - (Multiple)	5,924	577,962
Additional Home Exemption	1,531	57,780
Blind	456	12,088
Deaf	141	3,916
Leprosy	11	283
Totally Disabled	5,757	161,326
Totally Disabled Veterans	479	132,098
Cemeteries	110	40,019
Charitable Organizations	846	959,078
Churches	1,431	1,375,304
Civil - Condemnation	70	124,048
Credit Unions	58	65,559
Crop Shelters	54	3,205
Foreign Consulates	10	22,922
Forest Reserve	7	4,119
Historic Residential Properties	67	53,533
Hospitals	81	504,873
Landscaping, Open-Space	53	27,209
Low-Moderate Income Housing	1,100	870,165
Public Utilities	794	816,240
Roadways and Waterways	5,668	16,368
Schools	145	779,979
Setbacks	6	1,451
Slaughterhouse	1	807
Miscellaneous	45	15,354
TOTAL	216,067	
calculated TOTAL	216,067	39,776,382

From: Holly J Huber [hollyjhuber@gmail.com]

Sent: Monday, September 26, 2011 11:13 PM

To: CCLBC

Subject: Public Testimony: 9/26/2011 Agenda of Real Property Tax Advisory Commission

FOR MEMBERS OF THE REAL PROPERTY TAX ADVISORY COMMISSION
public testimony on 2 agenda items for the meeting on Monday, September 26, 2011
Public Testimony from Holly Huber

MISSION OF THE REAL PROPERTY TAX ADVISORY COMMISSION

In 1960, the Hawaii State House of Representatives commissioned a report, **Real Property Tax Exemption in Hawaii,** to determine "whether or not the present legal provisions and administrative practices relating to the exemption of real property from real property taxation are consistent and fair, and, as far as may be judged, in the public's interest."

In 1961, UH Professor of Urban Studies Tom Dinell, gave the state legislators a 29-page report.This 50-year-old document is surprisingly relevant to the Real Property Tax Advisory Commission; below are some excerpts [emphasis mine]. A copy of Dinell's report is on file at the main branch of the Hawaii State Library (H 336.22 DI).

PREFACE (p. i)

> "Frequently the 'saving' in governmental expenditures exceeds the amount of the tax exemption, but the saving may occur at the state level while the county suffers the loss of tax revenue. In other instances the tax exemption results in a saving to a property owner or user who does not provide a governmental-type service, and thus the real property tax base is reduced without any specifically identifiable compensating reduction in the necessity for governmental expenditures. The effect of an exemption also may be to raise the property tax rate for all who are not exempted, given a fixed or increasing total property tax levy."
>
> **"Exempting a taxpayer from the property tax has the same effect as appropriating public funds for his use. Subsidizing private activities which promote public good is a perfectly reasonable function of government; but it is important in pursuing this course of action to make sure that the treatment of various groups of taxpayers is consistent, fair, and in the public's interest."**

The Development of Property Tax Exemptions in Hawaii (p. 1-2)

> [A 1884 statutory provision of the Hawaiian Kingdom exempted] "Real property belonging to the King or Queen, to the Government, to the Board of Education for the use of schools, to incorporated or private schools, to the Queen's Hospital, to religious societies for church sites and burying grounds, such church sites and burying grounds not to exceed five acres in extent, shall be exempted from taxation ..."
> "In fact in some respects the exemption policy of the Kingdom was more liberal than the one followed today. Schools were exempt whether they were profit-making institutions or not, and all taxpayers, not just homeowners, were entitled to a basic tax exemption."
> Basic institutional exemptions for hospitals, schools, and religious societies were added. "By 1945 there were almost 60 individual exemptions [by name]." General exemptions for cemeteries, care homes, and veteran organizations were added by 1949.

Recent Executive Vetoes of the Legislative Proposals to Extend Exemptions (p. 4)

> In 1959 & 1960, Governor Quinn vetoed a number of bills granting property tax exemptions to specific organizations because the bills were unfair to similar organizations that owned property but were not specifically exempted. The Governor advocated exemptions through a uniform policy based on classification of organization such as all nonprofits, stating, "which in their operation relieve the state of some part of the burden

of performing its public functions. Such exemptions are usually limited to religious, educational, charitable, and scientific institutions."

The Fiscal Impact of Real Property Tax Exemptions (p. 5-7)

"The department of taxation's annual tabulation of real property tax valuations and tax rates ... showed that of the total 1960 assessed value of $3.2 billion, $1.3 billion or 41% was listed as exempt. These data, however, should be accepted and used cautiously. **While state law requires that the value of non-taxable real property shall be determined and assessed, for informative and statistical purposes, in the same manner as taxable property, it would be unrealistic to think that as much attention has been devoted to assessing exempt property as taxable property."**

According to a table on page 6, in 1960 only $112,820,417 or 3.55% of total assessed land were for "all others" exempt property - this broad category included goernment land not yet transferred, homes of the disabled, forest lands and all exempt institutions (schools, churches, hospitals, etc).

"[L]ittle is known about how much money is saved because some of the exempt institutions perform governmental functions or whether any of these institutions would cease to function if the exemption were removed. When it comes to estimating the financial impact of most of the real property tax exemptions, one needs to be cautious of most estimates."

EXISTING PROPERTY TAX EXEMPTIONS
Exemption of Institutional Property (p. 8–11)

"Institutional property in Hawaii, in general, is exempt from property taxation if the use of the property: (1) results in an appreciable amount of social benefit to the public or some reasonably large portion thereof; (2) does not contemplate nor result in private gain or profit; and (3) is not primarily for the immediate benefit of a restricted or limited membership. The primary reasons put forth in justification of granting tax exemptions to such institutions are that they promote and encourage desirable activities such as religious activities or youth programs and/or that the jobs performed by the institutions would have to be performed and paid for by the government if private institutions such as homes for the indigent aged and schools did not exist. It is also maintained that these institutions frequently grace the communities in which they are situated (e.g., art museums), furnish emotional satisfaction (e.g., cemeteries), and provide some economic advantage in attracting business (e.g., cultural museums). The granting of an exemption to an institution does not depend on ownership of the land but rather on the purpose of the organization, the use of the land, and the financing arrangements. It should be noted, however, that leased property used for one of the tax exempt purposes is not exempt from taxation unless the term of the lease is for one year or more and the document is recorded."

Recreational exemptions, including Moanalua Gardens & Golf Course, "may be justified on the basis that if these recreational opportunities were not being provided to the public by non-profit organizations, then the government itself would have to furnish such activities and facilities."

THE ADMINISTRATION OF EXEMPTIONS
Administrative Problems (p. 20)

Unqualified institutions have been granted exemptions and no policy exists to determine borderline situations.

CONSIDERATION OF SUGGESTED CHANGES IN EXEMPTION LAW AND ADMINISTRATION (p. 23)

"New exemptions should be granted with great care if only for the reason that once granted, an exemption is seldom retracted."

Exemption of Institutional Property (p. 24-26)

"Consideration should also be given to repealing or modifying the blanket exemptions granted to St. Louis

College and Punahou School which exempt all of their lands located in designated areas regardless of whether the land is used or not -- a privilege not granted to other educational and cultural institutions."

"Care must be taken, however to make sure that exempted recreational facilities are truly open to the public on a basis similar to that used in public recreational facilities."

Administration of Exemptions (p. 29)

"[C]onsideration should be given to repealing the provision of the law requiring that exempt property be assessed at its full value. **The existing valuations, as noted earlier, are just accurate enough to be misleading and not accurate enough to be useful."**

I disagree with Dinell's suggestion to repeal the law requiring annual assessments of exempt property; a law that is now included in the Revised Ordinances of Honolulu. I believe that exempt property should be assessed annually at its full value, especially now that automated systems make such a requirement less onerous than it was 50 years ago. Unfortunately, Dinell's observation regarding misleading assessment of exempt property is still applicable.

RPAD assessments and exemptions are riddled with errors and omissions; much of the exempt property is grossly under-valued or has a fixed value. For example (note values include land and building):

1) The headquarters of the Roman Catholic Church in Hawaii has been assessed and exempted at the exact same value for five consecutive years—twice. The 8-story building on Fort Street Mall was valued at $4,067,700 from 2007 to 2011. This is a considerable improvement over the gross undervaluation of $2,406,900 for the same land and building from 2001 to 2005.

2) College Hill, the home for University of Hawaii presidents, is valued and exempted at only $341,700 for the 2.6-acre Manoa property. Recent renovations to the historic house cost over $372,000.

3) The 11-acre campus of St. Francis School in Manoa is currently exempted and assessed at only $1.6 million.

4) A 1-acre Kailua beachfront estate, 5-bedroom and 5-bath, rented to the Obama entourage annually for $2,500 to $3,500 per night, is currently valued at $6.5 million and exempted as a historic home. The property was purchased for $9 million in 2007 and when the historic home exemption was granted in 2010, the assessed value dropped to $7.4 million and plummeted again this year whereas neighboring beachfront properties have not experienced such rapid declines.

5) Mid-Pacific Institute's campus consists of two adjacent Manoa properties, both exempt; a 11.4-acre parcel valued at just over $1 million and a 22.7-acre parcel assessed at $5.8 million.

6) A 21-acre property at 6301 Pali Highway, St. Stephen's Diocesan Center, is valued and exempted at only $1.9 million. The parcel includes the former mansion of Harold K.L. Castle, which is now occupied by the Bishop of the Roman Catholic Church in Hawaii.

7) Over 50 exempt properties are valued at only $100! One parcel owned by a nonprofit is 3.5 acres in size and yet only worth $100 according to the 2010 and 2011 certified assessments.

CRITERIA FOR GOOD TAX POLICY & ADMINISTRATION

Equal and uniform taxation is a great place to start in formulating a good tax policy. However any tax policy is only as good as its administration and implementation.

The reason the historic homes tax exemption became such a hot-button issue, was not because the 1984 ordinance was bad policy. The people of Honolulu were outraged to find that it was never enforced, not even the simplest requirements like reasonable visual access and displaying a plaque. This was in sharp contrast to the enforcement of the ordinance requiring property assessments at "highest and best use" on homeowners who lived in commercial or

industrial areas.

In the past years, I have personally undertaken a review of Honolulu's Real Property Tax data. I am a database programmer/analyst who became interested in property tax issues. Using data I purchased from the City, I have been able to analyze a wide range of property records including those reclassified last year as commercial or industrial, and exempt properties. As a public advocate, I have provided expert testimony to the City Council on these issues.

My careful analysis raises serious concerns regarding the integrity of the City's Real Property Tax data. There are many inaccuracies in the data that preclude the Real Property Assessment Division from implementing a uniform and equitable system for valuation.

Real property taxes are the primary source of revenue for the City and County of Honolulu's general fund. Unfortunately, the current system of real property tax assessment is riddled with errors and inequities; a comprehensive overhaul is needed. For the past year, I have recommended a parcel-by-parcel review of all real property in the City and County of Honolulu. This complete property review is long-overdue and well worth the costs that such a large project will incur. Currently the property tax data has:

- **missing parcels** – some land is not being assessed or taxed;
- **missing tax assessment**s – some property is listed with no value or tax bills;
- **grossly undervalued land** – some land is assessed at $100;
- **missing building valuations** – some property with structures but no building assessments;
- **improperly classified parcels;**
- **incomplete property addresses** (6,272 properties missing either street number or street name or both, some with homeowners exemptions);
- **incorrectly calculated exemption amounts;** and
- i**ncorrect or unwarranted exemptions** – such as vacant land exempt as church or nonprofit.

RPAD's stated mission is to ensure **"real property assessment values are fair and equitable, based on market value and in accordance to applicable standards and laws."** Inaccuracies in real property tax data can have a significant diminishing effect on tax revenues generated for the City as well as a negative impact on taxpayers' confidence in the fairness and equity of the system.

Starting in January, I submitted to the City the following complaints, summarized below (complete, detailed complaints available on request):

1. Unwarranted OPEN SPACE Exemption at 26 N Kukui St (01/24/2011)
property receives a $1.49 million exemption for landscaping/open space but appears to be only a mortuary and parking lot
RPAD: NO RESPONSE

2. Unwarranted NONPROFIT & OPEN SPACE Exemptions at 320 Ward Ave (01/24/2011)
property receives a $1.6 million exemption for landscaping/open space that appears to be a parking lot; property receives a $.5 million exemption for space vacated by a nonprofit
RPAD: NO RESPONSE

3. Unwarranted NONPROFIT & OPEN SPACE Exemptions at 826 Kaheka St (01/24/2011)
property receives a $69,624 exemption for landscaping/open space that does not appear to exist; property receives a $2 million exemption for a nonprofit whose stated purpose, to lease business offices, is not charitable and has no IRS tax-exempt status

RPAD: NO RESPONSE

4. Building Not Valued & Incorrect CHURCH Exemption at 1331 Nehoa St (01/24/2011)
no property tax valuation for building that has been on property for years; improper exemption for Catholic Charities which is a nonprofit and not a church
RPAD: NO RESPONSE

5. Unwarranted OPEN SPACE Exemption at 94-149 Farrington Hwy (01/24/2011)
property receives a $80,500 exemption for landscaping/open space but appears to be only a car dealership and auto lot
RPAD: NO RESPONSE

6. Excessive OPEN SPACE Exemption at 1100 Ward Ave (01/24/2011)
Straub property receives a $1.8 million exemption for landscaping/open space; exemption amount is excessive for such a tiny park
RPAD: NO RESPONSE

7. Mislabeled Parcel on Kapiolani Blvd (01/24/2011)
property is listed with no address and various TMKs
RPAD: NO RESPONSE

8. Untaxed Property, No NONPROFIT Exemption, No Data for 1822 Keeaumoku (01/25/2011)
property has no tax bills for years, no exemption on file, was missing from 2010 assessment, current assessment omits parcel address, owner and values
RPAD RESPONSE: this TMK ”contained a data entry error which designated it as a non-taxable parcel. As such, neither an assessment notice nor a tax bill was mailed to the owners. We are reviewing our property records for this parcel, as well as any exemption applications, and will issue proper amended assessment notices and tax bills.”
NOTE: RPAD online data has been updated to list property address and owner as well as tax bills dating back to 2005, however assessed values and other parcel information are still omitted.

9. Property Valued at $100, Building Not Valued at 1100 Ala Napunani (01/28/2011)
property valued at $100 for over 10 years, building on property not valued
RPAD: NO RESPONSE

10. Property Valued at $100 at 1110 Ala Napunani (01/28/2011)
property valued at $100 for over 10 years
RPAD: NO RESPONSE

11. Property Valued at $100 on Manoa Road (01/31/2011)
property valued at $100 for over 10 years, no specific address
RPAD: NO RESPONSE

12. Land Classification, Value and NONPROFIT Exemption Errors at 250 Vineyard St (02/02/2011)
property has incorrect exemption, unwarranted exemption, incorrect land classifications, and incorrect value – various problems from 2009, 2010 and 2011
RPAD: NO RESPONSE

13. Incorrect and Unwarranted CHURCH Exemption at 564 South St (02/03/2011)
property has incorrect exemption, should be for credit union and not church; $366,700 exemption is unwarranted since the credit union closed and the commercial space is vacant
RPAD: NO RESPONSE

14. Incorrectly Valued and Untaxed Property at Kalaeloa (02/07/2011)
25-acre property, one of many in former Barbers Point Naval Air Station, undervalued and untaxed for two years
RPAD RESPONSE: the properties are designated as “untaxable” because they are government. RPAD is aware of the status of this and 21 other Kalaeloa parcels “and have been working with the lessee and HCDA to obtain accurate information so that they may be correctly assessed. There have been many challenges since the properties

have been zoned F-1." Once RPAD is able to "accurately value and classify the properties … we will issue amended assessment notices and tax bills dating back to the commencement date of the lease."
NOTE: RPAD gave no indication of how many more years this process will take or how much longer the City will have to wait to receive tax revenue from these properties.

15. Suppressed Exemptions & Mailing Addresses in RPAD Data (02/14/2011)
The 2011 assessment data does not contain the exemption information and mailing addresses. This PUBLIC DATA has also been removed from the RPAD website and public access room. In addition to speaking with RPAD, I filed a formal complaint with the Hawaii Office of Information Practices (OIP).
RPAD RESPONSE: on February 15th, RPAD provided me with a revised copy of the 2011 assessment data that included EXEMPTION information but not MAILING ADDRESSES. After an August ruling in my favor by the Hawaii Office of Information Practices, RPAD was required to make MAILING ADDRESSES available to the public, however they have declined to put such data on their website.

16. Incorrect NONPROFIT Exemption for 250 South Hotel Street (3/2011)
Downtown @ the HiSAM, a commercial restaurant, has been operating since 2007 in the tax-exempt property leased by the state for the Hawaii State Art Museum. (see my 9/13 testimony for more info).
RPAD: NO RESPONSE

17. Incorrect NONPROFIT Exemption for Honolulu Academy of Arts (3/2011)
The Pavilion Cafe, a commercial restaurant, has been operating since 2001 in the tax-exempt property of the Honolulu Academy of Arts. (see my 9/13 testimony for more info).
RPAD: NO RESPONSE

18. Incorrect NONPROFIT Exemption for Contemporary Museum (3/2011)
The Contemporary Cafe, a commercial restaurant, has been operating for many years in the tax-exempt property of the Contemporary Museum. (see my 9/13 testimony for more info).
RPAD: NO RESPONSE

19. Incorrect NONPROFIT Exemption for Mission Houses Museum (3/2011)
The Mission Houses Café and Tea Parlor, a commercial restaurant, has been operating for many years in the tax-exempt property of the Mission Houses Museum. (see my 9/13 testimony for more info).
RPAD: NO RESPONSE

20. Incorrect NONPROFIT Exemption for Leeward YMCA (3/2011)
Champs Bistro, a commercial restaurant, has been operating since June 2010 in the tax-exempt property of the Leeward YMCA. (see my 9/13 testimony for more info).
RPAD: NO RESPONSE

In the six to eight months since I filed these complaints I have found a number of other similar violations. I am awaiting a response from RPAD to my pending complaints before I file additional ones. RPAD claims to be complaint-driven in its compliance efforts for exemptions. My experience proves otherwise.

The Real Property Tax Advisory Commission should consider if these problems are a result of bad tax policy or just poor administration.

IN CONCLUSION

I hope this information is helpful. Please contact me if I can provide additional data or clarification. All the best,

Holly J. Huber
1519 Nuuanu Ave #154 * Honolulu HI 96817
phone: 808-554-7692 * email: hollyjhuber@gmail.com

From: Holly J Huber [hollyjhuber@gmail.com]

Sent: Wednesday, October 05, 2011 4:46 AM

To: CCLBC

Subject: Public Testimony 10/10/11 Real Property Tax Advisory Commission

FOR MEMBERS OF THE REAL PROPERTY TAX ADVISORY COMMISSION
for the meeting on Monday, October 10, 2011
Public Testimony from Holly Huber

GOOD TAX POLICY

1) EQUITY

At the September 26th meeting, acting chairman Brewbaker was dismissive of the concept of equity in formulating good tax policy. This may be permissible in the private sector but in government, fairness is a requirement. Both the US and Hawaii State constitutions require "equal protection under the law." The Revised Ordinance governing the valuation of property calls for "uniform and equalized assessments throughout the county." The resolution forming this Commission compels standards such as "equity and efficiency" be applied to real property tax issues.

A tax policy that lacks equity will erode tax-payer confidence, which in turn, undermines compliance. Like most taxes, property tax exemptions are reliant on self-reporting. If taxpayers believe the law to be unfair or unenforced, compliance will decrease dramatically. Equity may seem altruistic, but it is an important consideration.

2) PUBLIC PURPOSE

In 1960, the Hawaii State House of Representatives commissioned a report, *Real Property Tax Exemption in Hawaii*, to determine "whether or not the present legal provisions and administrative practices relating to the exemption of real property from real property taxation are **consistent and fair, and, as far as may be judged, in the public's interest."**

The Legislature went beyond considerations of equity to include the public interest because the Hawaii Constitution requires it: "No tax shall be levied or appropriation of public money or property made, nor shall the public credit be used, directly or indirectly, except for a public purpose."

Public purpose may not seem to be a component of good tax policy but it is certainly applicable when discussing tax exemptions.

3) DATA

My previous testimony included numerous examples of undervalued exempt properties. However I forgot to include Punahou. You may be surprised to learn that Punahou's 74 acres of land are valued at only $37,000. When you add in the buildings, you get a total value of $19.7 million. That's considerably less than Kawaiahao Church's 7.2 acre property, which includes a large cemetery, valued at $24.8 million.

RPAD continues to use figures that are misleading, claiming that the City only forgoes $49 million in revenue from exempt property. This number is a gross miscalculation because it is based on significant undervaluation of tax-exempt properties. You can't make good tax policy based on bad data!

HISTORIC HOMES

It may be tempting to dismiss the Historic Homes exemption based on pure economics. The exemption is emblematic of the many problems the Commission is addressing, in part equity, enforcement, and public purpose.

All the owners of historic homes pay the same property tax — $300 annually — regardless of assessed value. The most expensive historic home, a Kailua beachfront estate valued at $6.5 million paid the same minimum tax as a modest Ewa Villages cottage valued at $268,600.

The 255 historic home owners pay the same tax as nonprofit organizations like the Next Step homeless shelter, the Hawaii Foodbank and the Institute for Human Services. Is it fair to equate a private home with a public charity? Our current tax policy does.

The historic homes receiving the tax exemption are private property; most are never open to the public. Some owners live in these historic homes, or rent them out, or use them for commercial activity.

Unlike other residential dedications, which have strict rules and penalties against commercial activity, the Historic Home exemption permits owners of historic homes to operate businesses out of their tax-exempt properties. This double-standard is not equitable.

The owner is not required to live in the historic home to receive the tax exemption. There is no limit on the number of tax-exempt historic properties someone can own.

By contrast, low-income families seeking tax relief are required to live in their home, complete a lengthy and complicated application, provide “Federal Tax Return Transcripts” and certify that, “none of the titleholders owns any other real property anywhere.” To qualify for a low-income credit, the combined total income of all titleholders may not exceed $50,000 annually.

There are no limits on the Historic Home tax exemption. Hawaii has the most generous program in the U.S. Other municipalities place limits on the number of historic homes for which a property owner can receive the exemption; on the number of years the property can be tax-exempt; and the aggregate amount of the tax benefit. Some of Honolulu's historic homes have been receiving the exemption since 1984.

Year	Properties	Total Exemption	Average Value
1991	27	$21,072,000	$780,444
2001	92	$56,111,000	$609,902
2010	240	$262,529,000	$1,093,870

The historic homes tax exemption was never intended to provide tax breaks to those who could afford to maintain their historic home. From 1984 to 2011, the Revised Ordinances of Honolulu Section 8-10-22 (c) read:

> “The director may take into consideration whether the current level of taxation is a material factor which threatens the continued existence of the historic property”

In a comprehensive review, I determined that the historic home property tax exemptions are mostly being used to subsidize lifestyles of the rich and famous. Many wealthy and prominent individuals, as well as numerous non-Hawaii residents, real estate investors, vacation rentals, for-profit businesses, and foreign corporations are receiving these generous tax breaks. Among the affluent receiving the historic home tax subsidies are:

- Kevin Comcowich (a Texas rancher and multi-millionaire),
- Holy-Eye LLC (a Taiwan-based real estate firm),
- former Acting Mayor Kirk W Caldwell and wife Donna A Tanoue,
- prominent attorneys Sherry Broder & Jon Van Dyke,
- the Twigg-Smith family trust,
- the Zadoc W Brown Estate,
- Samuel A & Mary M Cooke,
- Allan H Cadgene (a California real estate investor),
- Richard R Clifton (a federal judge on the US Court of Appeals for the Ninth Circuit),
- Adrian P and Don Ohlmeyer (a Beverly Hills television producer),
- Susan M & Richard K Mirikitani,
- the Morgan Family Partnership LP (owners of Kualoa Ranch),

and many more.

The State Historic Preservation Division grants the historic status but has no obligations to monitor the upkeep of the property. Every year, the State adds more properties to the historic register and the City must foot the bill and monitor the tax exemption program. In 2011, RPAD added 15 more properties to the list of historic residential dedications. This is proving untenable. To delay the tipping point, the City recently excluded multi-family dwellings. The Hawaii State Historic Preservation Division continues to place historic multi-family structures on the Hawaii Register without prejudice. However the City refuses to grant property tax exemptions to these historic properties.

The City Council recently heard a number of bills to reform the Historic Home exemption. One consideration was to change the flat-rate, minimum tax to a percentage while maintaining some requirements regarding maintenance, visual access, and signage. This would be the most equitable solution and would mirror the current commercial historic requirements (see ROH 8-10.30) which provide an exemption based on 50% of the value. To encourage residency, the commission could allow a homeowners exemption, if applicable, in addition to the 50% historic home exemption.

This proposal to change the historic home exemption to 50% of the property tax rate meets all the criteria of good tax policy, especially equity and efficiency.

NONPROFITS

The current ROH 8-10.10 governing exemption for charitable purpose was written prior to the IRS categorizations of 501(c) nonprofits. The wording is so vague that even taxable nonprofits and private, members-only organizations are able to qualify for the property tax exemption.

The IRS has 28 different categories of 501(c) nonprofits, with varying degrees of tax exemption. Some qualify for tax-deductible charitable contributions. The IRS recognizes that not all nonprofits are created equal; Honolulu's property tax exemption ordinance does not.

The Commission should review the definition of charitable purpose to mirror IRS categories and to exclude taxable nonprofits, those with only taxable income and no exempt status from the IRS, yet are registered as nonprofits in the State of Hawaii.

For example, the Triangle Club of Hawaii receives a $2.1 million exemption on their 826 Kaheka commercial property valued at $5.2 million. The organization is a Hawaii nonprofit corporation whose stated purpose is to lease business offices. However the IRS has verified that the Triangle Club of Hawaii has no federal tax-exempt status. Nor would the leasing of commercial property qualify as a charitable purpose.

Contrast this with the Polynesian Cultural Center (PCC), a 501(c)(3) organization whose mission is to "operate a cultural center created to preserve the arts, crafts and cultures of Polynesia. The Tax Appeal Court of the State of Hawaii denied the PCC's claim for exemptions from real property taxes in 1992 requiring taxes paid from 1986. The Court ruled unequivocally that the PCC "does not serve any charitable purpose" and is in fact a "commercial enterprise, and business undertaking and an industry."

These examples illustrate how Honolulu's property tax policy is administered inconsistently.

Currently there are many property tax exemptions that violate Hawaii's Constitution because the organizations receiving an exemption do not serve a public purpose. The State of Hawaii Dept of Taxation has a rigorous process for determining exemptions from General Excise Tax, based on facts and circumstances specific to each organization.

Denise Inouye, the Technical Section supervisor of the State Tax Dept, admitted that the IRS recognizes many 501(c)(3) nonprofits that do not meet the State's more stringent requirements for GET exemption. She explained that retreat centers charging $2,000 per night for a room on the beach were denied exemptions even though they claimed to be churches. Inouye also clarified that the YMCA was required to pay GET on their membership fees because members were provided a service, namely access to fitness facilities. She said that a number of nonprofits conduct activity similar to commercial operations and in direct competition with them and therefore are not granted GET exemptions by the state.

RPAD should consider requiring exempt organizations to include their state G-6 exemption application and certificate to determine whether a nonprofit has a charitable purpose and serves the public interest. It makes sense to use existing resources and to implement a tax exemption policy consistent with the state.

Many municipalities on the mainland set property tax rates but have no jurisdiction over the laws regarding exemption which are implemented at the state level. California requires nonprofits to benefit the citizens of their state: California Scrutinizes Nonprofits, Sometimes Ending a Tax Exemption. The state of Illinois has a Revenue Department that reviews exemptions: Illinois Says Hospitals No Longer 'Poorhouses' Shielded From Tax

In Wisconsin, a recent review of property tax exemptions titled **Too Many Loopholes,** offers in-depth analysis of that state's exemptions and offers a number of solutions. I've included some relevant excerpts of the report here [emphasis mine] or you can download the 39-page pdf. (FYI, Fond du Lac in Wisconsin requires exempt property owners file a form with the city every two years to retain their tax-exemption [read article].)

> p. 1-2
> **The first step is to review and evaluate the 104** property tax exemptions currently in law to determine if some need to be altered or eliminated.
>
> **1. The majority of tax-exempt property is owned by nonprofit entities vaguely defined as "benevolent." Within this nonprofit category are organizations that operate in almost identical ways to their for-profit counterparts with luxurious facilities and lavishly paid executives. Hospitals and high-end housing for retired persons fall in this category.**
> The hospital exemption shifts
> at least $128 million in property taxes from the massive institutions to homeowners and small businesses every year.
>
> Some retirement communities are sited on valuable land and charge residents very high monthly fees but pay no property taxes at all. If taxed at the same rate as the elderly living in their homes, it would generate at least $15 million each year
>
> **One way to address these gaps is by establishing quantifiable ways of assessing "benevolence" to ensure there is sufficient community benefit to offset the loss of revenue.**
> Alternatively, the state
> can require nonprofits to make payments in lieu of taxes to help cover the cost of services they rely on—transportation, road maintenance, water and sewer operations, etc.
>
> **2. Local governments lose revenue when land is assessed at below-market value.**
> Real estate
> speculators do "fake farming" on commercial or residential property to obtain the lower property tax rates designed for farmers. This could be repaired by designating stricter standards for

assessing property as farmland.

3. The existing property assessment process is fragmented and inconsistent.

The Department of
Revenue has proposed reforms that would consolidate and modernize the assessment process, including an annual assessment of all property at market value to create an accurate, up-todate and transparent method of measuring property values. This process should also address the confusion surrounding personal property exemptions such as those for business computers and other equipment. In addition, a State Board would be established to oversee exemptions to increase consistency and evenhandedness across the state

Property owners with deep pockets are quick to file lawsuits against local governments when communities try to ensure everyone pays their fair share. These communities are already starved for revenue and need financial support for tax issue litigation with wealthy opponents. This would ensure that court decisions were based on law, not undermined by communities' financial exhaustion.

4. Finally, it is crucial that Wisconsin reform the way that tax exemptions are adopted. Like the gift that keeps on giving, the list of tax exemptions grows every year. During the 2009-2011 biennium when that state was facing a massive fiscal crisis due to the recession, ten new exemptions were passed by the Legislature.

Exemptions should be subject to ongoing review with definitive ending dates unless they are approved for renewal. New exemptions should be scrutinized for relevance and impact with a sunset date included in the legislation.

Property tax revenue is a major source of local operating funds. It is a time to be careful and efficient with
this resource. It is time to close loopholes, be consistent and ensure that all groups pay their fair share.

p.10-11
The word "benevolent" is central in the statute's discussions of tax exemptions, but the meaning of the word is left unclear by the laws. It is left to courts to determine its meaning in specific cases. Wisconsin courts have taken **a variety of factors into consideration, including how an organization is structured and operates, what services it provides, and what happens to any 'profit' (income above expenses) the organization earns.9 Generally, property must be owned and used exclusively for a tax-exempt purpose.**

There is also concern about exemptions for nonprofits that are essentially in competition with for-profit businesses and act no differently from them, with hospitals and nonprofit housing as clear examples. Shouldn't commercial nonprofits, financed largely by fees for services, pay taxes like their for-profit competitors, especially when they can pass the tax along in fees to their customers and third-party payers like insurance companies? 11

Properties that are exempt do benefit from the services that local governments provide, so why shouldn't they pay for them? Charitable organizations pay for some public services, like water or electricity. Why shouldn't they pay for services like police and fire protection and local transportation infrastructure? Finally, individuals and for-profit businesses can get reductions in their income taxes for their charitable donations. But they do not get a break on their property taxes. So why should nonprofits, which are exempt from income and sales taxes, also be exempt from property taxes?

Option 2a: Define clear standards for "benevolent" or "nonprofit"organizations

Wisconsin Statutes do not define what it means to be "benevolent," though they require benevolent organizations to be nonprofit—any surplus of income over expenses cannot benefit private interests. Though several state-level committees have had little success in developing clearer standards for "benevolence," particularly for retirement and low-income housing, such standards would help assessors and the courts determine whether or not properties should qualify for exemption.

Two standards that other states consider, either by law or in court rulings, are (1) serving a public purpose, in particular, relieving government of a burden that it would have to address, and (2) being "charitable." Indicators of the latter include receiving a significant share of support from charitable contributions and helping a particularly charitable class, such as low-income persons, or providing services to needy recipients for free or below cost.

One factor frequently considered is the extent to which an organization receives substantial revenues from charges for service. Obviously, this impacts the extent to which the organization is supported by charitable giving. But it can also affect the extent to which it is serving a public purpose. Does government provide

a significant portion of the funding—such as it does for nonprofit hospitals—in which case it may not be relieving government of a burden?

In addition to general standards defining "benevolent," industry-specific standards could offer explicit tests, such as the percentage of services provided to needy clients, the existence of sliding-scale charges based on income, and profits relative to total revenues.

IN CONCLUSION

I hope this information is helpful. Although I am unable to attend the October 10 meeting, I am happy to answer any questions or provide additional information. Please contact me if I can be of assistance. All the best,

Holly J. Huber
1519 Nuuanu Ave #154 * Honolulu HI 96817
phone: 808-554-7692 * email: hollyjhuber@gmail.com

Hawaii Credit Union League
Your Partner For Success

1654 South King Street
Honolulu, Hawaii 96826-2097
Telephone: (808) 941.0556
Fax: (808) 945.0019
Web site: www.hcul.org
Email: info@hcul.org

Testimony to the Oahu Real Property Tax Asdvisory Commission
October 10, 2011

Testimony of Hawaii's Credit Unions

To: The Honorable Members of the Oahu Real Property Tax Commission

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 85 Hawaii credit unions representing approximately 810,000 credit union members across the state, including 54 credit unions representing approximately 550,000 members on Oahu.

We seek to retain this real property tax exemption because our mission is to assist credit unions in Hawaii to succeed. Credit unions are not-for-profit, member-owned financial cooperatives with the sole purpose of serving member needs, particularly members of modest means. Especially in this time of financial instability and uncertainty, credit unions have an important role to play in each community. Credit unions provide low-cost financial services and loans, and strive to support people who might otherwise be denied banking services.

Unlike for-profit financial institutions that are able to access capital from external sources (such as issuing common or preferred stock), a credit union can strengthen its capital only by retention of net income. The philosophy of credit unions has always been to "serve the underserved", and the Hawaii Credit Union League strives to help Hawaii's credit unions remain strong in this time of economic uncertainty. We humbly ask you to consider the impact this bill will have on all credit unions' ability to deliver low-cost services to our member base.

We are happy to provide any additional information that the Commission may require to complete its evaluation. Thank you very much for the opportunity to present testimony.

Hawaii Central
FEDERAL CREDIT UNION

Testimony to the Oahu Real Property Tax Advisory Commission
October 10, 2011
Testimony of Hawaii Central Federal Credit Union

To: The Honorable Members of the Oahu Real Property Tax Advisory Commission

My name is Drake Tanabe, of Hawaii Central Federal Credit Union. Our field of membership consists of select employer groups with less than 3,000 employees.

Hawaii Central Federal Credit Union has a long history of furthering the credit union philosophy of "people helping people". Because credit unions are democratically owned by their members, and because credit unions are non-profit cooperatives, the needs of members always come first. Credit unions provide low-cost financial services and loans, and offer personalized services for each and every member.

We have just recently added a full service mortgage division to further assist the needs of our members, as well as offering business loans, with the hope of helping small businesses grow and aid in Hawaii's overall economy.

We humbly ask the Commission to allow our credit union, and all credit unions in Hawaii, to continue to serve our members. Thank you very much for the opportunity to present my testimony.

Drake Tanabe
President/General Manager
Hawaii Central Federal Credit Union

681 South King Street • Honolulu, HI 96813 • Phone: (808) 536-3677 • Fax: (808) 531-7048 • www.hccu.info

WINDWARD COMMUNITY
FEDERAL CREDIT UNION

October 12, 2011

To: The Honorable Members of the Oahu Real Property Tax Commission

My name is Fred Perry, and I am writing on behalf of Windward Community FCU, a Windward Oahu credit union in business for 57 years with $75 million in assets and just under 10,000 members. Our credit union seeks to retain our real property tax exemption.

Windward Community FCU works daily in the community to improve the financial well being of our members by providing loans at low interest rates, paying higher rates on deposits and offering many free services. A loss of our real property tax exemption would increase our expenses which we would have to pass on to our members; there by reducing the financial benefits they derive from doing business with a credit union.

Additionally, credit unions like ours need to retain this real property tax exemption because:

- credit unions are not-for-profit, member-owned financial cooperatives with the sole purpose of serving member needs, particularly members of modest means;
- the cost of any tax paid by a credit union is a cost paid by that credit union's member-owners;
- unlike for-profit financial institutions that are able to access capital from external sources (such as issuing common or preferred stock), a credit union can strengthen its capital only by retention of net income; and
- as a consequence of only deriving capital from it members, any impairment on a credit union's net income will reduce the ability of a credit union to grow capital needed for safe and sound operations, especially in this troubled economy.

The philosophy of credit unions has always been to "serve the underserved". We humbly ask you to consider the impact this bill will have on our ability to deliver low-cost services to our members.

Thank you very much for the opportunity to present this written testimony.

Sincerely,

Fred Perry

President/CEO

UNIVERSITY OF HAWAI'I
FEDERAL CREDIT UNION
UHFCU.COM

October 13, 2011

The Honorable Members of the Oahu Real Property Tax Commission

Dear Commission Members:

On behalf of the University of Hawaii Federal Credit Union which serves over 24,000 members, I am writing to oppose the elimination of the real property tax exemption for credit unions. As many of you are aware, credit unions are not-for-profit financial cooperatives. We exist to serve our members, not to make a profit. Unlike most other financial institutions, credit unions do not issue stock or pay dividends to outside stockholders. Instead, earnings are returned to our members in the form of lower loan rates, higher interest on deposits, and lower fees.

Unlike for-profit financial institutions that are able to access capital from external sources (such as issuing stock), a credit union can strengthen its capital only by retention of net income. A consequence of only deriving capital from its members is any impairment on a credit union's net income will reduce the ability of a credit union to grow capital needed for safe and sound operations, especially in this troubled economy.

Consequently, any increase in property taxes will put added stress on our capital ratio at a time when credit unions are attempting to strengthen their financial condition. Any increase may result in our credit union increasing loan rates and fees to offset the increased tax burden. In addition, the credit union may have to implement a hiring freeze, reduction in force or reduce its personnel through attrition.

In closing, I would like to commend the members of the commission for the significant time and effort spent to look at various opportunities to increase revenue in response to the lingering economic recession. This holistic and systematic approach to reviewing the property tax system is important to ensure an equitable tax burden for everyone in the City and County of Honolulu. I understand that no easy answers exist especially with continued increases to non-discretionary costs. However, I encourage the committee to carefully consider all the implications in eliminating the real property tax exemption for credit unions. Specifically, the potential adverse financial consequences on thousands of our members which will have a far greater negative impact than the increased property tax revenue.

Thank you very much for your time regarding this matter.

Yours Respectfully,

Jeanine M. Morse
President and Chief Executive Officer

2019 SOUTH KING STREET · (808) 983-5500
PO BOX 22070 · HONOLULU, HI 96823-2070

HawaiiUSA FEDERAL CREDIT UNION

Life matters.

Testimony to the Oahu Real Property Tax Advisory Commission

TO: The Honorable Members of the Oahu Real Property Tax Commission

FROM: Karl Yoneshige, President & CEO, HawaiiUSA Federal Credit Union

I am testifying on behalf of the 130,000 members of HawaiiUSA Federal Credit Union, to provide the Commission with important information regarding the real property tax exemption for credit unions.

Credit Unions are Different

Credit unions were created to provide financial services in a democratic, not-for-profit, cooperative manner, with member ownership and control. Those characteristics are the foundation of the tax exemption we have earned from Federal and State income taxes.

The Board of Directors of credit unions serve as unpaid volunteers, elected by members. Credit unions return all excess income to members, in the form of higher deposit rates, lower loan rates, and lower fees.

The credit unions have a share insurance fund to insure member deposits that is totally self-funded, and has never asked for any money from taxpayers, unlike the other deposit insurance funds or financial institutions. However, the tough economy has taken its toll on credit unions, and 30 of 85 credit unions in Hawaii have negative earnings. As credit unions, nationally and locally suffer losses, our assessments for the insurance fund have risen dramatically.

Tax Repercussions

If credit unions were subject to the real property tax, the effect would be significant and felt by all residents as the costs for loans rise or the dividends earned on savings would be lower and reduce the options available for disadvantaged consumers. In addition, our credit union currently offers non-profit entities discounted lease rent for their offices at two of our facilities that we would be unable to continue without the real property tax exemption. The loss of the exemption would also impact our pricing of our community rooms which schools and non-profit groups utilize for meetings and training.

Please consider these facts and the impact of any tax increase will have on our credit union and the residents by our inability to offer low-cost services. We will be happy to provide any additional information to the commission that is desired. Thank you for the opportunity to present testimony for your consideration.

mail 1226 College Walk / Honolulu, HI 96817 **call** (808) 534.4300 / (800) 379.1300 toll-free **fax** (808) 534.4352 **visit** www.hawaiiusafcu.com

From: Holly J Huber [hollyjhuber@gmail.com]

Sent: Wednesday, October 26, 2011 3:22 PM

To: CCLBC

Subject: Public Testimony 10/27/11 Real Property Tax Advisory Commission

FOR MEMBERS OF THE REAL PROPERTY TAX ADVISORY COMMISSION
for the meeting on Thursday, October 27, 2011
Public Testimony from Holly Huber

NONPROFIT EXEMPTIONS: VALUATION OF REAL PROPERTY

The Revised Ordinances of Honolulu requires ANNUAL VALUATION OF ALL REAL PROPERTY!

Sec. 8-7.1 Valuation--Considerations in fixing.
(a) The director of budget and fiscal services **shall cause the fair market value of all taxable real property to be determined and annually assessed** by the market data and cost approaches to value using appropriate systematic methods suitable for mass valuation of real property for taxation purposes, so selected and applied to obtain, as far as possible, uniform and equalized assessments throughout the county.

In previous testimony, I have provided numerous examples proving that RPAD makes no attempt to annually value exempt property.

In the April 12 Budget Meeting, when testifying on property tax Bills 26 & 27, Budget Director Mike Hansen said:

"right now those properties that we have in these areas, since they are exempt properties, we have values for them but because, um, they're lower priority properties so therefore we don't necessarily go through a process to value them. It will take us some time to get a good value, um, to go through that process to get full value, um, over time to get all those up to the value they should be."

Hansen did not say that only the land was valued accurately. He admitted that the values were not correct. My data confirms his statement.

All property owners receive an annual assessed value notice, regardless of whether their property is tax-exempt and they pay only the minimum property tax. If the property owner disagrees with the assessment, they can appeal it.

The assessed land values of exempt properties are wildly inaccurate. The current land value for Punahou School's 74 acres of land is $37,000. It's not just the buildings that are undervalued. To only make nonprofits pay tax on land value is to provide an additional discount. Two wrongs do not make a right.

OTHER EXEMPTIONS - CREDIT UNIONS

According to RPAD's annual report on exemptions in Honolulu:

> **2011-2012 lists 77 credit unions valued at $118,894,000**
> **2010-2011 lists 67 credit unions valued at $234,280,000**

These numbers simply do not add up! There is no other sector of tax-exempt property in Honolulu that has lost half of it's assessed value in a single year. the Real Property Tax Advisory Commission should ask RPAD to review and explain these totals. The Commission cannot make good tax policy based on bad data!

In February 2010, Keith Leggett commented on Hawaii's property tax exemption in his Credit Union Watch. Criticizing the Hawaii Credit Union League's opposition to raising the minimum property tax, Legget wrote:

> "I think HawaiiUSA FCU can afford to pay its fair share in property taxes. After all, the only tax that federal credit unions are subject to is a real property tax and even that is contingent on local law."

There are at least 30 states that do not exempt credit unions from property tax. I was unable to find more specific information since often the exemption is made at the local level. According to the 2008-2007 profile of the National Association of State Credit Union Supervisors (NASCUS): "17 states have state-

chartered credit unions exempt from all state taxes. Of the 30 states that collect some type of state taxes from state-chartered credit unions, the most common type of state tax is sales and real property."

Credit unions' exemption from federal tax is currently under consideration. Last year, the President's Economic Recovery Advisory Board, chaired by former Federal Reserve Board Chairman Paul Volcker, recommended eliminating the credit union income tax exemption. There is a precedent for removing the exemption; in the 1950s Congress repealed the tax-exempt status previously granted to savings and loan companies.

Critics point out how little difference there is today between community banks and credit unions. In the past decade, credit unions have become more aggressive, marketing a wide array of consumer services, such as checking, savings, loans, business lending and other products.

According to an September 2010 article on credit unions' tax-exempt status:

> "The core issue is whether credit unions fulfill a public purpose, such as providing access to credit markets for families, individuals and businesses that commercial banks do not lend to," says Andrew Reschovsky, a professor at the LaFollette Institute at the University of Wisconsin-Madison. "If so, credit unions actions might justify a public subsidy."
>
> "But bankers association president Bauer says taxpayers receive virtually nothing in exchange for the credit union subsidy. He says the social mission of serving low- to moderate-income populations that once justified the credit union tax subsidy has been ignored, especially by the largest institutions."

The Tax Foundation in Washington DC has been advocating for a repeal of the federal income tax exemption for credit unions since 2005. Their study reports: "Despite the original mission of credit unions to serve low-income people, Tatom finds no solid evidence that credit unions have done so. In fact, most credit unions have an occupational bond that requires members to be employed, often in industries with relatively high-wage jobs."

The Real Property Tax Commission should recommend that Honolulu end its property tax exemption for credit unions. These well-funded organizations can afford to pay their fair share for city services.

COMPROMISES

Every year the City Council approves tax compromise requests from nonprofit organizations that have missed the deadlines for filing for a property tax exemption. These tax compromise requests occur so frequently that there is a blanket resolution dating back to 2005 to set policy and rates.

In the past 2 years, there were a number of tax compromises granted:

> Honolulu Waldorf School had its 2010-2011 property tax reduced to $300 from $13,738.97
> Housing Solutions Inc had its 2001-2002 and 2002-2003 property tax reduced to $300 from $24,086.08
> Teen Value Challenge had its 2011-2012 property tax reduced to $300 from $3,895.50
> Honolulu Masonic Temple had its 2010-2011 property tax reduced to $600 from $13,881.80
> Hale Wai Vista I had its 2010-2011 property tax reduced to $300 from $134,277.12

In addition, an internal audit found that 5 nonprofits lessees of City properties had never been assessed property tax. Some of these leases had been in place for over 20 years and yet the nonprofit had never been billed even the minimum property tax of $25 (at the time). [Download Dept Communication 16, dated January 14, 2010]

> Manuu Group Home had its property tax reduced to $500 from $7,511.51
> Waianae Coast Mental Health Center had its property tax reduced to $600 from $8,291.68
> Lester McCoy Boys Club had its property tax reduced to $1,858 from $340,406.73
> Boys & Girls Club of Honolulu had its property tax reduced to $1,756 from $117,857.45
> Boys & Girls Club of Hawaii had its property tax reduced to $1,100 from $25,295.77

I could not find any instance in the past 2 years of a nonprofit being denied a property tax compromise.

I include these numbers as a reminder as to how valuable the current property tax exemption is to nonprofit organizations.

At the March 2nd Budget Committee Meeting, some council members questioned why the Hale Wai Vista's very generous property tax compromise had no penalty included.
Mike Hansen, director Budget & Fiscal Services, told the committee: "The developer missed deadline to file for exemption. ... [this compromise is] consistent with the blanket resolution 05-069 that recognizes that charitable organizations may miss the deadline as long as they qualify for the exemption. Hansen said the City does not want to charge interest or penalties because it would be taking funds away from a public service, in this instance from affordable housing.

At that March 2nd meeting, Budget Chairman Ernie Martin asked Hansen to "provide the council with a memo identifying if any penalties have been imposed in the past 5 years, how many compromises have come forward so we can get a sense of the trend annually."

I have contacted Martin's Office and the Budget Office and no one has been able to produce this memorandum regarding compromises. Perhaps the Real Property Tax Advisory Commission can ask the Budget Office to generate this report, initially requested in March.

IN CONCLUSION

I hope this information is helpful. As usual, I am happy to answer any questions or provide additional information. Please contact me if I can be of assistance. All the best,

Holly J. Huber
1519 Nuuanu Ave #154 * Honolulu HI 96817
phone: 808-554-7692 * email: hollyjhuber@gmail.com

From: Warren Nakamura [wnakamura@honolulufcu.com]
Sent: Friday, October 28, 2011 3:12 PM
To: CCLBC
Cc: ssakamoto@hcul.org
Subject: comments opposing removal of real property tax exemption for credit unions

Comments to: Real Property Tax Advisory Commission (RPTAC), established by the Honolulu City Council

Re: Removal of Credit Union Tax Exemption

Honolulu Federal Credit Union opposes efforts to remove our Real Property Tax Exemption. Honolulu Federal Credit Union is chartered as a Co-operative organization for the benefit of its 15,489 member/owners under the Federal Credit Union Act of 1934. We primarily service Federal Employees and our Board of Directors are all retired or active Federal Employees. We provide lower loan rates than most for profit institutions and pay higher savings rates. Retained earnings are our only means of building capital, and we carefully watch expenses of our 39 employees. Removal of our real property tax exemption would make it hard for us to maintain the level of service we provide our members. Our ability to build capital would also decline.

Our motto is “Enriching Island Life”, and we have participated in many community activities this year. We held several fundraising events for Japan Relief and donated over $5,000. We supported Aloha United Way with flower and bake sales in addition to employee contributions and gave over $1,200. We donated four large containers of food through Feds Feed Families, and had bake sales to raise money for the League’s “Have A Rice Day” Food Bank drive. We also supported the Coast Guard Picnic, Federal Employees recognition Lunch, and the Hawaii Law Enforcement Memorial Foundation.

Credit unions are different from For Profit institutions because we do not have stockholders. All capital in the credit union is contributed and owned by members. Charitable Organizations, Churches, and Credit Unions deserve the real property tax exemption because they are structured to provide a benefit to their member/owners, and provide a needed service in the community.

Warren Nakamura
President/CEO, (NMLS No. 686794)
Honolulu Federal Credit Union, (NMLS No. 477720)
(808) 524-7455
(808) 529-6453 fax

From: grizman13@q.com
Sent: Saturday, October 29, 2011 5:29 PM
To: CCLBC
Subject: Real Estate exemption

Big Island Federal Credit Union as well as other Hawaii Credit Unions provide low cost services to the Big Island. Credit Unions provide low cost loans and generally higher Interest Rates of return than Banks. Unlike Banks, Credit Unions are Member owned and operated. Unlike Banks they are not raising fees on their services and products. Credit Unions were not bailed out by the Federal Government and had to come through the tough economic times by providing services that are low cost. Unlike Banks that issue stock, our Credit Union relies on the members to raise capital.

I urge you to please not change the real estate exemption as this will hurt our members. The last fact is that our Credit Union is in a low income designated area and our products and services reflect our Members needs.

Terry Gresswell
Big Island FCU
Asset Control Manager

HICKAM FEDERAL CREDIT UNION

"Making a Difference in our Members' Lives"

November 3, 2011

Members of the Real Property Tax Advisory Commission:

I am writing on behalf of the **Hickam Federal Credit Union** (**HFCU**) and our 50,000 members, to ask that the real property tax exemption for credit unions be ***retained***. While we understand the City's need for additional revenue, the imposition of the tax would severely hamper not only our credit union's ability to provide low-cost services to our membership, but all other credit unions as they endeavor to serve their respective members in these uncertain times.

Credit unions are a natural fit in Hawaii, consistent with our "local" culture in that they are a more structured (but regulated) form of a "hui", where people pool their money, often times to help out others in need. Credit unions exist to provide their members a source of credit, using funds that are "contributed" by their fellow ["hui"] members, who do so to earn a reasonable rate of return. Credit unions operate at a grass-roots level - although credit unions have grown in size and complexity, members still value the often long-term relationships they have established over the years.

The **Hickam Federal Credit Union** is not atypical of others in our industry; our credit union strives to keep the interest rates on our loans as low as we possibly can (our best new auto loan rate is 2.49% APR), while providing our savers with a competitive rate on their deposits, and perhaps most importantly, minimizing the fees we do have to assess. **HFCU** does not charge our members maintenance fees (e.g. monthly service charges of minimum balance fees) - but rather, when they utilize a service (e.g. wiring funds to another financial institution), and most of the services we offer are free of charge (e.g. checking, VISA debit/credit cards, and online banking).

Because this business model is adopted by most credit unions, while still viable, they are not realizing excessive earnings by any means, and taking on the additional burden of paying real property taxes will only serve to make it that much more difficult to meet our objective to serve members of modest means.

HFCU was chartered in 1936 to serve the personnel of a military installation - Hawaiian Air Depot located at Luke Field, Oahu, Territory of Hawaii; in 1950, our name was changed to "Hickam Federal Credit Union". While the credit union was recently approved by our Federal regulator to offer membership to any resident of the island of Oahu, **HFCU's** core mission continues to be to provide service to those of modest means, starting with those who serve in defense of our country. For over 75 years, **Hickam Federal Credit Union** has structured its financial services to meet the needs of our servicemen and servicewomen, who often fall into the category of low-income, and that ideal carries over into how we serve others in our community.

In summary, the repeal of the real property tax exemption will only serve to adversely impact credit union members where they can least afford it – in their pocketbooks, as credit unions cope by increasing fees and interest rates on loans, and/or by decreasing the rates of return on their savings. On behalf of our 50,000 members and other residents of Oahu, we respectfully request that you continue the real property tax exemption for credit unions.

Thank you for your time and consideration on this matter.

Gerard Auyong
President/CEO

P.O. Box 30025, Honolulu, Hawaii 96820
Phone: (808) 423-1391 ★ **Toll Free:** 1-800-432-4328 ★ **www.hickamfcu.org**

Hickam AFB ★ Pearlridge ★ Mililani ★ Kapolei

November 4, 2011

City and County of Honolulu
Real Property Tax Advisory Commission
Email cclbc@honolulu.gov

Aloha Commissioners:

My name is Sylvia Young. While many of you might associate me with the many volunteer contributions I've made to our City and State, it is my credit union career that has put food on my table and paid my bills. I write this testimony as an individual, longtime credit union employee with 40+ years in the business. Starting as a credit union clerk trainee, I eventually became the CEO of a five-million-dollar credit union. Today, I work in public relations at the state's largest credit union, with assets of over one billion dollars. My job in the credit union industry has enabled me to be a contributing member of society. Now, that industry is being threatened.

The tax exempt status of credit unions has long been misunderstood by the general public. The common perception is to view credit unions in the same light as for-profit financial institutions, namely banks. Although credit unions offer similar products and services as banks, in general their loan rates and fees tend to be much lower and their savings programs often offer higher yields. Moreover, credit unions serve members who are deemed "credit worthy but with modest means". Often, this segment of the consumer population is generally underserved by banks.

In reference to profits, any profit earned by credit unions is returned to the credit union member owners **NOT** to stockholders who are investors in a bank. Credit unions are cooperatives owned by people. Regarding financial risks, credit unions take pride in their distinction from banks–being self-insured avoids potential losses to credit union insurance funds. Credit union contributions perpetuate this method of self-insurance which results in self-sufficiency. "People helping people" or "credit unions helping credit unions" has been the core philosophy of credit union since Congress enacted the Federal Credit Union Act in 1934 which gave us the not for profit tax exemption. This Act also limited the amount of investment resources credit unions may access. Since credit unions' main source of income is from lending to members, unlike banks, this income is limited.

When looking at financial statements, credit unions as a whole are financially sound. But looking at financial statements does not tell the whole credit union story. Historically, credit unions were founded by working people (farmers, teachers, blue-collar workers, etc.) who believed in the democratic process and the American way of hard work, savings and fair lending. Today, despite adapting 21st century technologies to better serve members, credit unions continue to embrace their founding philosophy. Through the years, they have prudently set aside reserves during strong economic times to build capital for rainy days such the challenging economic times we're facing today.

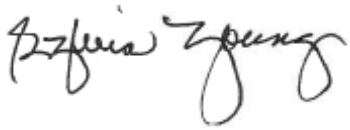
In spite of today's tough economy, credit unions continue to contribute to the community by retaining low cost services and maintaining community service and outreach programs involving financial donations and/or volunteerism. The credit union "people helping people" mantra extends to helping those that are less fortunate.

Personally, I can offer you a list of community service events and activities that the credit unions I've been affiliated have participated in. These credit unions have touched the lives of many of modest means and I have testimonial letters from those who wrote us regarding "what their credit union means to them".

With all of this in mind, I'm writing to plead our case that credit unions should retain their real property tax exemption. It is only by doing so that credit unions can continue to afford to serve the "underserved" banking population and all those in the community who are less fortunate.

If you wish to speak to me and would like me to provide more information, I can be reached at 808 844-8029 during office hours.

Sincerely,



Sylvia Young

HAWAII STATE

FEDERAL CREDIT UNION

VIA FAX TO 768-1364

November 7, 2011

Oahu Real Property Tax Advisory Commission
City & County of Honolulu
Honolulu, HI

Re: Section 8-10.24 Exemption – Credit Union

Honorable members of the Oahu Real Property Tax Advisory Commission:

Thank you for the opportunity to request your consideration of maintaining the real property tax exemption for credit unions. My name is Deborah Kim, and I am the President/CEO of the Hawaii State Federal Credit Union (Hawaii State), the largest federally chartered credit union in Hawaii specifically serving state and county government employees, retirees, and their families. We currently serve over 76,000 member owners, with 56,600 residing in the City & County of Honolulu.

I would like to speak about several perceptions of credit unions that seem to have surfaced during the Commission's deliberations:

1) Credit unions are doing financially well and can therefore afford to pay the real property tax
Hawaii State has nurtured our financial strength to help our members in times of need, including the recent pay cuts and increased benefit payments. A quick examination of our balance sheet shows that Hawaii could absorb the loss of the exemption, although not without adverse consequences. Please note that if the ability to pay becomes a major criterion in assessing who should lose their exemption, we will be among many sectors to scrutinize how this standard is applied. It is also clear that smaller credit unions, similar to small businesses, may find it much more difficult to generate additional income to pay for the loss of the exemption. It is discouraging that the stronger our not-for-profit financial cooperative becomes, our success results in the loss of our real property tax exemption.

2) Credit unions do not provide value that justifies having a real property tax exemption
We believe perceived value is the main reason credit unions have been so successful in Hawaii. Our state has one of the highest rates of credit union membership in the nation. Before this nebulous concept of value takes root as an important public policy consideration, we ask that someone provide a definition from statute, regulation or some other generally recognized authoritative source that we can use as a yardstick to assess the value that any activity provides to the City & County of Honolulu.

We asked our member/owners what they think is important for Hawaii State to provide. Based on their comments, we know how our member/owners perceive and measure the value of Hawaii State. Simply put, we have to provide more value than other financial institutions if we want to be their primary financial institution. It seems contradictory to say that we don't provide enough value to justify a real property tax exemption and at the same time, we are told that we are too competitive with other financial institutions in providing services as a non-profit. The Hawaii Credit Union League and the Credit Union National Association, the local and national credit union trade associations, should be able to provide you with dollar estimates of how much value credit unions bring to our communities. Unfortunately, the dollar estimates do not recognize the value of financial education and counseling, character lending and other risks that credit unions take to benefit member/owners with services and programs other institutions may be reluctant to provide.

3) Credit unions are acting just like banks
Unlike the mainland where credit unions consistently rank higher than banks in terms of services, we believe other local financial institutions have consciously chosen to be much closer to Hawaii credit unions in providing a high level of service. It is an example of a community-wide desire to provide good service. Credit unions are regulated by state and federal agencies just as other financial institutions are. Regulators impose standards that generally make products and services look the same. A loan or mortgage underwritten or made by one financial institution generally has the same characteristics as a loan or mortgage underwritten or made by any other regulated institution. This is a general observation and there are certainly exceptions. For instance, credit unions generally do not make loans to large businesses and remain primarily focused on meeting consumer needs. Hawaii State offers a loan modification program for current state and county public employees that is not duplicated by other financial institutions. It is also not clear what it means to act like a bank, since not all Hawaii banks act similarly.

4) Credit unions no longer primarily serve persons of modest means
Hawaii State makes hundreds of loans annually that would not be made by other financial institutions because they are too small to be made profitably. They don't make money for Hawaii State. We make these character loans because it is part of what we were formed to do 75 years ago. While it is true that certain of our member/owners, primarily older member/owners, are financially comfortable, many of our new member/owners are just living paycheck to paycheck. Anyone who doesn't believe this should read the news reports of how current public employees and their families are being affected by the economic slowdown and the decrease in public revenues. For anyone to say that public employees are still better off than private employees ignores the high probability that a majority of employees in Hawaii are of modest means. That is why we have so many families where both parents work. This perception that credit unions don't primarily serve persons of modest means needs to be backed up with some type of bright line income or asset amount that defines a person of modest means. It doesn't make much sense to use the phrase "person of modest means" as a public policy criterion for denying a real property exemption if the term is not defined.

5) Credit unions are competing directly with banks
Credit unions were formed by government to provide financial services to member/owners. Credit unions were formed by government because other financial institutions were not providing financial services to certain types of people, primarily poorer individuals. Credit unions were formed to compete directly with banks. Hawaii State would not exist if we did not successfully compete with banks.

Implied in this perception is a disturbing undercurrent. Non-profits that enjoy a tax exemption are viewed by some for-profit institutional competitors as having an unfair advantage. As a public policy, consider the implications of taking away tax exemptions from successful competitors to for-profit institutions. Do you want the not-for-profit health care facility or hospital to be obviously non-competitive in the level of care it provides when compared to a for-profit health care facility or hospital? Is being non-competitive to for-profit institutions what it takes to retain a real property tax exemption in the City & County of Honolulu?

Please realize that one of the ways that government provides reasonable financial services to our community was by creating credit unions as alternatives and competitors to banks and other for-profit institutions.

Concluding comments

Fiscal year 1988-1989, the first year for the credit union real property tax exemption, saw 17 exemptions on Oahu with real property assessments of $11,280,000 out of total exemptions for Oahu valued at $14,876,872,000. Fiscal year 2011-2012, the most recent year for which figures are available, indicates there are 77 exemptions for Oahu with real property assessments of $118,894,000 out of total exemptions for Oahu valued at $47,222,835,000. Just like anyone else, we can do the math in looking at exemptions and wondering what principles will guide the Commission in making recommendations.

While we recognize the Commission is evaluating the real property tax in the context of the dire economic and fiscal conditions facing local government, many of our member/owners have taken a pay cut of at least five percent for the next few years to help balance the books. Hawaii State is a good corporate citizen and gives back in many ways to the community. However, we must speak up to protect the benefit provided to our member/owners by the current real property tax exemption. The particular concern is that what you ask us to pay in real property taxes will come out of the pockets of our member/owners. They are already paying a fair amount back to the county by way of a pay cut and increased benefit payments.

The policy positions people often take depend on where they are sitting and whose interests they think they are representing. My predecessor at Hawaii State served as the Hawaii Credit Union League President when Ordinance No. 88-1 added Section 8-10.24, the credit union exemption, to the Revised Ordinances of Honolulu. Previous to being League President, he served as the Finance Director for the City & County of Honolulu and successfully opposed the credit union real property exemption. This is not a plea to only support the credit union real property tax exemption as an individual exemption. It is a request to examine the role of not-for-profit institutions in providing services and programs

comparable to, and competitive with, those offered by for-profit institutions, and whether there is a public purpose that should be recognized by reducing the amount of real property taxes paid by qualifying not-for-profits. Just as my predecessor changed from opposing to supporting the credit union real property tax exemption, I hope you will take the time to understand enough about credit unions to see through the simplistic view presented by the five misperceptions previously identified.

Although time has changed our community and may have changed people's perceptions of credit unions, Hawaii State remains true to serving only state and county employees, retirees and their families. Unlike for-profit financial institutions, the general public is still not eligible to join Hawaii State. We are financially strong and offer competitive services to our member/owners similar to those provided at higher cost by other financial institutions. Over the years, we have increased the number of locations, therefore the amount of real property we own or lease on Oahu that provide services to our members.

If you must recommend taking away not-for-profit exemptions, including ours, we respectfully ask you to consider the following requests:

- provide that exemptions for qualifying institutions be reinstated at some future time, perhaps five fiscal years from the date the exemptions are repealed. The duration of the effective period for repealing the exemptions could also be tied to your projections for an expected upturn in county revenue;

- a basic exemption, reduced in amount, could be applied to each parcel or site owned or leased by a qualifying not-for-profit, including credit unions, that is currently exempt; and,

- the exemption for smaller not-for-profit institutions, including credit unions, should be continued – the value of their real property may have increased significantly while their ability to pay may not have risen proportionately.

We concur that this examination of the real property tax in the City & County of Honolulu is necessary. Similarly, it is necessary for Hawaii State to do what it can to protect the benefits provided to our member/ owners by this exemption. Thank you for the opportunity to submit comments.

Sincerely,

Deborah Kim
President & CEO

94-449 Ukee Street • Waipahu, HI 96797 • (808) 73-PHFCU (737-4328) • Fax (808) 218-6299

Testimony to the Oahu Real Property Tax Advisory Commission

November 8, 2011

Testimony of Pearl Harbor Federal Credit Union

To: The Honorable Members of the Oahu Real Property Tax Advisory Commission

My name is Gordon Sam, and I am testifying on behalf of Pearl Harbor Federal Credit Union. Pearl Harbor Federal Credit Union is a Community Credit Union open to anyone who resides, works or worships on the Island of Oahu. We currently have over 26,000 member/owners. We have been in business for almost 75 years providing financial services to people, many of whom are of modest means.

Credit unions like Pearl Harbor Federal Credit Union were formed to provide financial services to individuals of modest means at a time when they could not obtain these services. We continue this mission today. Unlike our competitors the banks whose main focus is to provide their stock holders with a profit, our sole purpose is to provide benefits to the member/owners of this financial cooperative. We accomplish this by providing financial services and products either free or at greatly reduced costs to benefit the people that we serve.

The current economic crises which began in late 2007, has hurt the financial stability of many our residents and their families. Through these turbulent times, we have strived to provide the much needed financial services to our membership, many of whom are the people who can least afford it. As part of

our benefit package we provide our membership with free checking accounts, free debit cards, free ATM access, free travelers checks, free credit cards, free check cashing and free coin deposits. To obtain these benefits, members must simply keep a minimum savings balance of $5.00. We also pay a higher rate on savings accounts and charge less for loans.

Providing these services free or at greatly reduced pricing to our membership comes at great cost to the organization. During these turbulent economic times we and many of our fellow credit unions have been experiencing financial losses. Fortunately we have enough capital to ride out the current recession for a few more years under existing conditions. Taxing credit unions will add an additional expense that could result in eliminating benefits to members or in some cases putting some credit unions out of business. This would happen at a time when credit union services are most needed by the people.

Currently there are 54 credit unions on the Island of Oahu. As of the June 2011 report, 35% of them reported negative income for the year. The year end report will undoubtedly show a much higher percentage losing money due to a very large assessment recently imposed by our regulator to recapitalize our federal deposit insurance fund. Unlike our competitors, the for-profit banks, non-profit credit unions did not receive any federal bailout money to recapitalize its insurance fund.

Why are credit unions important? In addition to the many benefits mentioned previously, credit unions have also made loans to people normally turned away from banks and charge much lower rates to people who normally use "payday lenders". Last year Hawaii Credit Unions assisted 518 members and non-members in the Volunteer Income Tax Assistance (VITA) program for a total of $1,169,171 in returns. They helped 212 members and non-members file Earned Income Tax Credit (EITC) claims that resulted in obtaining $280,000 in EITC funds.

Credit unions work with Hawaii Home Ownership Center (HHOC) and educate and empower prospective homeowners to achieve their dream of home ownership and provide aide to homeowners in distress. HHOC provides a yearlong educational programs and counseling for first-time homeowners. They also provide counseling for those homeowners threatened by foreclosure and payment default.

Credit unions have partnered with University of Hawaii's Dr. Michael Cheang in a Kids Savings Project that focuses on introducing Public Elementary School children to savings. Currently 1,200 children are enrolled in the program and they have saved $120,000 to date. Credit Unions are deeply involved in the Life Smart Program. The program provides teens with the opportunity to learn how to be smarter consumers in the market place. It fosters high school students though out the state to form teams that compete each year at the State level in personal finance, health and safety, environment, technology and consumer rights and responsibilities. Students on these teams increased their pre and post test scores by 2%.

Credit unions have raised fund for the Kapiolani Children's Miracle Network. The Children's Miracle Network uses funds to battle every type of childhood illness and injury. One credit union sponsored a golf tournament and gave the proceeds to the Children's Miracle Network.

In summation, I request that the Honorable Members of the Oahu Real Property Tax Advisory Commission assist the credit unions in its mission in providing valuable financial and other benefits to the public by continuing its real property tax exemption.

Thank you in advance, for your prompt attention in this matter.

Members of the Real Property Tax Advisory Commission:

Thank you very much for giving us an opportunity to voice our concern regarding the real property tax exemption for credit unions. On behalf of the Oahu Federal Credit Union and our 4,850 members we ask that the real property tax exemption for credit unions be retained.

Oahu Federal CU is a small credit union that formed in 1936 and continues to serve members of all walks of life in the Oahu community. Our mission is to provide financial services to our members, providing low cost loans and reasonable dividends on their deposits. We strive to keep our members with modern financial services (such as free home banking) without charging usage and other sorts of fees that can hurt a member of modest means. As you can imagine net income is not a high priority.

However, as an ongoing entity, some income is necessary and required. Should the real property tax exemption for credit unions be repealed Oahu Federal would be adversely impacted. It is most probable that we would need to raise fees, increase loan rates and decrease dividends to remain in good standing with the regulators. On behalf of our 4,850 members and thousands of potential members, we respectfully request that you continue the real property tax exemption for credit unions.

Thank you very much for your time and consideration.

Bart Saxton

General Manager

West Oahu Community Federal Credit Union

86-120 Farrington Hwy, Suite 205, Waianae, HI 96792

To Whom It May Concern:

It is not a secret that credit unions provide a more cost effective alternative than a bank. Credit unions have been the focus of many news outlets and social media outlets such as Facebook and Twitter in the past weeks with the recent "Bank Transfer Day". People are fed up with paying high fees at most banks and are turning to credit unions as an alternative.

In addition, the federal government has a goal of going paperless by May 2013. What this means is the government will not be printing checks, therefore requiring everyone to open an account at a financial institution. These "un-banked" individuals, will be looking more and more at credit unions instead of banks, because we allow them to open accounts with very minimum amounts and low to no fees. Credit unions will even open up an account for an individual with less than desirable credit, most banks won't.

It is vital that we keep our real property tax exempt status. The tax savings credit unions benefit from are used to provide cost effective services to its members and potential members. Removing our real property tax exemption will cause credit unions to adjust their business practices which may result negatively on their members who look to credit unions for a more economical alternative than a bank.

Your consideration in this matter is greatly appreciated.

Sincerely,

John Furtado
President/CEO

From: susanhiyoto@kalanet.com
Sent: Friday, November 25, 2011 5:43 PM
To: CCLBC
Subject: Real Property Tax Advisory Commission - Urging to Keep Credit Union Exemptions

Attachments: RPTAC001.PDF

RPTAC001.PDF (15 KB)

Aloha, attached please find a letter from Ross Inouye, Vice President Lending of the Aloha Pacific Federal Credit Union urging support to allow credit unions to retain their real property tax exemption. Should you have any questions, please do not hesitate to contact Ross directly at 808.539.0131.

Mahalo

Aloha Pacific
FEDERAL CREDIT UNION

November 25, 2011

Real Property Tax Advisory Commission
Emailed to: cclbc@honolulu.gov
Faxed to: 808.768.1364

I am writing this letter in support of credit union's property tax exemption.

For over 75 years, Aloha Pacific has served members by providing affordable financial services and financial education. We have also supported the Credit Union industry, by providing assistance to other credit unions, in areas of financial and technical support.

Our members receive a vast number of products and services that impose very minimum fees. If we do charge fees, it is well below the industry standards. Here is a few examples, no minimum balance checking accounts with no monthly fee, no annual fee for our credit card.

We also help our membership by offering higher dividends rates compared to other Local and National Banks

Our loan rates are very attractive to all demographics of borrowers.

We regularly support the Kapiolani Children Miracle Network and Lanakila Meals on Wheels with volunteer efforts and fundraising. This past year we also answered the governor's call by supporting the Aloha for Japan project with cash donations from our employees and members.

Our board members are not paid nor receive any other special compensation. We are very fortunate to have their guidance, expertise and service for minimum cost.

All of this is possible because we are a non-profit financial institution.
Adding a property tax burden could mean a cut in services and or increase in prices which will only limit the public's access to affordable financial services. Your support is critical in fulfilling our mission of serving those are looking for a hand-up and the most vulnerable in the community.

Aloha Pacific Federal Credit Union

Respectfully,

Ross T Inouye
Vice President Lending

832 South Hotel Street | Honolulu, Hawaii 96813 | Phone: 808 531-3711 | Fax: 808 566-0616
www.kalanet.com

From: susanhiyoto@kalanet.com
Sent: Friday, November 25, 2011 8:22 PM
To: CCLBC
Subject: Real Property Tax Advisory Commission
Attachments: RPTAC001.pdf

Dear Commissioners,

Attached please find a letter of testimony from Keoni Ahlo, Vice President - Information Technology at Aloha Pacific Federal Credit Union.
Thank you for your consideration.

Mahalo

Aloha Pacific
FEDERAL CREDIT UNION

Dear RPTAC,

It has been brought to my attention that credit unions are on the preliminary list of institutions being considered for real property tax removal. I must say, **this is disappointing news.**

As a credit union member for over 30 years, and a credit union employee for 18 years, I can attest to the value that credit unions bring to me as well as our members. While some of our products and services may appear to be bank-like, I can assure you, credit unions are **nothing like banks.**

Over the past 75 years, my credit union (and employer), Aloha Pacific FCU, has provide an invaluable service to our members. As you know, we are not for profit, not for charity, but for service. At Aloha Pacific, our company slogan is, "Building Lasting Relationships", and it's true. Many members have come to us after being turned away from other financial institutions and we were able to help them.

During these difficult economic times, more than ever, we need to be here for our members. Removing the real property tax exemption would, in fact, be doing exactly the OPPOSITE of that. Please reconsider your actions and take some time to learn about credit unions and the value they offer to the community. Thank you for your time and consideration.

Sincerely,

Guy Keoni Ahlo, Sr.
VP IT/Loyal Member
Aloha Pacific FCU

PS. Here are a few links to online videos that might help better illustrate the difference between banks and credit unions:

http://youtu.be/cawzTSVTP2M

http://youtu.be/-rEW6ff3Zao

http://youtu.be/RkQUVs-Kghg

832 South Hotel Street | Honolulu, HI 96813
(808) 531-3711 Fax: (808) 566-0616

www.kalanet.com

From: maricelmacadaeg@kalanet.com
Sent: Monday, November 28, 2011 10:29 AM
To: CCLBC
Cc: ssakamoto@hcul.org; susanhiyoto@kalanet.com; randyamasaki@kalanet.com; Wallace@kalanet.com
Subject: Real Property Tax Exemption Appeal Letter
Importance: High
Attachments: Real Property Tax Exemption Appeal Letter 11-25-11.pdf

Aloha,

Please find the attached Real Property Tax Exemption Appeal Letter from Aloha Pacific Federal Credit Union.

Mahalo you for your time & consideration.

Sincerely,

Maricel Macadaeg
Administrative Assistant

Mailing address:

2200 Kamehameha Highway Ste 100

Honolulu, Hawaii 96819

Direct: 808.539-0138

Fax: 808.440.0438

Email: maricelmacadaeg@kalanet.com

Aloha Pacific Federal Credit Union

"Building Lasting Relationships"

Call: 808.531.3711

Toll Free: 877.531.3711

Web: www.kalanet.com

CONFIDENTIALITY NOTICE: This e-mail is only intended for the person(s) to whom it is addressed and may contain confidential information. Unless stated, any opinions or comments are personal to the writer and do not represent the official views of Aloha Pacific Federal Credit Union or its related entities. If you received this e-mail in error, please notify us immediately by reply e-mail and delete this message from your system. Please do not copy, print, forward or use it for any purposes. Do not disclose its contents to any other person.

Aloha Pacific
FEDERAL CREDIT UNION

November 25, 2011

To the Real Property Tax Advisory Commission,

I am writing in support of retaining the Hawaii credit union's real property tax exemption.

For over 75 years, Aloha Pacific Federal Credit Union has served the best interest of our members by providing affordable financial services and needed financial literacy education. Non-profit credit unions serve individuals of modest means and small businesses that can least afford to pay high bank fees and often times get rejected on loan requests by other financial institutions.

Our members receive no minimum balance checking accounts with no monthly fees and other fees that are well below market averages. We impose no card fees for usage and we continue to give back a major portion of any related merchant fee income through free member rewards programs.

Loans granted are based on a member's need for the loan and ability to repay the loan. Those with challenged credit are given a chance based on their capacity and not penalized with higher rates or fees. Credit unions do not take advantage of those who can least afford to pay higher rates or fees.

For the local community, we regularly support the Kapiolani Children Miracle Network, Aloha United Way Annual Back to School Supply Drive for the Homeless Children and Lanakila Meals on Wheels with volunteer efforts and fundraising. This past year we also answered the governor's call by supporting the Aloha for Japan project with cash donations from our employees and members.

All of this is possible because we are a non-profit, cooperatively-owned financial institution. Our volunteer board members are not paid nor receive any other special perks. This philosophy and structure allows us to truly help those that need financial assistance with a caring attitude.

Adding a property tax burden could mean a cut in services or increase in fees which will only limit qualified members' access to affordable financial services. Your support of Hawaii credit unions retaining its real property tax exemption will preserve our "People Helping People" mission and ensure financial assistance for the underserved for many more years to come.

Thank you for your consideration of this vital request.

Sincerely,

Rand N. Yamasaki
Vice-President and Controller

832 South Hotel Street, Honolulu, HI 96813
Phone: (808) 531-3711, Fax: (808) 566-0616, Website: www.alohapacific.com

From: susanhiyoto@kalanet.com
Sent: Monday, November 28, 2011 2:09 PM
To: CCLBC
Cc: ssakamoto@hcul.org; Wallace@kalanet.com
Subject: Real Property Tax Advisory Commission

Attachments: RPTC001.PDF

RPTC001.PDF (27 KB)

Aloha,

Attached please find the Real Property Tax Exemption appeal letter from Wallace Watanabe, President/CEO of Aloha Pacific Federal Credit Union. We would like to sincerely thank you in advance for your consideration.

Sincerely,
Susan Hiyoto
Executive Assistant

Aloha Pacific
FEDERAL CREDIT UNION

November 25, 2011

Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Keep the Credit Union Real Property Tax Exemption

Dear City Council Members,

On behalf of my 38,000 members, 200 employees, and myself, I am writing to ask that you preserve the current credit union property tax exemption.

Hawaii credit unions contribute greatly to the economic development of this state by providing affordable financial services to the average citizen and often donate resources to help those less fortunate in our community. We rely on our tax-exempt status to finance these benefits and should not be confused with a for-profit institution, like a bank.

Unlike other financial institutions, the earnings we make are passed back to the members in the form of better rates, lower fees and more services. For Aloha Pacific, these include:

1. Affordable Services – No increases in member fees for more than 10 years and free financial education seminars.
2. New "Green" Loans – Discounted rates to promote Hawaii's energy independence.
3. Member Assistance Programs – Loan modifications to members facing financial difficulties.
4. New Branches – Adding 10 branches, 100 new jobs and millions of dollars in construction work over the past 5-years.
5. Member Benefits – Annual scholarship programs and family day activities.
6. Community Involvement – Donation drives and volunteer works for Kapiolani Children's Miracle Network, Aloha United Way School Supplies, Lanakila Meals on Wheels, About Face Program for at Risk Youth and Aloha for Japan.

Unlike a for-profit financial institution, we exclusively depend on undivided member earnings to insure our member accounts and cover any loan losses. Taxing the properties we need to operate will impose a financial burden on those who we are trying to help and can least afford it.

I humbly ask the council to preserve the credit union tax exemption our members and the community depends on. Help us continue our mission of bringing affordable financial services and education to those that need it the most. Thank you.

Sincerely

Wallace Y. Watanabe
President & CEO
Aloha Pacific FCU

832 South Hotel Street, Honolulu, HI 96813
Phone: (808) 531-3711, Fax: (808) 566-0616, Website: www.alohapacific.com

From: Scott@kalanet.com
Sent: Monday, November 28, 2011 4:18 PM
To: CCLBC
Cc: susanhiyoto@kalanet.com
Subject: Real Property Tax Exemption
Attachments: DOC035.PDF

To Whom it may concern,

I am enclosing a letter regarding the real property tax exemption to credit unions. I am in support of the continued tax exemption and ask for your continued support as well.

Mahalo!

Scott Nishimura
Vice President and Manager
Commercial Lending Division
Aloha Pacific Federal Credit Union
988 Fort Street Mall, 2nd Floor
Honolulu, HI 96813
Phone: 808-539-0171
Fax: 808-440-0471
Email: scott@kalanet.com

Aloha Pacific
FEDERAL CREDIT UNION

November 25, 2011

To whom it may concern:

I would like to express my concerns over the credit union's real property tax exemption and ask for your support in continuing this exemption. As an Aloha Pacific Federal Credit Union ("APFCU") employee and member, I feel that any adverse change in the tax exemption currently afforded to credit unions will adversely impact the membership and employees of APFCU and the over 80 plus credit unions throughout the state of Hawaii, who also benefit from this exemption.

As a credit union, this tax exemption applies only to properties that we physically occupy and any properties held for investments do not benefit from this exemption. The main recipient of this exemption is our branches. We currently have 9 branches and any adverse change would negatively impact our operations and may result in the closure of some of our branches. This in turn would impact our members as fewer branches are available to service them.

I understand that challenges exist in this trying economy and different ideas are pondered to balance the city's budget, but increasing taxes on non-profit institutions is not the solution. Unlike banks who are driven by their shareholders to maximize profits, non-profit credit unions' mission is to maximize the benefits to our members and offer a variety of affordable products through exceptional service. Thus the savings that we realize are passed on to our members to ensure affordability.

For example, credit unions traditionally offer higher depository interest rates and lower loan rates to its members. In fact, we are one of the few financial institutions that offer interest rates on checking accounts at 2.25% APY! We also offer no minimum balance checking accounts, provide a box of free checks every year, and do not charge any card fees for usage! These are just some of the few examples of how our members benefit from credit union membership.

However, higher taxes to my credit union and others alike, will force credit unions to rethink their mission and force them to cut back on the affordable products and services that they provide and in the long-term will have a negative effect on our overall economy. I sincerely ask for your continued support in the real property tax exemption to credit unions.

Sincerely,

Scott Nishimura
Vice President & Manager
Commercial Lending Division
Aloha Pacific Federal Credit Union

832 South Hotel Street, Honolulu, HI 96813
Phone: (808) 531-3711, Fax: (808) 566-0616, Website: www.alohapacific.com

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From: Timothy Titus [timothytts@gmail.com]
Sent: Tuesday, November 29, 2011 9:14 AM
To: CCLBC
Subject: real property tax for credit unions

credit unions are member owned, and make very little profit, unlike banks. they need the real property exemption. Please vote to continue it.

timothy c. titus

From: Vera Kaaikaula [verak@ewafcu.com]
Sent: Tuesday, November 29, 2011 1:41 PM
To: CCLBC
Subject: Real Property Tax Exemptions
Attachments: Ewa FCU letter to RPTAC.pdf

Aloha,

Attached for your consideration is our testimony opposing repeal or reduction of the credit union real property tax exemptions.

Mahalo,
Vera Kaaikaula
Office Manager
Ewa FCU
Phone: (808) 681-3033
Fax: (808) 687-3948
Email: verak@ewafcu.com

This email and any attachments may contain confidential and privileged information. If you are not the intended recipient, please notify the sender immediately by return email, delete this email and destroy any copies. Your assistance and cooperation is appreciated.

Ewa Federal Credit Union
P. O. Box 60459
Ewa Beach, HI 96706
Phone: (808) 681-3033
Fax: (808) 687-3948

November 29, 2011

TO: Oahu Real Property Tax Advisory Commission
RE: Real Property Tax Exemptions

Aloha,

I am writing to you on behalf our Board of Directors regarding your review of the real property tax exemptions for credit unions. The repeal or reduction of the exemption would be detrimental to our small community-based credit union serving less than 1,900 members in the Ewa Village area.

Originally chartered in 1937 to serve the Ewa Plantation Company, and later the Oahu Sugar Company, our Field of Membership is currently restricted to the Ewa Village Community Association residents living within a limited geographic area. We are a low-income designated credit union whose purpose is to offer members competitive rates on savings and low interest rates on loans, with low or no fees for services. We are seeing first-hand the struggles our members are going through in these tough times, as unemployment, loan extensions and delinquency continue to take its toll.

We are currently leasing office space from the City & County of Honolulu, which took over the property when the plantation closed down in the mid 1990's. For a small credit union such as ours with only a staff of four, just to survive in this increasingly hostile economic environment has been a challenge in recent years, and removal of the property tax exemption would be another setback. Inevitably, the tax assessment would have a domino effect on our members in the form of higher loan rates, lower dividend rates and increases in fees and charges for services.

As a not-for-profit financial institution, we humbly ask for your consideration in keeping the property tax exemptions for credit unions intact. Thank you for allowing us the opportunity to voice our concerns.

Yours truly,

Vera Mae Kaaikaula

Vera Mae Kaaikaula
Office Manager

From: Robin Kim [rkim@HawaiiSchoolsFCU.org]
Sent: Wednesday, November 30, 2011 9:29 AM
To: CCLBC
Subject: Real Property Tax Exemption Testimony
Attachments: Testimony of Hawaii Schools Federal Credit Union.pdf

Dear Real Property Tax Advisory Commission Members,

On behalf of our 6,221 shareholders and owners of Hawaii Schools Federal Credit Union, I would like to humbly request that the Commission preserve the credit union real property tax exemption. Should any members of the Commission like to further discuss our concern, please feel free to contact me.

Sincerely,

Robin Kim
President/CEO
Hawaii Schools Federal Credit Union
RKim@HawaiiSchoolsFCU.org
Phone: (808) 791-6226
Fax: (808) 538-3231

HAWAII SCHOOLS
FEDERAL CREDIT UNION

November 30, 2011

Real Property Tax Advisory Commission Members

Testimony of Hawaii Schools Federal Credit Union

My name is Robin Kim, and I am the President & CEO of Hawaii Schools Federal Credit Union. Hawaii Schools FCU serves employees, retirees and current students of the Department of Education (K-12) system in the State of Hawaii, including qualifying family members and domestic partners. Our mission is to serve our member base through our wide range of financial services and products at the lowest cost possible. We seek to retain our real property tax exemption so that it remains possible for us to continue our mission.

Unlike other financial institutions that have public stockholders, Hawaii Schools FCU is a not-for-profit financial cooperative where our members are both the shareholders and owners. Your savings account represents your ownership in Hawaii Schools FCU. All income after operating expenses and federally-mandated reserves is returned to our member-owners, in the form of higher dividends and great loan rates.

In addition to our financial services, Hawaii Schools FCU is committed to community service. We participate in many events and projects that benefit the community, such as:

Volunteer Income Tax Assistance (VITA) Program

This program provides free tax assistance services to low-to-moderate income individuals. This program also increases the community's awareness of the availability of valuable tax credits such as the Earned Income Tax Credit. Furthermore, this program directly links to financial literacy and asset-building efforts in order to help individuals learn how to better use their money and begin asset building.

In 2011, our first year of participation, Hawaii Schools FCU completed 55 tax returns in total, and was one of three credit unions recognized by the Hawaii Alliance for Community-Based Economic Development (HACBED) for outstanding service during the 2011 tax season. HSFCU received the "Best New Site" honor from HACBED.

Student Savings Project

For the past two years, Hawaii Schools FCU has partnered with Dr. Michael Cheang, a professor of Family Consumer Sciences at the University of Hawaii at Manoa, to participate in a student initiative called the "Earn & Learn Student Savings Project". This project is aimed at encouraging children from low income families to start up a savings account and learn how to save money over time. The project is funded by federal grant money that provides a $25.00 initial deposit for all participating students. To date, HSFCU has worked with Pauoa Elementary School (50 accounts), Lincoln Elementary School (37 accounts), McKinley High School (57 accounts) and Mililani High School (11 accounts) in opening over 155 savings accounts over a 2 year period.

Downtown Branch: 233 Vineyard Street, Honolulu, Hawaii 96813 • Phone: (808) 521-0302 • Fax: (808) 538-3231
www.KukuiLine.org • Toll Free: 866-521-0302

Financial Literacy at Mililani High School

For the past 4 years, Hawaii Schools FCU has played an integral part in providing financial education to the business classes at Mililani High School. In class, students are given the tools and knowledge necessary to understand why it's important to save for their futures, the importance of good credit, the difference between a debit card versus a credit card, why the interest rate is higher on a savings account versus a checking account, and much more. Students come out of these financial education classes with a better understanding of what they should be doing with their money and saving for today, as well as what they should be doing to save for their futures. Hawaii Schools FCU has taught financial literacy to over 280 students over a 4 year period.

HELP Grant

In 2010, Hawaii Schools FCU piloted a new HELP Grant Program which provided Department of Education teachers with funds (up to $100) to help subsidize the cost of supplies or expenses for educational projects that might otherwise go unfunded or paid from their own pockets.

- In 2010, there were 4 grants awarded totaling = $377.24
- In 2011, there were 9 grants awarded totaling = $851.30

The Edwin M. Kuniyuki Memorial Scholarship

Hawaii Schools FCU awards the Edwin M. Kuniyuki Scholarship each year to an incoming college freshman in recognition for academic excellence. The Scholarship ($1,000) is awarded in memory of a founding member of the credit union, the late Edwin M. Kuniyuki.

Hawaii Foodbank Donation Site

Hawaii Schools FCU is a collection point for donations of bags of rice for the Hawaii Foodbank. To date, we have collected and donated 12 bags of rice for this cause.

We humbly ask the Real Property Tax Advisory Commission to consider our request to preserve the credit union real property tax exemption. We are committed to providing low-cost, high-quality financial services to our member base, and higher costs in the form of a new tax would harm our ability to continue our current level of service. I am happy to provide any additional information that the Commission may require to complete its report.

Mahalo,

Robin C. Kim
President & CEO

From: susanhiyoto@kalanet.com
Sent: Wednesday, November 30, 2011 2:01 PM
To: CCLBC
Cc: ssakamoto@hcul.org; Wallace@kalanet.com
Subject: Iwai - RPT Exemption for Credit Unions

Attachments: Iwai001.PDF

Iwai001.PDF (18 KB)

Dear Real Property Tax Advisory Commission, Attached please find a letter from the Chairman of our Board of Directors asking that the real property tax exemption be preserved.
We thank you for your consideration.
Mahalo

Aloha Pacific
FEDERAL CREDIT UNION

November 25, 2011

Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Preserve the Real Property Tax Exemption for Credit Unions

Dear City Council Members,

This letter is in support of the real property tax exemption for credit unions. On behalf of our board and membership, I ask for your support.

As a volunteer board member, I donate my time to insure we have a financially strong credit union that can afford to deliver cost effective financial services, member education and community support. All of our board members serve without pay for the benefit of all, especially those who need financial help.

Our success is due to our commitment to helping members with free financial education and affordable loans and accounts. When they become successful, these members help the next generation.

In addition to our education programs, our Masami Oishi Scholarship Fund and free financial seminars are supplemented by key introductory products.

- Our checking and savings accounts offer rates and fees that are significantly better than any bank or savings and loan.
- Our loan programs promote responsible credit, homeownership and energy independence. For those that that fall upon hard times, we offer a loan assistance program that helps get them back on track with loan modifications and other waivers.

We have a long history of community fundraising and volunteer efforts. Recent beneficiaries include the Kapiolani Children's Miracle Network, Aloha United Way School Supplies, Lanakila Meals on Wheels, About Face Program for at Risk Youth and Aloha for Japan.

Because we give back the majority of our revenues to members and the community, any additional expenses will significantly impact our ability to protect our member's accounts and invest in the future. Unlike a for-profit business, we are entirely dependent on undivided earnings for capital.

Please accept my testimony to preserve this important tax exemption for credit unions. Our members and employees depend on this to operate. Thank you.

Sincerely

Gary Iwai
Board Chair
Aloha Pacific FCU

832 South Hotel Street, Honolulu, HI 96813
Phone: (808) 531-3711, Fax: (808) 566-0616, Website: www.alohapacific.com

From: jameshaid@kalanet.com
Sent: Wednesday, November 30, 2011 3:59 PM
To: CCLBC
Cc: ssakamoto@hcul.org
Subject: Real Property Tax Exemption for Credit Unions
Importance: High
Attachments: Real Property Tax Letter-James.PDF

Dear Real Property Tax Advisory Commission,

Attached please find a letter expressing my concern that the real property tax exemption be preserved.
Thank you for your consideration.

James R. Haid Jr.
Vice President of Marketing and Business Relations
Aloha Pacific Federal Credit Union
832 South Hotel St.
Honolulu, HI 96813
Tel: 808.539.0103
Fax: 808.566.0616
Email: jameshaid@kalanet.com
Web: www.kalanet.com

Aloha Pacific
FEDERAL CREDIT UNION

November 30, 2011

Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Keep the Credit Union Real Property Tax Exemption

Dear City Council Members,

After hearing that credit union's may lose their property tax exemption, I felt the need to write and ask you to please reconsider that decision.

As a credit union member for 28 years and an employee for several credit unions, I have experienced firsthand the difference credit unions make in the lives of many people in the community. These programs that are created assist in making our community a better place.

Some of the benefits we provide at Aloha Pacific FCU for the community and members are:

1. Annual Scholarships for continuing education
2. Community About Face Program: Free after school classes to teach "at-risk" youth about personal finance. These high school kids are from broken families (i.e. mom or dad in jail, foster kids) and we teach them as well as inspire them to have hope for their futures and not give up.
3. Free financial planning and products that help our members to save and finance the important things in their life like Mortgages and Car loans at affordable rates.
4. Sponsor public schools throughout the island by helping to alleviate some of the costs of yearbooks and athletic activities that further provide positive opportunities for the youth. We also have staff participate in helping to prepare the students for the job market through Mock Interviews throughout the year.
5. Our credit union actively participates in several organizations that directly help our community like the Rotary International and Lions Club. We also have plans to create a community room in future branch locations to provide a meeting place for non-profit organizations. These are just some of the long list of programs we provide for the community and our members.

All this would not be possible without the support of our tax exempt status. We rely on that support to further our mission of helping our community to thrive. Credit unions have always served the underserved and especially in today's tough economic times, we want to continue offering these important services when they are needed the most.

Please help us continue our mission of bringing affordable financial services, education and community programs to those that need it the most by preserving the real property tax exemption for credit unions.

Sincerely

James R. Haid Jr.
VP of Marketing and Business Relations
Aloha Pacific FCU

832 South Hotel Street, Honolulu, HI 96813
Phone: (808) 531-3711, Fax: (808) 566-0616, Website: www.alohapacific.com

From: Hawaiian Tel FCU Administration [Administration@htefcu.org]
Sent: Wednesday, November 30, 2011 4:32 PM
To: CCLBC
Subject: Real Property Tax Testimony From Norman Okimoto
Attachments: Real Property Tax Testimony from Norman Okimoto Nov 30 2011.pdf

To Whom It May Concern,

Attached is a testimony from Norman Okimoto, Hawaiian Tel FCU President, in favor of keeping the real property tax exemption for credit unions.

Thank you,

Stacey Horita
Executive Assistant
Hawaiian Tel FCU
Phone: (808) 832-8795

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mail transmission and any attachment is confidential and remains the property of Hawaiian Tel FCU until it is received by the inten

To: The Honorable Members of the Oahu Real Property Tax Commission

My name is Norman Okimoto, and I am currently the President of Hawaiian Tel Federal Credit Union (HTFCU). I have been at the credit union for 21 years, and previously was the Supervisory Committee Chairman for 3 years. HTFCU currently has $504 million in assets, 50,226 members, and 90 employees. Our field of membership is everyone who lives, works or worships on Oahu, and our mission statement is "We Are People Helping People Make Their Dreams Come True."

As a not for profit entity whose shareholders are our members each of whom have one vote, we passionately follow our mission statement by giving members higher savings rates, lower loan rates, and either free or low cost services. For example, we offer our members free services such as checking accounts, notary services, signature guarantee, traveler's cheques, cashier checks, box of checks, debit cards, home banking and bill payment service, incoming wires and financial educational sessions. We take pride in being able to give Oahu residents an alternative financial services provider, one that looks to give back as much as possible to its members. Unlike most for profit organizations, our primary goal is not to maximize shareholder value. Rather our goal is to help our members with their financial needs to the best of our ability, and to give back to our members as much as possible while still being financially strong. Accordingly, the credit union Real Property Tax exemption (RPT) is crucial in helping our members financially, which is especially critical during these difficult times. It also allows us to keep people employed and off the unemployment line.

We also are active in the community, contributing money and our time to worthy causes. When the need is great, we try to step up to the best of our ability. For example, for United Cerebral Palsy Hawaii (UCP Hawaii), when they needed $20,000 to buy 20,000 rubber duckies for their Annual Rubber Duckie Race at the Ala Wai Canal and nobody stepped to the plate, our Board agreed with staff to support UCP Hawaii and buy the ducks. We also have our enthusiastic staff annually volunteer at the Duckie Race, and make donations. We are also active with the Children's Miracle Network, Hawaii Foodbank, Red Cross, Aloha United Way, Operations Best Wishes and various local schools, clubs, churches and civic clubs. Eliminating the RPT exemption will cause us to re-examine what worthy organizations we can continue to support.

In summary, we believe removing the RPT exemption for credit unions would have a net negative impact on the Oahu community and tax revenues. Our members would have less purchasing power and would reduce their spending, which would in turn reduce tax revenues and keep our economy in the doldrums. Reducing our support of worthy causes would have a negative social cost on Oahu. Accordingly, I humbly ask the committee to keep the RPT exemption for credit unions.

From: Blaine Bautista [blaine@hitelfcu.com]
Sent: Wednesday, November 30, 2011 4:35 PM
To: CCLBC
Subject: RPTAC

Attachments: staff version.pdf

staff version.pdf (9 KB)

In regards to Real Property Tax Advisory Commission. Please see attachment.
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To: Real Property Tax Advisory Commission
From: Employees of Hawaiian Tel FCU
Date: November 29, 2011

In our daily responsibilities of servicing the members of our credit union, we are very aware of how the removal of our credit union's Real Property Tax exemption would affect our members. We are so proud to be part of a company that can serve our members without always looking at the profit that it will bring to our company. We serve our members with the aim of meeting their financial needs without adding more expenses in their lives.

For example, members come to us for various free services such as traveler's cheques, notary services, checking accounts with free checks, debit cards, signature guarantees, cashier checks and on-line bill payment services. We often hear from our members how they are treated equally special, no matter how much they have deposited with us. One member said they were going to open an account at a local bank but they would need at least $50,000 in deposits to get the free checking, free notary and free cashier checks that we offer for no minimum deposit requirement. On top of that they would earn significantly higher yield with us, without being a "high depositor".

Our credit union is able to do this for our members because it is not for profit but for service. We feel that the Real Property Tax exemption recognized how we are not profit-driven in serving our members but service driven – to ensure that everyone is given the same service at the same price, no matter what their financial status is.

If our credit union had another major expense like the Real Property Tax, then members who can least afford it (low deposit balances, high credit card balances, unsecured loans) would be negatively impacted the most (in fees) if we had to add new or more fees to offset the new tax expense. We should be doing more to help this group of people not causing more financial hardships.

For this reason, we ask that the Real Property Tax exemption for credit unions remain in place.

Employees of Hawaiian Tel FCU
(continued)

Blaine Bautista, I/T Specialist

Scott Lum, I/T Specialist

Gwen Gascon, Accountant

Joana Rico, Accountant

Marilyn Ramos, Accounting Asst

Kathy Dembinski, Accounting Supv

Gene Boyd, Sr. Clearing Asst

Debbie Uetake, Clearing Svc Supv

Delbert Kamikawa, Sr. Loan Officer

Sheri Higa, Compliance Officer

Stacey Horita, Executive Asst

Georgiana Abella, Executive Asst

Ashley Perez, New Accounts Rep

Marilyn Aquino, New Accounts Rep

Tammy Toyama, Teller Supv

Hollie Kamai, Operations Trainer

Misty Kajitani, Teller

Chris Ramirez, Member Dev Sup

Alexi Joaquin, Sr. Member Dev Specialist

Monique Wall, Member Dev Specialist

Samson Spencer, Member Dev Specialist

Nadine Narimasu, Loan Officer

Debbie Greenwood, Sr. Loan Officer

Karen Carreiro, Clearing Services Asst

Claire Matsuoka, Loan Payment Svcs Rep

Gayle Kawata, Sr. Loan Officer

Laurie Awa, Loan Supervisor

Debbie Hopkins, Loan Payment Svcs Rep

Lori Francisco, Sr. Human Resources Asst

Kehau Chung, New Accounts Supervisor

Vicky Matsumoto, Asst New Accounts Supv

Raquel Fagaragan, New Accounts Rep

Micah Yoshimura, Asst Branch Supv

Beverly Munoz, Teller

From: Rita Ornellas [rita@htefcu.org]
Sent: Wednesday, November 30, 2011 4:37 PM
To: CCLBC
Subject: Testimony Opposing Real Property Tax Exemption
Attachments: htfcu mgmt testimony.pdf.pdf

To the Members of the Real Property Tax Advisory Commission,

The attached testimony from the Executive Management Team of Hawaiian Tel Federal Credit Union is submitted for your consideration. We greatly appreciate your support of our position.

Thank you,
Rita Ornellas

Hawaiian Tel Federal Credit Union
1138 North King Street Honolulu HI 96817

Rita Ornellas
VP - CUSO Services
P/ 808-832-8732
F/ 808-832-8721
rita@hitelfcu.com

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mail transmission and any attachment is confidential and remains the property of Hawaiian Tel FCU until it is received by the inten

To: Real Property Tax Advisory Commission
From: Executive Management Team – Hawaiian Tel FCU
Date: November 29, 2011

We, the executive management team of Hawaiian Tel FCU are unified in our position to strongly oppose the removal of the Real Property Tax (RPT) exemption for credit unions.

On a daily basis, we strive to provide for the needs of our members that may not otherwise be met. We directly experience the departmental sacrifices that are made to contain operational expenses so that high value products and services with low or no fees can continue to be offered to our members. We operate with a totally voluntary board who commit their time and resources to ensure the credit union is strategically positioned, in regulatory compliance and is effectively managed by a knowledgeable and professional executive team who salaries often fall well below their banking counterparts to support the financial soundness of the credit union.

Through feedback from our members, they feel that the credit union seems to care about their individual situations by spending the time to get to understand their needs and offer the best solution vs. merely plugging them into a credit scoring bucket to determine their qualifications for a loan. To us, the relationship of each member with our credit union weighs heavily in how we try to qualify them for a loan request that may have been previously declined by a bank. We take pride in providing our member owners with the best rates and the highest quality service – all while trying to manage our operational expenses.

Our members can still rely on us to provide them with many free services such as checking accounts, notary services, signature guarantees, traveler's cheques, debit cards, online home banking and bill payment services, as well as convenient locations and very attractive interest rates. All of this would be in jeopardy if the RPT exemption is no longer extended to credit unions. The impact would go beyond our credit union and members. It would also negatively impact the high bar that we've set for the rest of the industry in providing competitive rates for our members. The financial burden that it would have on our credit union would result in higher fees and less competitive rates as we look for ways to offset our Real Property Tax expense.

As we share our predicament with our industry colleagues, many of them are afraid that this may be just the straw that breaks the camel's back and cause their shut-down as they struggle to survive in these challenging times. That would increase unemployment and put an even greater burden on our local economy.

So for the best interest of our community, our economy, our industry and our members, we strongly urge you to keep the RPT exemption for credit unions in place.

Anna Arii, VP-Human Resources
Margie Ayau, Teller Operations Manager
Wendy Cheung, VP-Controller
Paulette Ito, VP-Marketing and IT
Anabel Lindsey, VP-Operations
Randall Okamoto, VP-Loans
Rita Ornellas, VP-CUSO Services

From: gmoribe5@hawaiiantel.net

Sent: Wednesday, November 30, 2011 7:57 PM

To: CCLBC

Subject: TESTIMONY IN SUPPORT OF KEEPING THE REAL PROPERTY TAX EXEMPTION FOR CREDIT UNIONS

To: The Honorable Members of the Oahu Real Property Tax Advisory Commission

This written testimony is being presented to voice our strong opposition to the possible repeal of the Real Property Tax exemption for credit unions.

As a non-profit organization that is member-owned, our only source of capital is through our retained earnings. Over the years, it has become increasingly difficult to continue to maintain the financial stability and soundness of our credit union without overburdening our members with new and increased fees as seen in the banking industry, yet we have been able to do so. We offer our members higher savings rates and lower loan rates. Combined with extremely low investment yields, our margins have significantly declined, yet we continue to provide many free or low-cost services to our members in our community such as:

- Free checking accounts
- Free notary services
- Free signature guarantees
- Free traveler's cheques
- Free cashier checks
- Free box of checks
- Free debit cards
- Free Home Banking and Bill Payment Services
- Free incoming wires
- Free financial education sessions

For the past 3 years, we've had significant increases in our guarantee fund and stabilization assessments. which have further negatively impacted our earnings. Yet we were able to endure these industry and economic challenges without tranferring these financial burdens to our members as banks have done with their customers through higher fees. lower deposit rates and very restricted lending.

To better service our members, credit unions have worked cooperatively by servicing members of other credit unions locally and nationally at no cost to the members. This has enabled us to operate with fewer locations to maintain cost-effective operations. Even with the few branches that Hawaiian Tel Federal Credit Union currently has, the repeal of the Real Property Tax exemption for credit unions would have a dire financial impact to our credit union as well as the members and communities that we serve. The resulting significant increase in the cost of doing business would necessitate transferring some of the cost to our members which would affect them financially at a time when they are being financially affected from all sides, such as furloughs, pay-cuts, downsizing, loss of their homes because of the recent subprime lending practices of big banks.

Our members view our credit unions as one of the last places that they can turn to for their financial needs as the rest of the financial industry is becoming more restrictive from their perspective. Repeal of the Real Property Tax exemption for credit unions would have an overall economic impact in our community that would work against the committee's goal of raising more tax revenue. It is merely taking funds from one pocket (tax source) and transferring it to another pocket as our members would have less purchasing power which, in turn, reduces their spending that would generate other tax revenue for our local economy.

All of the members of the Board of Directors and Supervisory Committee of the Hawaiian Tel Federal Credit Union are volunteers whom passionately support the mission statement of our credit union "We Are People Helping People Make Their Dreams Come True". We humbly ask the committee to keep the RPT exemption for credit unions so that we can fulfill our mission and continue to provide affordable financial services to our 50,000+ members.

Respectfully Submitted,

Board of Directors:

Glen Moribe, Board Chair
Ken Miyasato, Board Vice-Chair
Calvin Choy, Board Treasurer
Wanda Beppu, Board Secretary
Donald "Scotty" Bowman, Member
Deborah Lau Okamura, Member
Michael Yee, Member

Supervisory Committee:

Derrick Uyeda, Committee Chair
Gerald Noda, Member
Lorna Pang, Member
William "Primo" Pimental, Member
Dianne Sinco, Member

From: Mark Oto [Mark_Oto@hmsa.com]
Sent: Thursday, December 01, 2011 9:50 AM
To: City Clerk
Cc: Diana Lee
Subject: RPT Advisory Commission - HMSA Comments

Attachments: C&C Real Property Tax Advisory Commission - HMSA Comments (12.1.11).doc

C&C Real Property Tax Advisory...

City Clerk - I would appreciate the attached comments being forwarded to the Chair and members of the City's Real Property Tax Advisory Commission.

Your assistance with this request is appreciated.

Mark Oto

Mark K. Oto
Director - Government Relations
Hawaii Medical Service Association
Blue Cross Blue Shield of Hawaii
An Independent Licensee of the Blue Cross and Blue Shield Association P.O. Box 860 / Honolulu, HI 96808-0860
PHONE: (808) 952-7544
CELL: (808 352-6483

If you have diabetes, be sure to closely monitor your ABCs – A1C level, blood pressure, and cholesterol. - A message from HMSA.

This electronic message is not an offer to contract, the acceptance of an offer to contract, or in any other way intended to contractually obligate HMSA; neither is it intended to change the terms of any existing contract unless specifically so stated. The information contained in this electronic message (or attached hereto) is intended only for the individual or entity to which it is addressed and may contain information that is confidential and protected by law. If you are not the intended recipient of this e-mail, you are cautioned that use of its contents in any way is prohibited and may be unlawful. If you have received this communication in error, please notify the sender immediately by e-mail or telephone, return the original message by e-mail to the sender or to postmaster@hmsa.com, and permanently delete the original message and any attachments to it. We will reimburse you for any cost you incur in notifying us of the errant e-mail. Thank you.

HMSA

Blue Cross Blue Shield of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

December 1, 2011

Mr. Lowell Kalapa, Chair
and Members
Real Property Tax Advisory Commission
City and County of Honolulu

Dear Chair Kalapa and Commission Members:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to provide information to the Real Property Advisory Commission (Commission). We understand that the Commission is considering offering recommendations to the City Council which may include eliminating or limiting the real property tax exemptions currently enjoyed by nonprofit entities in Honolulu.

Section 8-10.9, Revised Ordinances of Honolulu 1990, as amended, currently exempts nonprofit medical indemnity and hospital associations and societies from real property taxes. HMSA, a non-profit mutual benefit society, was established in 1938 to provide access to quality, affordable health care for the citizens of Hawaii. Since that time, HMSA has lived up to its non-profit status. Today, we are the largest and most experienced provider of health care coverage in the State.

Under the Prepaid Health Care Act, the majority of health care coverage in Hawaii is purchased by local businesses. Requiring HMSA to pay real property taxes would add to the cost of providing health care coverage and ultimately translate to an increase in premium cost. Given today's economy, we believe this increase would be detrimental to the business community, not only in Honolulu, but across the State.

We already are faced with other new cost drivers. The Affordable Care Act mandates each state to establish a health insurance exchange through which individuals and small businesses will purchase health care insurance. That federal law requires each state exchange to be self-sustaining in the future, and we anticipate that funding also will have to come from premium charges to our members, increasing health care costs.

As with the current ordinance, State statute similarly recognizes the merit of affording tax exemptions to medical indemnity and hospital associations and societies. Section 432:1-403, Hawaii Revised Statutes provides:

> **§432:1-403 Nonprofit medical, hospital indemnity associations; tax exemption.**
> *Every association or society organized and operating under this article solely as a nonprofit medical indemnity or hospital service association or society or both shall be, from the time of such organization, <u>exempt from every state, county and municipal tax, except unemployment compensation tax</u>. Nothing in this section shall be deemed to exempt the association or society from liability to*

withhold the taxes payable by its employees and to pay the same to the proper collection officers, and to keep such records, and make such returns and reports, as may be required in the case of other corporations, associations or societies similarly exempted from such taxes.

We truly appreciate the need for periodic review of our tax systems. However, we believe the eliminating the tax exemption for nonprofits medical indemnity or hospital service associations and societies would adversely impact efforts to improve our local business climate. As such, we respectfully request that Commission bears this in mind when considering recommendations for its report to Council. .

Thank you for the opportunity to provide this information for the Commission's consideration.

Jennifer Diesman
Vice President
Government Relations

December 6, 2011

RE: Proposed Adjustments to Real Property Tax Assessments for Nonprofit Organizations

Chair Kalapa, Vice Chair Brewbaker, and Members of the Commission,

My name is Robert Witt and I am executive director of the Hawaii Association of Independent Schools (HAIS), which represents 99 private and independent schools in Hawaii. Our association works closely with Hawaii Catholic Schools (HCS), comprising another 25 schools. Together, we educate over 38,000 students statewide.

The Association has concerns related to the Commission's decision to adjust the real property tax assessment for nonprofit organizations from a minimum standard to a percentage of the assessed value of the property. Many of our member schools' campuses sit on parcels that would be deemed highly valuable if converted to highest and best use. However, these schools will continue to use their facilities for educational purposes while on-campus baseball fields, tracks, and other open spaces will support student experiences and well-being in perpetuity.

HAIS appreciates the work of this volunteer Commission and understands that all recommendations put forth by this body will be heard and deliberated by the Honolulu City Council. However, we believe that it is important to call attention to the impact that major operating increases will have on our member schools and their student bodies. All states recognize the public purposes served by private schools and have mechanisms in place to support these nonprofit institutions. Any erosion of this system will affect Honolulu's independent schools.

HAIS understands the challenging fiscal position facing the County; private schools have not escaped the economic downturn. Over the last four years, one to two private schools have been forced to close their doors each year and overall enrollment has steadily decreased (about one percent per year since 2008). Despite these unprecedented economic challenges, our member schools have strived to increase need-based tuition assistance while endeavoring to keep tuition and fees as low as possible. Unfortunately, our smaller schools are least able to accommodate operating increases though they may be "land rich".

Our schools are affordable, accessible and diverse. In addition to serving families from all walks of life, our schools employ many thousands of faculty and staff, reduce State tax expenditures by providing a service the State would otherwise have to provide (annual savings = approx. $400 million), and over the past decade have made capital expenditures of more than $750 million for campus construction and renovations, a benefit to our construction industry. More significantly, Hawaii's independent schools are part of their community fabric.

Should any of you have any questions about our Association's position on this matter, please do not hesitate to contact me at 973-1540. Thank you for the opportunity to express my concerns.

Sincerely,

Robert M. Witt
Executive Director

Cc: HAIS Board of Directors
Roberta Bishop, HAIS Associate Executive Director

From: Holly J Huber [hollyjhuber@gmail.com]

Sent: Wednesday, December 07, 2011 8:12 AM

To: CCLBC

Subject: Public Testimony 12/7/11 Real Property Tax Advisory Commission

TO MEMBERS OF THE REAL PROPERTY TAX ADVISORY COMMISSION
for the meeting on Wednesday, December 7, 2011

I am unable to provide written testimony on the Commission's Report to the Honolulu City Council as Chair Lowell Kalapa refuses to release the Report to the public.

Council Chair Ernie Martin has requested that Mr. Kalapa provide the Report to the public under Rule 2-71-12(b) of the Office of Information Practices. Mr. Kalapa has not complied.

Even members of the Commission are receiving this lengthy report less than 24 hours prior to their final meeting. Yet the Commissioners are expected today to review, discuss, and approve the entire report and its recommendations.

It appears the Commission values expediency over discourse and due diligence.

I value the hard work of this Commission but it became apparent at the December 1st meeting that Commissioners have not had enough information or discussion on all of the Report's recommendations on which they are expected to vote.

As a Commissioner, are you certain that you have had adequate time to review, comprehend, and discuss the Report on which you are voting today?

As a Commissioner, do you agree that the public had no right to see or testify on the Commission's Report prior to it being approved and given to the City Council?

If not, then you should vote to reject the Report and to continue the process.

Important decisions regarding real property tax issues are being rushed through this Commission to meet an unrealistic deadline. That was never the intent of the City Council; they expect you to exercise due diligence.

The Commission should hold additional meetings and accept public testimony on the Report. This may not greatly change the recommendations or the minds of Commissioners but it would allow you to carefully consider the Report you are approving and submit your review of the City's real property tax system with confidence.

The resolution forming the Commission (City Res 11-143) clearly states:

> *(7)* ***All meetings shall*** *be held in city hall or other public places, be noticed by the filing of an agenda with the City Clerk at least six days in advance, be open to the public, and* ***accept public testimony on all agenda items;***

How can the public provide testimony on an agenda item that is not been made available?

Proposals from the Report being voted on were not read out in full at the December 1st meeting. Instead the Commission referenced "the recommendation at the bottom of page 11" or "the Epilogue." The public cannot be expected to provide reasoned testimony on such cryptic references.

At the December 1st meeting, Mr. Kalapa stated that I was not allowed to provide testimony on the Report because it was a draft. He said that my testimony could be submitted after the Commission had finalized the Report.

I urge the Commissioners to abide by City Resolution 11-143 and your own sense of common decency and fairness.

By refusing public testimony, the Commission is violating both the letter and the spirit of the City resolution that established it. This greatly diminishes the credibility of the Commission and its recommendations to the City Council.

Holly J. Huber
1519 Nuuanu Ave #154, Honolulu HI 96817
808-554-7692 | hollyjhuber@gmail.com

MEDIA, COMMENTS, AND PETITION

December 9, 2011 through January 9, 2012

Council faces tough choices on property tax exemptions

POSTED: 01:30 a.m. HST, Dec 09, 2011

StarAdvertiser.com

By Rob Perez

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About 150,000 Oahu homeowners, including elderly and disabled ones, would lose their property tax exemptions if the City Council adopts politically dicey recommendations made by an advisory panel aiming to bring more equity, fairness and simplicity to the tax system.

Many nonprofit organizations and owners of historic homes, along with all credit unions, also would pay more under the reforms proposed by the Real Property Tax Advisory Commission.

The panel's recommendations, approved at a Wednesday meeting, were expected to be posted on the Council's website today, starting a 30-day period for the public to submit written comments. In early January the package will be forwarded to the Council, which will solicit more public feedback and can decide to embrace, ignore or change any of the proposals.

While Council members say they will seriously consider the recommendations, the most controversial one — eliminating the exemptions for more than 144,000 owner-occupants of homes — isn't likely to survive, especially in a year in which five of nine Council seats are up for election, political observers say.

PROPOSED CHANGES

Some recommendations of the Real Property Tax Advisory Commission:

» Eliminate homeowner exemptions.

» Limit exemptions for nonprofits to 501(c)(3) organizations -- a federal designation for charities -- and base reductions on a percentage of the property's value.

» Provide breaks to historic homeowners based on a percentage of the property's value while allowing qualified maintenance expenses to lower the tax bill.

» Repeal exemptions for credit unions, owners of so-called Kuleana lands.

Council member Ann Kobayashi, who heads the budget committee that will take the lead on considering the recommendations, acknowledged that repealing homeowner exemptions probably won't happen.

"We don't want to make life harder for people," Kobayashi said. "We want to make life better for people."

Still, she said some reform is necessary. "We want to look at the whole system and see what needs fixing or how we can make it better."

Members of the commission, an independent panel formed by the Council, said they looked for ways to make the system fairer, more transparent and more efficient without regard to political consequences. The recommendations are intended to reform a hodgepodge of exemptions, some that haven't been updated in decades and that have been criticized for giving tax breaks regardless of a property owner's ability to pay.

Millionaire mansion owners, for instance, get the same breaks as owners who can barely pay the mortgage for their tiny homes.

The proposals are designed to more equitably spread the burden of funding city services — ensuring that everyone pays something — while moving away from granting tax breaks simply because a property owner is a member of a particular category, such as disabled veterans, commission members said. Homeowners who can't afford their tax liability can apply for an existing tax credit program, commissioners say.

The credit, though, is limited to owner-occupants with less than $50,000 in income.

Elderly homeowners are among those who could be most affected by the recommendations. They not only could lose the standard homeowner deduction that reduces an owner-occupant's tax bill by $280 a year under current rates, but the additional reduction given to those 65 and older.

"I think that would be a very difficult blow for many older people who have been counting on those exemptions for as long as they've had their property," said Tony Lenzer, 81, who has owned his Kailua house for about 40 years.

Many nonprofit groups and owners of historic homes would pay more under the proposed reforms because their taxes would be based on a percentage of the assessed value of their property. At present they pay as little as $300 a year, regardless of property value.

The seven-member commission adopted the recommendations at a meeting in which two audience members criticized the panel for not making available to the public the draft report containing the proposals and for not allowing oral testimony.

Such actions violated the Council resolution creating the commission, they said.

"It's unacceptable," said Michael Golojuch Jr. "The public should have the right to speak."

But Lowell Kalapa, commission chairman, said people will have ample opportunity to comment on the recommendations through the next month and once the Council considers the proposals.

The city forgoes about $100 million in revenue each year because of the tax breaks it gives for roughly 40 exemption categories. Many have been in place long before 1978, when responsibility for property taxes switched from the state to the counties.

The exemptions provide breaks to a range of landowners, including those operating cemeteries, slaughterhouses, crop shelters and for-profit child care centers.

Homeowner exemptions account for about half the $100 million in forgone revenue.

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Tread lightly in reforming property tax

POSTED: 01:30 a.m. HST, Dec 18, 2011

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Talk about unfortunate timing. With a new report showing that housing costs in Honolulu are higher than just about anywhere else, the Honolulu City Council will consider a just-released proposal to eliminate most property tax exemptions -- the ones that make home ownership easier to afford.

The Center for Housing Policy released a report Thursday showing that Honolulu is the fourth most expensive market for homeownership in the nation; for renters, it is the third most expensive. It came less than a week after the City Council's Real Property Tax Advisory Commission released a preliminary report calling for an overhaul of the city's property tax system.

The first report might make the second one hard to swallow. But consider two things: First, the commission makes a reasonable argument that the present system is archaic, with room for improvement. Second, the Council raising taxes in this tough economy -- and in an election year, no less -- would be a spectacular miscalculation and, therefore, a remote possibility at best.

The commission does not mince words about its target: a property tax system "riddled with numerous exemptions, exclusions, and dedications that have eroded the tax base and shifted the burden of taxation to categories of properties that have not been so favored."

To reform the system, the commission would:

» Get rid of home exemptions, multiple home exemptions and "in lieu of" home exemptions. This includes exemptions for the disabled and disabled veterans or their surviving spouses.

» Limit exemptions to charitable organizations that qualify under federal code section 501(c)(3). Make them pay a rate based on a percentage of the value of the real property used for the exempt activity, rather than a $300 minimum.

» Eliminate the exemption for credit unions.

» Eliminate the exemption for kuleana lands.

» Tighten restrictions on tax breaks for historic residences.

The commission argues that such changes would spread the property tax burden more evenly among those who use city services. It would be fairer, especially for renters who get no exemption and for businesses that pay a higher rate. Those who depend on current tax breaks to make ends meet -- such as fixed-income elderly in highly valued homes they bought years ago -- could seek relief through the city's tax credit program instead.

The report has flaws. Raising taxes on charitable organizations runs the risk of shutting some nonprofits that provide valuable community services at razor-thin margins. The report offers little guidance on how to avoid this problem, except that "the assessment ratio be greater than zero but not more than 100% of fair market value" so a nonprofit pays its "fair share."

In the absence of clearer guidance, the Council should be loathe to tinker with the current exemptions.

Nonetheless, the report could be a solid first step in a long-term effort to reform the system. A property tax levy based on actual property values, with exceptions based strictly on ability to pay, would level the playing field somewhat. Some of the categories used for exemptions, such as those for disabled veterans and kuleana lands, are based on political, not fiscal, calculations.

But politics is the people's business and cannot be ignored. Simply eliminating exemptions could cost Honolulu taxpayers up to an estimated $100 million. That would create an unacceptable burden on residents already struggling with ever-rising sewer and electricity bills and the general cost of living. Besides, property values increased again over the past year, which is expected to generate additional revenue for the city.

Raising taxes on Honolulu residents when our fragile economy is barely recovering is simply a bad idea.

The report also noted that the city's tax assessment division lacks the resources to do annual assessments on all exempted properties. While the Council should tread carefully to ensure that any reforms it considers will not add to the tax burden of Oahu residents, it should also ensure that its decisions are backed up by adequate data.

The commission raises important issues regarding Honolulu's property tax system. The Council will consider them in January. So should anyone who pays -- or doesn't pay -- property taxes.

The report can be found at http://www4.honolulu.gov/docushare/dsweb/View/Collection-1656.

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Honolulu Property Tax Overhaul Dead On Arrival?

By Michael Levine | *12/20/2011*

Fotali

The Honolulu City Council will start debating an overhaul to the property tax system next month, even though the idea is already been dismissed as a dead-on-arrival election-year tax increase.

Council Budget Chair Ann Kobayashi told Civil Beat Monday she plans to hold hearings starting in late January to discuss "the property tax system as a whole."

The discussion, she said, will focus on balancing revenues and expenditures. A major part of the debate will revolve around recommendations from the Real Property Tax Advisory Commission, which in its draft report advocates eliminating or reducing numerous exemptions that together return more than $100 million to city taxpayers.

The recommendations were quickly panned by some critics, but they highlight the inequities in the current system. For example, a widower getting by on Social Security benefits and a multi-millionaire pulling in six figures are eligible for the same exemption simply for owning their own homes.

The hearings will begin after the 30-day public comment period for the recommendations closes Jan. 9, Kobayashi said.

Some of the recommendations have already been lambasted. A weekend Honolulu Star-Advertiser editorial (subscription required) said raising taxes in an election year was politically untenable and "a spectacular miscalculation."

In addition to taxing homeowners and nonprofit organizations harder, the recommendations, if adopted by the Council, would take aim at another sacred cow: disabled veterans and their widows.

Two letters sent by citizens to the Council summarize the opposition.

In one unsigned letter, the author says changes to the property tax exemptions would hit elderly residents hard, turning "our last remaining days of our twilight years (into) a financial nightmare." The other asks about the disabled veteran exemption: "What kind of government is it that tries to balance its budget on the backs of the totally disabled?"

Kobayashi acknowledged the political realities — after all, her seat is one of five on the Council that's up for election next year, and there's a mayoral election too. She said she's loathe to further burden Honolulu families. Electricity, water, fuel and food prices are all on the rise even as wages stagnate, she said.

But that doesn't mean the recommendations are a dead letter. Kobayashi said the city government plays an important role in people's lives, providing police, fire, lifeguards, garbage collection and more.

"The city has to provide all these services," she said. "We're looking at many different ways and trying to see what would work."

Finding a Way To Make It Fair

On Oahu, 144,092 homeowners got a tax break for living in their homes, exempting more than $14 billion worth of property from taxes. That cost the city more than $49 million, according to the commission's report.

Other exemptions costing the city big bucks were 1,709 parcels owned by charities that were handed $25.9 million in tax breaks; Medical facilities and hospitals that got $7.6 million in breaks; and low-income rental housing properties that saved $6.6 million.

CHANGE BEGINS WITH A QUESTION™

What questions do you have about Hawaii? Ask them here!

About the Author

Michael Levine
Honolulu Reporter-Host

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Type of Exemption	Total Exempted Valuation	Tax Benefit
Homes	$14.1 billion	$49.3 million
Charitable purposes	$4 billion	$25.9 million
Nonprofit medical, hospital indemnity association	$674 million	$7.6 million
Low-income rental housing	$1.6 billion	$6.6 million
Other exemptions (Hawaiian Home Land Lease)	$1.3 billion	$4.7 million
Homes of totally disabled veterans	$515 million	$1.8 million
Credit Union	$119 million	$1.5 million
All Others	$1.3 billion	$2.8 million
Total of All	$23.6 billion	$100.2 million

Source: Real Property Tax Advisory Commission Draft Report, December 2011

All told, 154,268 taxable properties together received $100.2 million in property tax breaks because nearly $24 billion worth of property wax not taxed, according to the recommendations. (These figures don't include another 10,000-plus *non*-taxable properties owned by government agencies that would have generated another $177.9 million for the city if taxed at normal rates.)

The gap was made up with subsidies from Honolulu's other taxpayers, and the commission said its principal goals were to improve equity and efficiency in the system.

If the Council were to follow the commission's recommendation and eliminate the homeowners exemption, that could create up to $49.3 million in tax revenue. But that number would end up being much smaller because some of those impacted by the change qualify for a different break based on low income and an inability to pay.

The exemption as currently written means people who own their own home don't have to pay taxes on the first $80,000 of assessed value. Taxpayers 65 and older are exempt for the first $120,000 of assessed value.

At $3.50 per $1,000 of assessed value for residential properties, an $80,000 exemption means $280 of savings per year; the $120,000 exemptions saves elderly homeowners $420. Those savings are available to all homeowners regardless of their ability to pay. Everyone, from retirees just getting by on their Social Security checks to multi-millionaires still earning six figures or more, is eligible.

The commission said that system isn't equitable, and Kobayashi agrees.

"We just have to find a way to make it fair," Kobayashi said. "It's really not fair that those who are able to pay get the same exemption as those who are struggling."

The commission suggests that the exemption should go by the wayside. The recommendations say the existing county tax credit for households making less than $50,000 would serve as a safety net instead.

That credit essentially caps taxes at 4 percent of the titleholders' combined income up to $50,000; 3 percent for homeowners 75 or older. So citizens who are land-rich but cash-poor have a mechanism to avoid spending all their money on property taxes.

Retirees v. Millionaires: Crunching the Numbers

Let's crunch the numbers in a representative example.

The average Social Security benefit for a retired worker was nearly $1,200 per month at the beginning of 2011, according to the U.S. Social Security Administration's website. That comes to around $14,000 per year for one retiree, on average.

The credit for low-income taxpayers means a couple 75 or older with a combined income of $28,000 would pay a maximum property tax of $840 per year, regardless of how much their property was valued at. That's the bill on a residential property assessed at $240,000 — after exempting $120,000 of assessed value. So if an elderly couple's property is assessed at $360,000 or more, there is *zero* financial impact from eliminating the exemption and instead relying on the tax credit.

For a 75-year-old widow or widower relying on a single $14,000-per-year Social Security income whose home is worth $240,000 or more, the homeowners exemption makes no difference. The maximum yearly tax for that owner is $420.

For younger homeowners making $50,000 per year, the maximum tax bill is $2,000. All properties assessed at higher than $650,000 will hit that maximum.

Homeowners whose properties are worth less than those thresholds or those making more than $50,000 per year would be impacted if the exemption were deleted from the city's tax code.

Kobayashi said eliminating the exemption and pushing people toward the credit would create problems of its own. The city doesn't maintain income information and staffers would need to review applications for the tax credit. Some people won't even apply, she said.

"Some of them don't want to apply for the 50,000-or-below (credit). They feel embarrassed or something. I wouldn't, if I made less than 50,000," Kobayashi said.

She said she recently had a conversation with Gov. Neil Abercrombie about creating a city-state cooperative "one-stop shop" for credit and tax applications and forms.

"We should start doing stuff like that, because they have the income information. We don't. And so rather than hiring more people to read through all the income tax forms, the state already has all that information. They know who would qualify," she said. "We have to start finding ways to be more efficient. We don't want to have to increase the number of people who have to go through these income tax forms, and yet we want to give out the needed credits."

Eliminating Exemptions = Tax Increase?

Critics, including the newspaper editorial, have characterized the recommendations as tax increases. But the tax commission makes explicit in its recommendations that it does *not* want to increase city revenues.

> When eliminating the home exemption, Commissioners believe that this action be undertaken with an overall reduction in real property rates so as to maintain revenue neutrality. The opportunity that this action can contribute to revenue neutrality should be extended across the board to both residential and nonresidential classes of real property.

In other words, raising rates on some homeowners should be offset by lower rates for renters and businesses.

While $49 million isn't the right number to use to represent the potential revenue gains from eliminating the homeowners exemption, redistributing even $25 million in savings would be meaningful to other city taxpayers.

(Exact numbers are tough to come by. Robin Freitas, a property technical officer who works for Real Property Assessment Division Administrator Gary Kurokawa, said it's "a little premature" to run numbers at this stage. Kurokawa's team will provide data support to Budget Director Mike Hansen and Mayor Peter Carlisle when they reach a position on the recommendations next year, Freitas said.)

Kobayashi quickly threw cold water on the idea of lowering tax rates.

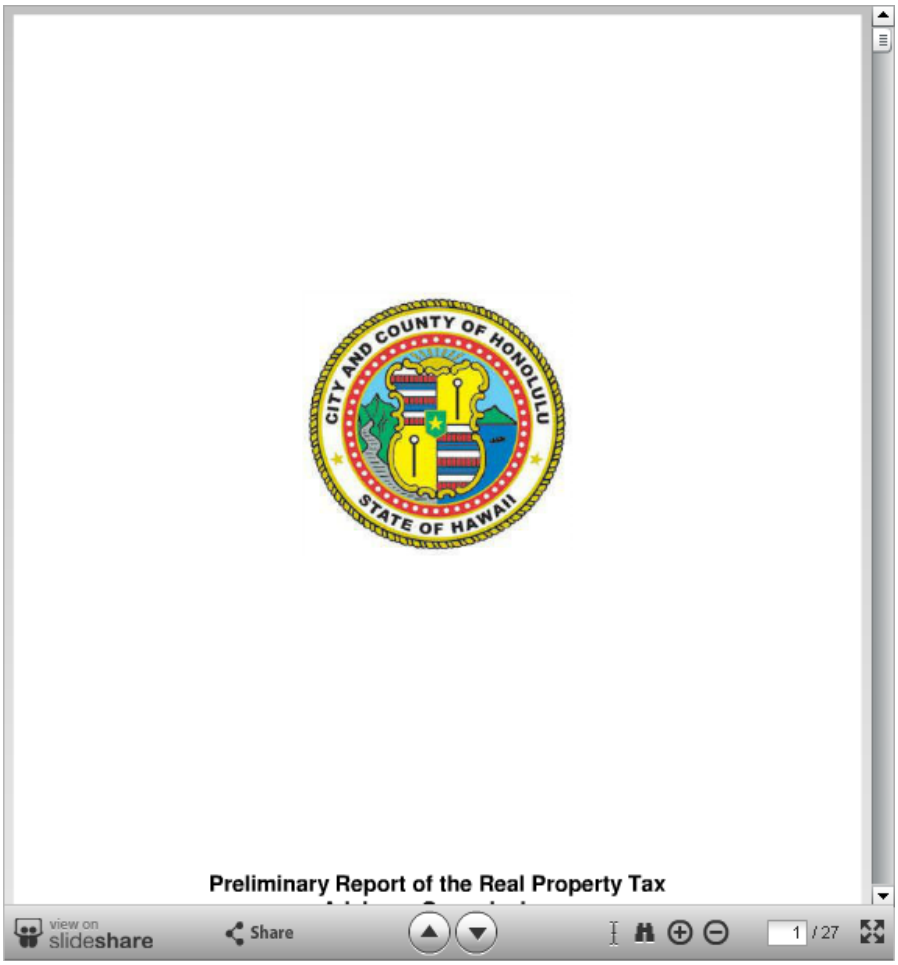
"That to me is not a good way to do it, because at some point, you don't know what the financial picture for the city, and it would be very hard to then increase rates," she said. "Do you then put back the home exemptions?"

So that means any revenue increases are unlikely to be passed back to taxpayers. The exemptions will be evaluated on their merits, both fiscally and politically. And the change might be incremental, if it comes at all.

"We can slowly chip away at inefficiencies and try to bring more balance," Kobayashi said.

Read the full recommendations here:

Real Property Tax Advisory Commission Report



DISCUSSION: *Do you agree with the recommendations to eliminate and reduce certain property tax exemptions? Add your thoughts in the comments below.*

1

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Discussion

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Dave Wratchford · Top Commenter · Kapolei, Hawaii

"Everyone, from retirees just getting by on their Social Security checks to multi-millionaires still earning six figures or more, is eligible.

The commission said that system isn't equitable, and Kobayashi agrees."

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CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 202
HONOLULU, HAWAII 96813-3065
TELEPHONE: (808) 768-5010 • FAX: (808) 768-5011

ERNEST Y. MARTIN
COUNCIL CHAIR
COUNCIL DISTRICT 2
TELEPHONE: (808)768-5002
FAX: (808) 768-1222
EMAIL: emartin@honolulu.gov

Media Advisory:
December 20, 2011
Contact: Laura Figueira
768-5002

Honolulu City Council now accepting public comments on recommendations of Real Property Tax Advisory Commission

The citizen advisory group, organized by Council resolution in June of 2011, has completed its review of the current real property tax exemptions and submitted its recommendations to the City Council. Council Chair Ernest Martin, who introduced the resolution calling for a periodic review of the City's property tax classifications, exemptions, credits and minimum tax rates, accepted the report but asked that the Commission keep the record open to accept public testimony for thirty days. The comment period began on December 9th and will continue through January 9, 2012.

All written comments received by the close of business on January 9th will be included as an addendum to Commission's report. The public is welcomed to submit comments by mail addressed to Council Chair Ernest Martin at City Hall or e-mailed directly to cclbc@honolulu.gov.

A copy of the report is available for review at www.honolulu.gov on the City and County of Honolulu's Legislative Branch Home Page under Council Initiated Task Forces/Commissions. Public comments will also be available for review along with the report which can be accessed directly at http://www4.honolulu.gov/docushare/dsweb/View/Collection-1656.

-30-

From: Holly J Huber [hollyjhuber@gmail.com]
Sent: Monday, December 12, 2011 4:31 PM
To: CCLBC; Martin, Ernie
Cc: Kobayashi, Ann; Garcia, Nestor; Cachola, Romy; Chang, Stanley; Harimoto, Breene; Gabbard, Tulsi; Berg, Tom; Anderson, Ikaika
Subject: Public Unable to Comment on Real Property Tax Advisory Commission Report

Aloha:

The Real Property Tax Advisory Commission Report was posted on the City's docushare for public comment. The Report's posted PDF file has the following significant errors:

1) There is no means published or publicized for the public to submit comments.

Although page 27 of the PDF file indicates public comments will be accepted, there is no way for the public to provide comments.

No email, no address, no phone number, no contact information appears anywhere in the PDF file. Nor has any of the media coverage indicated how the public can comment on the Report.

This could be construed as yet another attempt by the Commission to limit public comment.

2) Attachments are missing from the posted Report.

Page 26 of the PDF file reads:

ATTACH:
Written Testimony Received through 12/7/il
11/14/11 Perez Star Advertiser Article
11/22/li Star Advertiser Editorial
date? _Hansen Letter to the editor response
12/4/11 KalapaHawaii Free Press Article
Other

None of these attachments are included in the posted PDF file.

3) The 27-page Report appears in the posted PDF file twice.

So instead of a 27-page Report with attachments, anyone downloading the file gets the same 27-page document repeated. This is confusing for anyone trying to read the document.

These significant errors are restricting the public's ability to comment on this report.

And such sloppiness further demonstrates the Commission's concern for expedience over accuracy.

The Commission has already violated the resolution that created it, the least they can do is to publish the Commission's recommendations in an intelligible format, accessible to the public.

Your prompt attention to this problem is requested. I would also appreciate notification when the corrected report has been posted. My previous requests for copies of the report have been ignored.

Holly Huber

hollyjhuber@gmail.com
554-7692

From: Dan Boucon [daniellee@hawaiiantel.net]

Sent: Tuesday, December 13, 2011 3:18 PM

Subject: Budget Committee Testimony

Dear Councilmembers,

Please vote to retain the property tax exemption for 100% disabled veterans. The discussion has mostly used the term "disabled veterans" when it should be "100% (totally) disabled veterans", most of whom are unemployable and/or retired with little or no earned income. Is it fair to require them to go through the yearly indignity and hassle of submitting for yearly tax credits?These veterans many of whom incurred these total disabilities in the service to our country---Have we not given enough? Where is the equal suffering and fairness here?

The exemption for these veterans is not just a category. It has been **earned** through sacrifice and service to our country. What kind of government is it that tries to balance its budget on the backs of the totally disabled? Thank you for your consideration.

Sincerely,

Dan Boucon

91-1017 A'awa Dr

681-3895

DEC 2011

Dear Sir

I am writing this letter on behalf of all the senior citizens, who will greatly suffer, who are unable to survive the ever high cost of living in Honolulu-

Ever day you'll read that the electric company will raise their rates! Next the water people will say they need to also raise their rates!

This on top of the cost of food- $5 for a loaf of bread $5 for ½ gal of milk-

Social Security, for most of us dont keep up, there were 4% which is always, wiped out by the higher cost of medicare-

AND, Now you want to, really, understand, drastically change,

upsetting our last remaining days of our twilight yrs, a financial nightmare

We scrimp & save, sacrifice knowing how everycent is spent-

Those unexpected expenses, the roof leaks, the house insurance goes up - Being, living as a house owner, especially, elder citizens, is really, struggling endeavor-

Dont forget our illness. This also digs deep in our shallow pockets.

I hope this enlightens you to this plight, us seniors wake up to, reading another burden, that seemingly has forgotten the quiet majority -

We were there when you were young, dont abandon - let us keep our property exemptions, and still enjoy what little we have

THANK YOU VERY-MUCH

December 20, 2011

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to oppose the proposal by the Real Property Tax Advisory Commission regarding the elimination of the real property tax exemption. The issue of the real property tax exemption is important because the elimination of the exemption adds an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners, charitable organizations and credit unions.

The retention of the current tax status will provide relief to deserving island residents with special financial needs as well as entities, such as credit unions, that benefit the community. Credit unions have unique characteristics that qualify them for a real property tax exemption.

- Credit unions are not-for-profit, democratic, financial cooperatives owned by their members;
- Credit union members, rather than stock market shareholders or parent companies, all benefit from earnings being passed back in the form of competitive rates, and additional products and services;
- Credit unions, with limitations on who they can serve and restrictions on products and services, also have a social mission to provide service to people of modest means as well as to increase the level of financial literacy in the community.

Furthermore, all taxpayers whether members or not, benefit from the presence of credit unions in the marketplace. Competition from credit unions helps influence the deposit and loan rates and fees offered by for-profit financial institutions. If the real property tax exemption is eliminated, credit unions may not be able to offer the same level of pricing and services to its members, which could have an impact on the overall financial market and community.

We urge you to consider the impact of these changes, particularly in light of the economic challenges we are all facing, and to not accept the commission's recommendation.

Sincerely,

Richard A. Waltz & Lorinda L.S. Waltz

2529 Klebahn Place, Honolulu, HI 96817

December 20, 2011

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to oppose the proposal by the Real Property Tax Advisory Commission regarding the elimination of the real property tax exemption. The issue of the real property tax exemption is important because the elimination of the exemption adds an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners, charitable organizations and credit unions.

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Furthermore, all taxpayers whether members or not, benefit from the presence of credit unions in the marketplace. Competition from credit unions helps influence the deposit and loan rates and fees offered by for-profit financial institutions. If the real property tax exemption is eliminated, credit unions may not be able to offer the same level of pricing and services to its members, which could have an impact on the overall financial market and community.

We urge you to consider the impact of these changes, particularly in light of the economic challenges we are all facing, and to not accept the commission's recommendation.

Sincerely,

Raynette G. Goo

From: Cindy DeCastro [mc3dd@hawaii.rr.com]
Sent: Thursday, December 22, 2011 8:46 AM
To: CCLBC
Subject: Real Property Tax Exemptions

December 22, 2011

I'm sending this email in regards to the City Council wanting to eliminate the real property tax exemption for homeowners. I am a homeowner and want it stated that the exemption for homeowners should not be eliminated this will cause much more financial hardship on the homeowners. Already we have been hit hard by water, sewer, electric, home owners insurance and vehicle tax increases. As a household that is employed through the government our income has been decreased tremendously due to 10% increase in medical premiums averaging ($157.00 a month less in take home pay), also 14 days directed leave without pay (furlough) averaging another (161.00 a month more taken away from our pay) totaling about $318.00 a month less in income. Not to mention the payroll tax increase of 2% , if congress does not extend it another year it will take another $40.00 a month away from our salary. How is the citizens of Hawaii (home owners) going to survive these economic tough times. Please City Council Do Not take away the real property tax exemption from us homeowners.

Sincerely,

Cindy

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

December 23, 2011

RE: Real Property Tax Exemptions

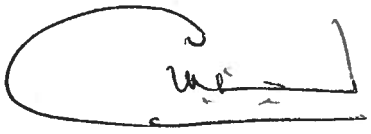
Dear Council Members:

I am writing to oppose the proposal by the Real Property Tax Advisory Commission regarding the elimination of the real property tax exemption. The issue of the real property tax exemption is important because the elimination of the exemption adds an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners, charitable organizations and credit unions.

I do not worry too much about credit unions but to increase the property tax of pensioners (especially those on fixed pensions) and charitable organizations would be devastating to many. With the cost of living escalating so dramatically for food we are all being pinched. Charitable organizations are providing services for the needy and are increasingly short of funds in these difficult times. However, I do think that an amendment is appropriate for organizations that own property that is not directly related to their mission and that they should be taxed at normal rates on that property. For example, church properties that generate income should be taxed whether or not the money that is generated will be used for charitable purposes.

I urge you to consider the impact of these changes, particularly in light of the economic challenges we are all facing, and to not accept the majority of the commission's recommendation.

Sincerely,



Clifford W. Smith, 1205 Manulani St. Kailua

From: Masuno, Dean
Sent: Tuesday, December 27, 2011 8:28 AM
To: CCLBC
Subject: FW: Proposal to Eliminate Real Property Tax Exemptions

I'm forwarding comments from one of our constituents for your consideration.

Dean S. Masuno
Senior Advisor
Councilmember Tulsi Gabbard
530 S. King Street, Suite 202-G | Honolulu, HI 96813 | 808.768.5006 | www.OurHonolulu.org
Representing the people of Downtown Honolulu, Chinatown, Kaka'ako, Makiki, Tantalus, Punchbowl, Papakōlea, Pauoa Valley, Nu'uanu, Liliha, Alewa Heights, Kamehameha Heights, and Kalihi Valley.

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From: Debbie Soares [mailto:soaresd006@hawaii.rr.com]
Sent: Sunday, December 25, 2011 5:06 PM
To: Gabbard, Tulsi
Subject: Proposal to Eliminate Real Property Tax Exemptions

I have been trying to get information off the government website to no avail. So I decided to write you directly, since I am not able to make a statement on the commission website. I live at 2116 Ladd Lane, in Pauoa Valley, on property that has been in our family since the Great Mahele. We have held on to this property, because this is family land, I have my history and genealogy on this property. I never knew about Kuleana exemptions until just recently, and have applied for the relief. Now that I am retired, my income is fixed, knowing that assessments continuously go up, I considered taking advantage of this exemption.

I received a copy of the commissions report and recommendations from OHA. They consistently state that everyone (homeowners) needs to pay their fair share for the benefits and services provided by the City. I have paid my fair share over that last forty years, and where have I received any benefits. Our roads have potholes. Every time they dig up the intersection it takes four or five years for them to fix the holes and bumps. Pauoa Elementary needs repair, Booth park, needs repair. But what do I see, they lay a new sewer pipe to take care of the new homes built up in the back of the valley. Pauoa road could use a line down the middle of the road to keep traffic on one side, rather than running down the middle, and forcing drivers over. There should be speed bumps near the school. SO WHAT BENEFITS. The Kuleana Exemption is held right now, by their report by 37 families for an exemption of some $400K. Yet the governments up their in the Millions.

If you come up Pauoa Road, 2115 just built a home, that is being sold at $999,000. Foreigners purchase that property to flip a profit. This will hurt me and my neighbors with the next assessment. There is no way this house is worth a million dollars. I watched them build it, the top floor is refurbished, its not brand new, and the rooms are small. I even believe the contractor was out of code, but I'm not an inspector.

The City should not depend on homeowners to foot the bill for the government. The disabled, the elderly and those with Kuleana property have paid their dues, what more can you ask of them. I am not worried about credit unions, charitable organizations, because that have a steady growth of income. But the rest of us are pretty much living from day to day. I ask that you stop these repeals that they are recommending, and find a way to get our tax dollars from the feds and the state. The City should have a commission, to study how to reduce expenses, how to secure biddings are not returned favors and things like that. Fix the government and not tax the citizens. This goes for all three levels of government.

December 26, 2011

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to OPPOSE the proposal by the Real Property Tax Advisory Commission regarding the elimination of the real property tax exemption. The issue of the real property tax exemption is important because the elimination of the exemption adds an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners, charitable organizations and credit unions.

The retention of the current tax status will provide relief to deserving island residents with special financial needs as well as entities, such as credit unions, that benefit the community. Credit unions have unique characteristics that qualify them for a real property tax exemption.

- Credit unions are not-for-profit, democratic, financial cooperatives owned by their members;
- Credit union members, rather than stock market shareholders or parent companies, all benefit from earnings being passed back in the form of competitive rates, and additional products and services;
- Credit unions, with limitations on who they can serve and restrictions on products and services, also have a social mission to provide service to people of modest means as well as to increase the level of financial literacy in the community.

Furthermore, all taxpayers whether members or not, benefit from the presence of credit unions in the marketplace. Competition from credit unions helps influence the deposit and loan rates and fees offered by for-profit financial institutions. If the real property tax exemption is eliminated, credit unions may not be able to offer the same level of pricing and services to its members, which could have an impact on the overall financial market and community.

We urge you to consider the impact of these changes, particularly in light of the economic challenges we are all facing and to NOT accept the commission's recommendation.

Sincerely,

Elisabeth M. Brown

810 Kaaloa St #4, Hon. HI 96826

From: Wilma Wilson [wwilson2323@yahoo.com]

Sent: Tuesday, December 27, 2011 12:13 PM

To: CCLBC

Subject: Keeping Senior Citizen Property Tax Exemption

Honolulu City Council
530 S. King St. #202
Honolulu HI 96813

Attn: Ernest Martin

Please, help us Senior Citizens to survive!
It's so very expensive to live in these beautiful Islands that I love so very much. I have lived here now for 41 years.

Even though I am 88, I **still** have to work part-time just to survive.

I have lived in Discovery Bay since the bldg was erected in 1976. But with the Lease Rent going up **FIVE** times what it was since 2007 I can barely make ends meet. Along with that, because of the economic downturn, we have had a LOT of foreclosures in this building. Because of this, our monthly maintenance fee alone is now OVER $640!!

Please, PLEASE, **keep** the Owner-Occupant **AND** Senior Citizen Property Tax exemptions! I am scared that I will not be able to pay my property tax if you get rid of these exemptions!!!

Thank you so very much for reconsidering and realizing just how much we need your help.

Sincerely Yours,

Wilma Wilson
1778 Ala Moana Blvd. apt 1206
Honolulu,HI.96815

December 31, 2011

To: Chairman Ernest Y Martin
Honolulu City and County Council

Re: Kuleana Land Tax Exemption

Aloha,

My name is Robert G.K. Naluai direct lineal descendant of the Original Discoverers , First Settlers and Host Culture of these Pacific Islands of Hawaii.

My immediate family and I stand in STRONG OPPOSITION to any City Council consideration to repeal the Kuleana Land Tax Exemptions.

The Advisory Commission has given certain entities tax exemptions because they feel that these entities deserve the privilege of land tax relief because of their nature and that they serve the "Community Benefits" of the City and County of Honolulu.

If any one group of real property owners specifically deserve the privilege of any land tax exceptions, it is the Original Kuleana Land Owners of today. Our aboriginal Hawaiian ancestors who invented the Aloha Spirit, welcomed all peoples to our island nation to enjoy the fruits of their labors and all the "Community Benefits" of our island home lands. Like our ancestors, our Hawaiians continue to extend a friendly-hand, open heart, and welcome to ALL peoples in the true Spirit of Aloha.

Because of these humanitarian acts of our Aboriginal Ancestral Hawaiians we urge the Honolulu City and County Council to protect and preserve our deserved Kuleana Land Tax Exemptions for us and our future generations.

Mahalo,

Robert G. K. Naluai
55-163 Kulanui St.
Laie, HI 96762

From: Debbie Soares [mailto:soaresd006@hawaii.rr.com]
Sent: Sunday, January 01, 2012 5:25 PM
Subject: Council Meeting Testimony

Regarding the elimination of Kuleana Land property tax exemption. I have lived in Pauoa on land that was issued via the Mahele to my grand parents. We have paid the property tax without exemptions all these years. By chance I found out about the Kuleana exemption, and have received the exemption which would start in August 2012. Hearing that you now want to eliminate this exemption and many others, because people feel we should all share the burden of a government shortfall, is not a good enough reason. Many owner occupied homes, deserve exemptions of some kind, be it age, ancestory, disability, whatever, because they have paid their dues or fair share over the years.

I pay approximately $3000 annually, and have been doing so for the last ten years. Prior to that I have paid land tax in the full amount for over 40 years. To say I need to bare the cost of services, is pretty stupid. Our roads in Pauoa were just repaired after 8 years of pot holes, our sewer lines have not been repaired in over 20 years, and our elementary school, could use a facelift if anything. So where are the benefits. An 8 inch pipe was laid a few years ago, to service a hui that built some homes up in the valley. I didn't benefit from that, yet I paid my land tax. A lot of us seeking exemptions live on fixed income, doing away with this exemption will hurt a lot of people.

From: Dana E. Ware [deware@aol.com]
Sent: Tuesday, January 03, 2012 1:54 PM
To: CCLBC
Cc: Berg, Tom
Subject: Honolulu Real Property Taxes

Dear Chairman Martin,

I am writing you to briefly discuss the Real Property Tax collections by the City and County of Honolulu.

I have reviewed the Preliminary Report of the Real Property Tax Advisory Commission and it seems to be a thoughtful contribution to the dialog regarding the issue.
I agree with the Commission's observation that the City and County must control and reduce expenditures, which continue to rise. We are living beyond our means.

I echo the Commission's observation that federal funding which has for some time been disproportionately lavished on Hawaii, is likely to be reduced in years to come. I consider that it will be due to pressure on the federal budget and the inevitable and dramatic reduction in seniority of the Hawaii representatives to the federal legislature.

With respect to homeowners exemptions, it should be continually reemphasized that property taxes are just one of many taxes borne by Hawaii residents. By many independent measures, Hawaii residents bear one of the highest total rates of taxation in the nation. Additionally, Hawaii residents bear the highest cost for electricty and gasoline in the nation on a regular basis. And water/sewage costs are set to rise dramatically due to EPA settlements and other infrastructure demands. Please keep such related issues in mind as you review Real Property Taxation.

With respect to nonprofit charitable entities who receive preferential property tax treatment, one thing should be made clear. Many of them are extremely wealthy organizations, to wit Kamehameha Schools. Their $300 tax rate is ludicrous and insulting to the citizenry. Their primary argument regarding their preferential treatment is that if they were taxed equitably, like others, they would not be able to do their good for society. As a result, homeowners for the most part, subsidize their good work and money-making, even if it is classified as nonprofit. Who is looking out for the homeowners who are contributing their share of property taxes, and striving to maintain their lifestyle so that they do not require the support of such charitable organizations?

I agree with the Commission's conclusion regarding the exemption for Credit Unions.

I agree with the Commission's conclusion regarding the exemption regarding Kuleana Lands.

I do not fully understand the necessity for preferential tax treatment for historical buildings, whether commercial or residential.

Thank you for the opportunity to provide these brief comments.

Dana E. Ware
Kapolei

From: Kiersten Faulkner [Kiersten@historichawaii.org]
Sent: Wednesday, January 04, 2012 6:53 PM
To: CCLBC
Subject: HHF Comments on Tax Commission Report
Attachments: HHFComments_RealPropertyTaxAdvisoryCommissionReport_04Jan12.pdf

Aloha Councilmember Martin,

Please see the attached comments from Historic Hawai'i Foundation on the Real Property Tax Advisory Commission's report and recommendations, as they relate to property tax exemptions for historic residential and commercial properties.

HHF's full comments are attached. In summary, HHF recommends that the City retain its existing property tax exemption for historic properties dedicated for preservation; give the recent amendments and implementation a proving time to determine if they are effective; and table the Commission's recommendations in this regard. The Commission's recommendations could be revisited if and when the City determines that it will develop a comprehensive program for historic preservation incentives, regulations, and professional management, with accompanying staffing and administrative support.

Please let me know if you have any questions or would like further discussion of this issue. Thank you for the opportunity to comment.

Thank you,
Kiersten Faulkner

Kiersten Faulkner, AICP
Executive Director
Historic Hawaii Foundation
680 Iwilei Rd., Ste. 690
Honolulu, HI 96817
Tel: 808-523-2900
FAX: 808-523-0800
Email: kiersten@historichawaii.org
WEB: www.historichawaii.org

To become a member or make a contribution through our secure website, use the link below!

HISTORIC HAWAI'I FOUNDATION

HISTORIC HAWAI'I FOUNDATION

To: Honolulu City Council
The Honorable Ernest Martin, Chair

From: Kiersten Faulkner
Executive Director, Historic Hawai'i Foundation

Date: January 4, 2012

RE: **Historic Hawai'i Foundation's comments on the Real Property Tax Advisory Commission Report**

On behalf of Historic Hawai'i Foundation (HHF), I am writing in response to your request for comments on the Real Property Tax Advisory Commission's Report as it relates to the Historic Preservation Tax Exemptions.

The existing tax exemption for residential and commercial historic properties is the City & County of Honolulu's only systematic program to encourage the perpetuation of Oahu's architectural heritage and historic legacy. The City does not employ preservation planners, historic architects, historic landscape architects, architectural historians or other qualified preservation professionals on staff, either in its Real Property Assessment Division or in the Department of Planning & Permitting; Honolulu does not have regulations prohibiting demolition of historically significant properties or mandatory design guidelines to regulate alterations to historic structures; Honolulu does not have a local preservation commission or participate in the state's certified local government program for a comprehensive preservation approach.

In short, the City has chosen a public policy that relies on a single incentive program to encourage the preservation of its heritage: property tax exemptions. The current tax exemption was the subject of intense scrutiny, fierce debate, numerous public hearings and reviews, and ultimately changes to strengthen the clarity, conditions and enforcement of the preservation program. Those changes were promulgated in September 2011 and the initial compliance period is still underway.

HHF recommends that the City retain its existing property tax exemption for historic properties dedicated for preservation; give the recent amendments and implementation a proving time to determine if they are effective; and table the Commission's recommendations in this regard. The Commission's recommendations could be revisited if and when the City determines that it will develop a comprehensive program for historic preservation incentives, regulations, and professional management, with accompanying staffing and administrative support.

PROPERTY TAX EXEMPTIONS FOR HISTORIC PROPERTIES

On O'ahu, 259 residential and six commercial properties were approved for the 2012 historic preservation property tax exemptions. Approximately 80% of the historic homes receiving the exemption are assessed at less than $1M.

Most recent figures available (for FY11) showed total assumed foregone real property taxes of $967,679 for historic residential properties and $305,586 for historic commercial properties. Assumed foregone property tax exemptions for all 53 exemptions combined total about $272 million. Historic property tax exemptions comprise only 4.7% of all foregone taxes, and represent about infinitesimal .0005% of the City's $1.7 billion operating budget.

The City's real property tax exemption program offers owners of registered historic properties an economic incentive to preserve and protect these significant resources. The tax exemption program allows owners to have some financial relief in the face of economic pressure to demolish, subdivide, redevelop or otherwise destroy historic properties. Economic incentives for historic preservation are vitally important, and the property tax exemption program helps to make preservation of our historic homes and neighborhoods affordable when they may otherwise be at risk.

Under the current exemption, historic homes that are dedicated for preservation and that meet certain conditions of historic significance, visibility, condition, and a posted plaque may be exempted from real property tax. If the petition is approved, and if the homeowner remains compliant with the conditions, occupants of homes receiving the exemption pay the minimum property tax.

In June 2011, the City & County of Honolulu amended its property tax exemption for historic homes dedicated for preservation to clarify and strengthen the conditions for receiving the property tax exemption. Those new rules and conditions are currently being implemented and enforced. Rules were promulgated in September.

There is also an exemption for commercial properties that are listed on the Hawai'i Register of Historic Places after January 1, 1977. Owners of these properties are afforded a 50% reduction in their property tax liability provided they meet certain requirements including recording a maintenance agreement with the Bureau of Conveyances.

COMMISSION'S REPORT

The Commission's recommendations related to the historic preservation exemption state that it feels that the flat exemption amount that is currently applied to all historic residential properties is unfair and believe that historic residential real property should be afforded relief by applying an assessment ratio that results in a valuation that is less than fair market value, and that actual qualified maintenance expenditures be allowed to offset any remaining real property tax liability but no less than the minimum tax. The Commission recommends, and assumes, that the qualified expenditures would be certified by the State historic preservation office.

HHF'S RECOMMENDATIONS

The historic property exemptions are immaterial to the City's overall budget and are dwarfed by much larger equity issues between residential and commercial rates, homeowner exemptions and other tax policy issues. Therefore, we feel that this discussion should be framed not as a financial debate but rather as a preservation issue.

HHF's disagrees with the Commission's recommendations, primarily because the administrative burden for appropriate, consistent and standardized implementation would cost far more than any additional taxes collected, while still not achieving preservation outcomes. As both preservation and fiscal policy, the recommendations fall short.

For the Commission's proposed system of reimbursable expenses to be successful, all work done to historic structures receiving the exemption (and, ideally, to all historic structures) would need to be reviewed by qualified preservation professionals. It is unrealistic to assume that the State Historic Preservation Division would do the City's job for it. Therefore, the City would need to establish a preservation program, with commensurate staffing and administrative support, to implement a review process to ensure that the projects are in keeping with the Secretary of the Interior's Standards for Rehabilitation, national standards that should be followed when undertaking work on a historic property.

Additionally, maintenance work is rarely done at the same level every year; some maintenance (e.g. roofing, termite treatment, painting) is done periodically as needed, and the associated expenses vary year to year. In that case, tax exemptions should be allowed to be claimed over a period of up to five years, rather than having to apply their qualifying expenditure to the tax year only in which they undertook the work.

Although a reimbursement system could assist homeowners who are committed to preserving historic properties, it does not meet the second purpose of providing a disincentive for demolition by future owners. The current flat exemption includes punitive measures (payment of back taxes with interest) should an owner fail to preserve the historic property. This is an important preservation incentive when properties transfer; it would be lost if the maintenance-only system were adopted.

The Commission also suggests that it would not be unreasonable to allow owners of income-producing residential property to receive tax relief, as sometimes it is necessary for a property to generate income in order to be preserved. HHF agrees that income-producing residential properties should be granted tax relief for maintaining their historic structures. Care should be taken, however, to ensure that the change in use does not result in the property being altered in a way that is not in keeping with the preservation standards.

Therefore, HHF recommends that the City retain its existing property tax exemption for historic properties dedicated for preservation; give the recent amendments and implementation a proving time to determine if they are effective; and table the Commission's recommendations in this regard. The Commission's recommendations could be revisited if and when the City determines that it will develop a comprehensive program for historic preservation incentives, regulations, and professional management, with accompanying staffing and administrative support.

Thank you for the opportunity to comment.

Historic Hawai'i Foundation

680 Iwilei Road, Suite 690 • Honolulu, HI 96817 • Tel: 808-523-2900 • FAX: 808-523-0800 • www.historichawaii.org

Historic Hawai'i Foundation was established in 1974 to encourage the preservation of historic buildings, sites and communities on all the islands of Hawai'i. As the statewide leader for historic preservation, HHF works to preserve Hawai'i's unique architectural and cultural heritage and believes that historic preservation is an important element in the present and future quality of life, environmental sustainability and economic viability of the state.

HARRIET ILIMA MORRISON
985 Lunahelu St. Kailua, Hawaii 96734
Tele. 261-9758

January 4, 2012

Real Property Tax Advisory Commission
Councilman Ikaika Anderson
Councilman Ernest Y. Martin

c/o Honolulu City Council 530 S. King St. Room 202
Honolulu, Hawaii 96813

RE: KULEANA PROPERTY TAX EXEMPTION

Dear Commissioners and Council Members:

I Found the Advisory Commission's report to be well thought out and presented, and as a taxpayer I cannot argue with their logic in recommending the abolition of various real property tax exemptions.

Despite the logic of their recommendations, I would ask that the Kuleana exemption not be repealed.

I note that only 37 families benefit from the exemption. In other words, over the past 150 years, all the other thousands of native families on Oahu have been dispossessed of their ancestral land.

In the big picture, is there any value to the public in recognizing this unbroken link to Hawaii's past? Actually, nearly every person living in Hawaii today benefits from unbroken links to Hawaii's past. The right to free access to Hawaii's beaches and mountains is one such unbroken link. The right of appurtenant owners to utilize water from the streams, within reason, is another link.

Kuleana landowners like myself are the linchpin of the native families that once populated nearby lands. We are the living descendants of the seafarers who discovered and populated Hawaii centuries ago. Archaeologists have determined that the first settlements in Hawaii were likely in this very ahupuaa of Kailua. My grandmother, who was pure Hawaiian, introduced her children to relatives from Waimanalo to Laie. The Iwi reburied in Kualoa are my direct ancestors.

Many native families dispossessed of their Kuleana nevertheless remain in their ancestral area. Whenever I meet such Hawaiians, we strengthen each other's sense of history and responsibility

for these lands. In particular, the responsibility that our family has as default konohiki to protect our people and places.

I believe history tells us that many native families were dispossessed of their kuleana because of the alien tax system imposed upon them at the turn of the century. Since then, the Hawaii Supreme Court has recognized that native families who wish should be able to live a traditional subsistence lifestyle. Once again, everyone in Hawaii benefits from the traditional accesses that enable Hawaiian subsistence lifestyles.

Today your report shows there are only 37 families qualified for this exemption, and surely, if the exemption remains, the number will dwindle year by year. But the living links to our past represented by those families and lands is a priceless heritage that deserves the recognition given by this exemption.

Respectfully yours,

Harriet Ilima Morrison

Harriet Ilima Morrison

January 4, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to oppose the proposal by the Real Property Tax Advisory Commission regarding the elimination of the real property tax exemption. The issue of the real property tax exemption is important because the elimination of the exemption adds an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners, charitable organizations and credit unions.

The retention of the current tax status will provide relief to deserving island residents with special financial needs as well as entities, such as credit unions, that benefit the community. Credit unions have unique characteristics that qualify them for a real property tax exemption.

- Credit unions are not-for-profit, democratic, financial cooperatives owned by their members;
- Credit union members, rather than stock market shareholders or parent companies, all benefit from earnings being passed back in the form of competitive rates, and additional products and services;
- Credit unions, with limitations on who they can serve and restrictions on products and services, also have a social mission to provide service to people of modest means as well as to increase the level of financial literacy in the community.

Furthermore, all taxpayers whether members or not, benefit from the presence of credit unions in the marketplace. Competition from credit unions helps influence the deposit and loan rates and fees offered by for-profit financial institutions. If the real property tax exemption is eliminated, credit unions may not be able to offer the same level of pricing and services to its members, which could have an impact on the overall financial market and community.

We urge you to consider the impact of these changes, particularly in light of the economic challenges we are all facing, and to not accept the commission's recommendation.

Sincerely,

Ginger Konno

The **Arc** in Hawaii

3989 DIAMOND HEAD ROAD • HONOLULU, HI 96816-4413 • PHONE: (808) 737-7995 • FAX: (808) 732-9531
E-MAIL: info@thearcinhawaii.org • WEBSITE: www.thearcinhawaii.org

January 5, 2012

Members of The Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

Re: **Statement in Opposition**
Real Property Tax for Nonprofit Organizations
Preliminary Report of the Real Property Tax Advisory Commission

Dear Council Members:

The Arc in Hawaii, **respectfully urges that the Council <u>Not Adopt</u> the recommendation of the Real Property Tax Advisory Commission that nonprofit entities pay real property tax,** even if that tax is based on a percentage less than 100% of the fair market value of the property.

In support of our position, we refer to and affirm the reasons given by minority members of the Commission on pages 18 and 19 of the Report. The concerns mentioned there apply to The Arc. If a tax any greater than the present $300 per property were assessed, the impact would go directly to the bottom line. Our services now operate at break even at best on an individual property basis, but at a large deficit collectively. Further expense would be devastating. Our revenue is restricted by federal, state and City and County funding levels. We cannot merely lay off employees to cover the difference, because many of our clients require 24/7 assistance. The level of care we must provide is defined by state and federal requirements and upon basic human decency. We cannot skimp further.

The Arc is a nonprofit agency that provides homes and vital residential and related housing facilities and services for 122 low-income people with intellectual and developmental disabilities. In doing so The Arc is performing a public service. In America, public agencies have historically provided a home and support for people with disabilities. In many states, the counties provided this basic human entitlement through institutional "county homes", though in Hawaii the state government assumed the primary public role in the form of a large institution until the late 1900s.

In the last two-plus decades, community residences for people with disabilities have been provided through a partnership consisting of nonprofits like The Arc and a variety of federal, state and City and County programs. In the case of The Arc, we assumed from the State of Hawaii the public responsibility to protect and serve people who would otherwise be in the large institution or, worse, on the street. The federal government provides disability payments to our clients, who use a small

portion to pay room and board in our homes. The state supplements the client's federal benefits to reflect the high cost of occupancy in Hawaii. The federal agency HUD provides assistance payments to help bridge the difference between the client's ability to pay rent and the fair rental value. The state also provides funds for services within the homes, as well as a subsidy to cover the embedded shortfall in the cost of operating the homes.

The City and County's role in this partnership is to provide the land on which the residences were built at nominal ($1 or $1,000 per annum) rent that make the services possible. (All of our real estate is leased from the City and County except two properties leased from the state. We own nothing in fee.) For the City and County to turn around and tax the property would be to reduce the level of support upon which the Arc depends.

The Arc holds leasehold residential property with a tax-assessed value of over $31million. However, the fee simple interest, and true value, is held by the state or the City and County. The Arc holds the property under very restrictive terms. We must provide residential services to low-income people with disabilities and no other activities or the lease will be terminable. We have no opportunity to achieve value from the property other than fulfilling our public trust to care for some of the City and County of Honolulu's most needy citizens. It would seem folly to destroy this public-private partnership, which so well serves many of our most vulnerable citizens.

As it is, The Arc, like many nonprofits, loses money in many years, and is currently struggling with a deficit. More, not less, support from our partners in carrying out this public trust is required.

We would be happy to provide you further information and appreciate your consideration of our plea.

Very truly yours
The Arc in Hawaii

Lei Fountain
Executive Director

Thomas P. Huber
President

From: JR Robinson [jr@fphawaii.com]

Sent: Friday, January 06, 2012 8:53 AM

To: CCLBC

Subject: Public Comment Submission Regarding the Commission's Recommendations Pertaining to the Real Property Tax Exemption for Historic Homes

Attachments: ADDENDUM TO THE PRELIMINARY REPORT OF THE REAL PROPERTY TAX ADVISORY COMMISSION.pdf

Attached please find public comments I am submitting in addendum to the Real Property Tax Advisory Commission's December 9th, 2011 report. If any further information is required or if these comments should be submitted in a different format, please let me know. Thank you.

-J.R. Robinson

ADDENDUM TO THE PRELIMINARY REPORT OF THE REAL PROPERTY TAX ADVISORY COMMISSION:

Public comments regarding proposed changes to the historic residential homes property tax exemptions

January 2, 2012

To Whom It May Concern:

This communication offers the following comments in addendum to the December 9th, 2011 Preliminary Report of the Real Property Tax Advisory Commission -

- The first sentence of section of the Commission's report pertaining to the property tax exemption for historic residential properties reads, *"No doubt a major impetus for the creation of this Commission was the controversy generated by the blanket exemption granted to historic residential real property."* **It should be acknowledged that revenue "lost" to the historic homes property tax exemption represents a tiny fraction (.1-.2%) of the $1.085 billion city budget. The controversy surrounding this issue is, unfortunately, occupying a disproportionate share of and is a distraction to the budget debate.** Even the complete elimination of the historic homes tax exemption would have almost no impact on the operating budget.

- The Commission should be commended for pointing out that, aside from the property tax exemption for homes on the state Historic Register, *"…there are no laws in place that prohibit the destruction or removal of such properties."* **If a primary goal of the Commission is to seek out ways to increase revenue, instead of altering the real property tax exemption (and, thus, reducing or eliminating the state's sole statutory preservation incentive), a better alternative might be to enact restrictions that generate revenue punitively. In addition to adding revenue to the state, such actions might go a long way toward protecting important old homes that are not on the Historic Register.** Potential examples might be as follows:
  (1) Institute a high fee for permits to demolish homes constructed before WWII.
  (2) Raise the fee for the disposal of residential demolition material into Oahu landfills. (Note: This might also encourage recycling of construction materials.)
  (3) Require homeowners who de-list their homes from the Historic Register to repay ALL back taxes since listing, plus the current 12% interest penalty.

- Although the Commission was clearly thoughtful in its deliberations, the recommendation that the historic homes property tax exemption be tied to "qualified maintenance expenses" is both ill-conceived public policy and poor tax policy. With respect to the former, the primary public policy goal is obviously to create incentives to preserve the state's architectural history for future generations (i.e., for perpetuity). However, **shifting from a pure property tax exemption to maintenance expense reimbursement completely eliminates the preservation incentive when historic properties transfer from one owner to the next. Simply stated**, **maintenance cost reimbursements provide absolutely no preservation incentives for a buyer of an historic home who is predisposed to demolish and develop.** Additionally, the maintenance expense reimbursement plan is poor tax policy, as it would almost certainly create an additional administrative burden and expense for the Office of the Tax Collector to collect, review, and verify piles receipts submitted by homeowners.

- I respectfully disagree with the Commission's suggestion that the amount of the real property tax exemption should be tied to a ratio based upon fair market value and with the notion that the exemption amount should be different for higher valuation homes than for lower value historic homes. **From a behavioral economics perspective, providing the same property tax exemption, regardless of assessed value, provides a powerful incentive to preserve the property from one owner to the next. Applying the measure in this fashion encourages preservation of ALL sizes and types of architecturally important and/or historic homes. The effectiveness of this incentive structure is well documented throughout the United States**.

- While the Commission was dutiful in citing examples of wonderful grand homes that have, to our great detriment, been demolished over the years, it is a mistake to suggest either (1) that only large estates merit preservation, or, (2) the converse, that only modest homes need the tax exemption (presumably, since owners of large homes can afford to pay). **From a public policy perspective, both the grand estates and the architecturally important modest residential houses contribute to Oahu's nostalgic sense of place, and we should seek to preserve them all**.

- To the extent that the public policy debate has been influenced by the perception that the property tax exemption for historic homes only benefits affluent homeowners, it should be noted that approximately **80% of the 255 state-registered historic homes on Oahu are assessed for less than $1 million**.

- **It is unfortunate that the historic homes property tax exemption discussion has been framed as a social equity debate. The issue is not rich vs. poor. At issue is the importance of preserving the remarkably small remaining number of properties that comprise Oahu's historic landscape.** This legacy is being lost at an alarming rate. Using my own district of Manoa as an example, 2011 alone saw the demolition of six of the approximately 300 remaining pre-WWII homes in the valley. Although most of these homes were modest residential structures, their loss (and replacement with modern construction) undeniably diminishes the historic charm of the neighborhood and represents a permanent, tangible economic loss to surrounding property owners. Similarly, a large historic estate near the University has recently been taken off the Historic Register to pave the way for development by a new owner. These irreplaceable losses are not unique to Manoa. Indeed, these are merely the latest examples of Hawaii's sad regressive history of failing to preserve its architectural legacy and culture.

In closing, I hope these comments will be received constructively and will be useful to the Commission and the City Council in their decision making.

Sincerely,
J.R. Robinson
Manoa Resident

The author brings to this debate an academic and professional background in economics as well as a personal background in historic home preservation. He is the owner of a restored 1924 home in Manoa. His home is not currently listed on the Historic Register.

ATTACHMENT: Photo Essay

A Community That Fails to Preserve Its History Has No Future.

The photographs below offer a few examples of the thousands of architecturally important old homes on Oahu that have been demolished over time in favor of new development. The examples range from modest plantation-style bungalows to Victorian mansions. All once contributed to Oahu's character and sense of place, and all are gone forever. In considering these photos, the viewer is asked to consider the following questions –

Were our neighborhoods improved after these old homes were destroyed, or did we suffer a loss?

Are we, as a community, being shortsighted by failing to take greater measures to preserve the rapidly diminishing number of architecturally significant old homes on Oahu?

BEFORE – Manoa Road 2010
(Colonial Revival circa 1922)

AFTER – Manoa Road 2011
(Demolished for new construction)

BEFORE – Nehoa Street (2011)
1930s Makiki Bungalows

AFTER – Nehoa Street (2012)
Same View - New Construction

As the following photos illustrate, our community has a long history of failing to preserve its historic past. Unfortunately, the loss of the beautiful old houses that give our neighborhoods character and charm happens incrementally so that we do not notice how very much we have lost until we stop and look back.

BEFORE – Spreckles Mansion (Punahou St.)

AFTER – Present View

BEFORE – Wilder & Metcalf (c. 1915)

AFTER – Today (7-11 Station)

The following grand estates have been gone for nearly a century. When we look at the unsightly structures that occupy the same landscapes today, can we not recognize how foolish we have been in letting them go? Though greatly diminished in number, there are beautiful old homes and estates of all sizes in every City Council district on Oahu. As a community, we should learn from our previous failures and seek to preserve and cherish what remains.

PARADISE LOST – The Haleiwa Hotel c. 1915

PARADISE LOST – Honolulu High School (Former Residence of Princess Ruth) c. 1900. [Now the site of Pali Safeway Supermarket]

From: Tam, Steven [STam@aarp.org]
Sent: Friday, January 06, 2012 8:53 AM
To: CCLBC
Cc: Stanton, Barbara; Bottorff, Bruce
Subject: Budget Committee Testimony - Real Property Tax Advisory Commission Report
Attachments: Rpt of Real Prop Tax Advisory Commission 01 06 11 AARP.pdf

Please see attached AARP testimony on the Real Property Tax Advisory Commission Report. Thank you.

Steve Tam
AARP Hawaii
Director of Advocacy
1132 Bishop St., Suite 1920, Honolulu, HI 96813-2813
Office: (808) 545-6005 | Fax: (808) 537-2288 | Email: stam@aarp.org

To: City Council Budget Committee
Chair Ann Kobayashi, Budget Committee

Date: January 6, 2012

Re: **Preliminary Report of the Real Property Tax Advisory Commission, Dated December 2011**

Chair Kobayashi and Committee Members:

My name is Barbara Kim Stanton, State Director of AARP Hawaii. AARP is a membership organization of people 50 and older with nearly 150,000 members in Hawaii. We are committed to championing retirement and financial security; access to affordable, quality health care for all generations, providing the tools needed to save for retirement, and serving as a reliable information source on issues critical to Americans age 50+.

AARP offers the following comments on the Preliminary Report of Real Property Tax Advisory Commission, which conducted a review of the City & County of Honolulu's real property tax system. Our comments specifically relate to the elimination of the home exemption (homeowners age 64 or under); home exemption (home owners age 65 and over), and the "in lieu of" home exemption.

AARP's comments are as follows:

- AARP is concerned that in a high cost-of-living state like Hawaii, seniors on fixed incomes are already struggling to make ends meet and the proposed elimination of home exemptions would be a financial hardship for many. The elimination of the home exemption would be a form of a tax increase on seniors who would then have less income to pay for daily living expenses.
- AARP agrees with the Commission that if exemptions are eliminated that there should be a decrease in real property tax rates, so as not to create a windfall in tax revenues.
- The elimination of exemptions will most impact individuals with lower incomes, and tax relief should be considered for individuals unable to pay by increasing the amount of the County's real property tax credit, and/or revising eligibility requirements by:
    - Reducing the maximum percentage of income that a qualifying homeowner is expected to pay in property taxes. E.g., Currently, the tax credit threshold is 3% of income if age 75 and over, and 4% of income if age 74 and under.
    - Reducing the age requirement from 75 years and over, to a lower age bracket, for the determination of the maximum percentage of income that a qualifying homeowner is expected to pay for property taxes.
    - Increase the combined income "ceiling" that determines the eligibility for the credit and the property tax amount.
- The Council should consider the creation of a property tax deferral program for seniors unable to make property tax payments. Such a program would allows property owners to defer payment of property taxes until the property is sold, transferred, or the owner dies.

Eligibility requirements may include income; age; occupancy status; length of residency in the home; and length of residency in the county. Approximately 26 states have such property tax deferral programs.

Thank you for the opportunity to provide testimony.

From: Lisa Cook [lcook@kualoha.org]
Sent: Friday, January 06, 2012 11:01 AM
To: CCLBC
Subject: real property tax for non-profits

Aloha,
I would like to support the position of HANO to not change the tax laws which provide exemptions from real property tax for non-profits. Non-profits, such as Ku Aloha can have a difficult time finding space and accepting landlords, and we are paying standard market rates already. The exemption encourages landlords to partner with non-profits and moreover, some of them will pass on the savings to the non-profit in reduced rent rates. If this is changed, then non-profits will be hurt in more ways than just fiscal and we would like that consideration to be heard.
Thank you for this opportunity to be heard.
Mahalo Nui,

Lisa Cook, ACSW, LSW
Executive Director
Ku Aloha Ola Mau
1130 N. Nimitz Hwy. Ste. C302
Honolulu, Hawaii 96817
PH: (808) 538-0704
Direct line: (808) 566-8234
FAX: (808) 538-474
Email: lcook@kualoha.org
website: www.kualoha.org

From: Dennis Tanimoto [dtanimoto@hcul.org]
Sent: Friday, January 06, 2012 11:24 AM
To: CCLBC
Cc: Martin, Ernie; Figueira, Laura
Subject: Comments to Real Property Tax Advisory Commission Report
Attachments: Letter in response to the RPTAC report.pdf

Attached is the comment letter submitted by Hawaii Credit Union League in response to the preliminary report of the Real Property Tax Commission. Please include the letter in the addendum to the Commission's report.

Mahalo,

Dennis K. Tanimoto, CAE | President & Chief Executive Officer | Hawaii Credit Union League
1654 South King Street | Honolulu, HI | 96826-2097
Main phone: 808.941.0556 x 400 | Direct phone: 808.203.6400

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Hawaii Credit Union League
Your Partner For Success

1654 South King Street
Honolulu, Hawaii 96826-2097
Telephone: (808) 941.0556
Fax: (808) 945.0019
Web site: www.hcul.org
Email: info@hcul.org

January 6, 2012

The Honorable Ernest Martin, Chairman
and Members
Honolulu City Council
530 South King Street
Honolulu, HI 96813

Dear Chairman Martin and Members of the Council:

Re: Preliminary Report of the Real Property Tax Advisory Commission

Thank you for the opportunity to comment on the above-referenced subject. The credit unions of Hawaii strongly oppose the recommendations of the Real Property Tax Advisory Commission (hereinafter the "Commission") to repeal or reduce credit unions' real property tax exemption.

The Commission Report Said

"(R)eal property taxpayers are being asked to subsidize the benefits credit unions afford their members such as paying higher interest rates on deposits and extending lower interest rates on it [sic] loans to members. Thus, the Commission questions the validity of this exemption and recommends that the Council consider complete repeal of the exemption."

Our Response

Hawaii credit unions were formed as nonprofit financial cooperatives pursuant to the Federal Credit Union Act of 1934. That law was enacted near the end of the Great Depression for the purpose of promoting thrift among members and creating a source of credit for provident or productive purposes. Now, near the end of the Great Recession, such affordable financial services are needed more than ever, especially for people of modest means.

In a speech delivered to a credit union conference in February 2004, then Secretary of the Treasury John Snow, put it best. He said, "You're in the business to do good, as well as to do business. That's clear from your motto: 'Not for profit, not for charity, but for service.' And let me say to you that I understand you are for service and not for profit, which is the fundamental reason why this talk of taxation of your industry and what you do is something we (the George W. Bush administration) oppose. I think I said here last year that you always get less, it's a truism I think in economics, <u>you always get less of anything you tax</u>. [Emphasis added.] Well, we don't want to get less of what you do."

Unlike for-profit financial institutions that are able to access capital from external sources, such as issuing additional stock or acquiring subordinated debt, a credit union can strengthen its capital only by retention of net income. Capital is needed to support growth and as a reserve for contingencies. Consequently, as observed by Secretary Snow, taxation will diminish the growth of credit unions and their ability to serve more members. Timing is also an issue, as net income of credit unions has been severely impacted by the global financial crisis.

Credit unions' real property tax exemptions should not be considered a subsidy to benefit a few individuals. Instead, the exemptions are a means to contribute to the financial wellness of nearly 811,000 credit union members in Hawaii, similar to the way tax-exempt nonprofit healthcare agencies contribute to the medical wellness of citizens.

The Commission Report Said

"The Commission notes that on one hand those that have a limited field of membership only serve that defined field of membership and not the community at large. Conversely, the Commission notes that for those credit unions that have a field of membership that is community based, one has to question whether or not those institutions maintain a competitive advantage over traditional financial institutions. Should the Council determine that this repeal may be politically unacceptable, consideration should be given to applying an assessment ratio as recommended above for other nonprofit organizations, albeit at a higher ratio than that granted to Section 501(c)(3) organizations."

Our Response

All credit unions have limited fields of membership, as required by the aforementioned Federal Credit Union Act. Fields of membership can be occupation-based (such as employees of the state or county government), association-based (such as members of a labor union), or community-based (living or working within a well-defined local community). Regardless of the field of membership type or asset size, all credit unions are deserving of the exemption from real property taxes because of their structure, purpose, and public benefit. Furthermore, community-based credit unions do not maintain a competitive advantage over what the Commission labels "traditional" financial institutions.

As to structure, credit unions are nonprofit financial cooperatives that are owned and operated by members. Unlike for-profit corporations where financial benefits accrue to a relatively small group of private investor-stockholders, financial benefits of credit unions accrue to all owner-members. Also, unlike for-profit corporations, voting power is greater for those owning more stock, credit unions are democratically controlled, with each member having one vote, without regard to the amount on deposit. Additionally, unlike for-profit corporations, directors are unpaid volunteers who are elected by fellow members of the credit union without the use of proxies.

As to purpose, credit unions fulfill the statutory purpose of promoting thrift among members and creating a source of credit for provident or productive purposes. Members come from all walks of life, as evidenced by the vast membership of Hawaii credit unions mentioned earlier. With a credit union membership penetration rate of approximately 60 percent of the state's resident population, Hawaii has one of the highest penetration rates in the nation. That would not have been possible if the credit unions of Hawaii were not fulfilling their purpose.

As to public benefit, credit unions are an alternative provider of affordable financial services. Especially in this time of unprecedented uncertainty – where other financial service providers have lowered deposit interest rates to almost zero, tightened loan underwriting standards, and raised fees – credit unions have been a welcome beacon of hope. The effect of credit unions in the marketplace is not limited only to credit union members but flows to customers of banks as well, since banks have to consider credit unions' pricing when setting their rates and fees.

As to community-based credit unions maintaining a competitive advantage over "traditional" financial institutions, credit unions are nonprofit cooperatives owned by members whereas banks are for-profit corporations owned by private stockholders. Furthermore, community credit unions must serve a limited local community and cannot serve wide geographic expanses as banks can, the range of products and services credit unions are permitted to offer is far

narrower than for the range of products and services banks are permitted to offer, access to capital is far more limited for credit unions than for banks, credit unions cannot compensate directors whereas banks can, and the list goes on and on. Hawaii's 83 credit unions collectively had $9.3 billion as of September 30, 2011. This pales in comparison to Hawaii's six commercial banks, two savings banks, and one depository financial services loan company, which collectively had $40.6 billion in assets as of the same date. When institutions' assets are compared individually, the size difference between credit unions and "traditional" financial institutions becomes even more pronounced, thereby dispelling the notion of competitive advantage.

Conclusion

Credit unions should not be treated like for-profit financial institutions because they are inherently different in structure, purpose, and public benefit. Justification for the credit unions' real property tax exemption has remained unchanged over the years. Therefore, we strongly oppose repealing or reducing the real property tax exemption of credit unions.

Respectfully,

Dennis K. Tanimoto
President

From: Dorothee Blotzke [dsblotzke@hinamauka.org]
Sent: Friday, January 06, 2012 11:34 AM
To: CCLBC
Cc: Alan Johnson
Subject: Hina Mauka Testimony - Nonprofit Tax Exemption
Attachments: Nonprofit Tax Exemption_Hina Mauka.pdf

Aloha City Council Members,

Please see our attached testimony in regards to proposed property tax changes, recommended by the Tax Advisory Commission.

We hope the City Council is able to preserve the nonprofit tax exemption, and appreciate the opportunity to submit testimony.

Respectfully,

Dorothee S. Blotzke
Executive Assistant

Hina Mauka
www.hinamauka.org
45-845 Po'okela Street, Kaneohe, HI 96744
Phone 808-236-2600 ext. 228

HINA MAUKA

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, HI 96813

January 5, 2012

Dear Council Members:

Hina Mauka opposes proposed changes to the real property tax rate for non-profit entities.

At this time of budget cuts and increasing demands for essential non-profit programs and services, any change in the real property tax for non-profits would mean a reduction in services to the public, and may jeopardize the survival of many nonprofit organizations.

Non-profits need the tax exemption on real property; these programs provide much needed services which government is not able to provide. If these agencies cannot survive with the additional tax burden, the services would likely need to be provided by government at a much higher cost.

Taxing non-profit entities may reduce the amount of charitable contributions that go toward services, and may have to be applied towards meeting taxes. The public would react negatively, potentially reducing giving and volunteering.

We urge you to not change the real property tax for nonprofit entities.

Sincerely,

Alan Johnson
President & CEO

45-845 Po'okela Street, Kaneohe, Hawaii 96744
Phone (808) 236-2600 • Fax (808) 236-2626

From: Vicki Galam [vicki.galam@catholiccharitieshawaii.org]
Sent: Friday, January 06, 2012 12:37 PM
To: CCLBC
Cc: Jerry Rauckhorst; Tina Andrade
Subject: Statement in Opposition to Real Property Tax for Non-Profit Organizations
Attachments: City Council- Real Prop Tax for NP Orgs-OPPOSE 1-5-12.doc

Dear Sir/Madam,

Attached please find Catholic Charities Hawaii's statement in opposition to the Real Property Tax Advisory Commission's recommendation that non-profit organizations pay higher real property tax.

Mahalo,

Vicki Galam

Vicki Ong Galam
CATHOLIC CHARITIES HAWAI'I
Executive Administrative Assistant
1822 Ke'eaumoku Street
Honolulu, HI 96813
Phone (808) 527-4878
Fax (808) 527-4879
vicki.galam@catholiccharitieshawaii.org
www.CatholicCharitiesHawaii.org
Find us on Facebook:
www.facebook.com/CatholicCharitiesHI

CATHOLIC CHARITIES HAWAI'I

CATHOLIC CHARITIES HAWAI'I

Date: January 6, 2012

TO: Members of the Honolulu City Council

FROM: Jerry Rauckhorst, President and CEO, Catholic Charities Hawai'i

RE: **Statement in Opposition to Real Property Tax for Non-Profit Organizations**

Catholic Charities Hawai'i respectfully urges the City Council of Honolulu **NOT to adopt the recommendations of the Real Property Tax Advisory Commission that would mandate non-profit entities to pay higher real property taxes.** Even if non-profits were taxed at a percentage less than full market value, this tax would have a severe impact on their services to the community.

Catholic Charities Hawai'i serves tens of thousands of Hawai'i residents each year in over 30 programs. The levy of additional property taxes would seriously impact our ability to serve the elderly with transportation, housing assistance, respite, and other senior services; to help homeless families get off the streets; to help people in need who call for information and referral; to give youths a second chance at life through therapeutic foster homes; to counsel individuals facing challenging situations and who may be victims of abuse.

Any increase to the existing real property tax assessed to non-profits will directly impact the bottom line of non-profit entities. Non-profits are already struggling to maintain services they provide in partnership with the government sector. A good example is the Ma'ili Land Transitional Housing Program. This program, operated by Catholic Charities Hawai'i, is a 44 unit transitional housing project, which is critical to helping homeless families get off the streets, put their lives back on track and move onto permanent housing. It is located on two adjoining parcels of land, conveyed to Catholic Charities Hawaii by the City and County of Honolulu, for the specific purpose of serving low to moderate income families. Adding additional expenses to this project, such as property taxes, would severely jeopardize the sustainability of this program. Last year, Ma'ili Land served 306 homeless people and helped 100 homeless transition to permanent housing.

It is important for the City Council to understand that the assessed value of a non-profit's real property does not reflect their ability to pay an increase in the real property tax.

Furthermore, an increase in the property tax could also impact the public's willingness to donate monies to non-profits. Donors generally want their charitable donations to go towards community services, not taxes. These new taxes could have the effect of discouraging giving and volunteering.

In conclusion, we urge the City Council of Honolulu to **NOT** adopt the recommendations and to maintain the current Real Property Tax rate. Mahalo for your consideration and continued partnership with non-profits for the common good of our community.

Catholic Charities USA

COA

CLARENCE T. C. CHING CAMPUS • 1822 Ke'eaumoku Street, Honolulu, HI 96822
Phone (808)527-HOPE(4673) • www.CatholicCharitiesHawaii.org

United Way
Aloha United Way

From: ourtutu567@aol.com
Sent: Friday, January 06, 2012 1:25 PM
To: CCLBC
Subject: Real Property Tax Exemptions

I am an 81 yr old retired property owner. I purchased my condo after selling my home in 1994 and before retiring at age 70.

Without the exemption I have been privledged to have the past few years, owner occupant, age related and low- income, I would be hard pressed and quite possibly unable to pay my Real Property Tax.

Currently my exemption is "IN LIEU OF HOME EXEMPTION CLAIM FOR 75 YEARS AND OLDER FOR LOW INCOME HOUSEHOLDS"
pARCEL 1-2-6-028-040-0126

I know I am noy the only senior with this concern. Please retain these exemptions.

Thank you for considering this request.
Sincerely,
Margaret A. McLeod
2600 Pualani Way # 2703
Honolulu, HI 96815

From: brookhartlaw@gmail.com on behalf of Brook Hart [hartlaw@hawaii.rr.com]
Sent: Friday, January 06, 2012 2:48 PM
To: CCLBC
Subject: "Preliminary Report of the Real Property Tax Advisory Commission"

The Honorable Ernest Martin
Chairman, Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813-3065

Dear Chairman Martin:

In the second paragraph of page 22 of the "Preliminary Report of the Real Property Tax Advisory Commission," there are two typographical errors. First, the word "to" is missing between the word "opportunity" and the word "see." Second, the sentence that reads "Therefore, it does seem unreasonable to allow owners of such historical residential properties to utilize the properties to generate resources that would assist in the cost of maintaining and preserving the historic structure" should read: "Therefore, it does not seem unreasonable to allow owners of such historical residential properties to utilize the properties to generate resources that would assist in the cost of maintaining and preserving the historic structure."

Sincerely,

Brook Hart

Law Offices of Brook Hart
333 Queen Street, Suite 610
Honolulu, Hawaii 96813
Telephone: 808-526-0811
Facsimile: 808-531-2677
Website: http://www.hart-law.net
Admitted to practice in Hawaii, California and New York

From: Louis Erteschik [Louis@hawaiidisabilityrights.org]
Sent: Friday, January 06, 2012 3:48 PM
To: CCLBC

I am writing on opposition to the proposal in the Preliminary Report of the Real Property Tax Advisory Commission to eliminate the property tax exemption for non - profit organizations.

Speaking on behalf of non- profits in general, I can say that many perform essential functions serving those who depend on society's safety net and that they operate on budgets with very limited margins, such that additional expenditures may result in their cessation of services or closure.

Speaking specifically for our agency, we lost our state funding for the past two fiscal years , and as a result have had to curtail services. Our current operating budget factors in an office rental based upon a calculation using the rate provided by the tax exemption. If the exemption were eliminated, it would lead to a substantial increase in our rent and further impact ability to serve those in the community who are individuals with disabilities.

For those reasons, we submit this testimony in opposition to that recommendation and urge the City Council to not adopt that proposal of the Advisory Commission.

Louis Erteschik, Esq.
Acting Executive Director
HAWAII DISABILITY RIGHTS CENTER
1132 Bishop Street, Suite 2102
Honolulu, Hi. 96813
808 949-2922 ext 211

Hawaii Catholic Conference

Roman Catholic Church in the State of Hawaii

January 6, 2012

The Honorable Ernest Martin
Honolulu City Council
Honolulu Hale
530 S. King Street
Honolulu, HI 96813

Dear Chair Martin and Members of the City Council:

We understand that you have accepted the report from the Tax Advisory Commission which recommends that non-profit organizations pay real property tax. The tax is proposed to be based on the market value of real estate holding. Although the levy on non-profits will take into consideration the community benefit and the tax will be based on a percentage of the market value utilized for the exempt activities, this is still very onerous for non-profits.

We agree with the section of the report which mentions that some of the commission members supported no change to the current rate for 501(c)(3) entities. Among their concerns were:

- Non-profit 501(c)(3) organizations require tax exemption on real property because they provide necessary programs and services that the government sector is not willing or able to provide.
- Non-profits must cut seriously to pay this bill. The ownership of real property does not reflect an organization's ability to pay the real property tax. If these programs and services cease to exist, the service will turn to government agencies. It will be more costly for government to provide these services.
- The public wants charitable contributions to non-profits to go toward community services, not taxes. Taxing these organizations has the effect of discouraging giving and volunteering. Our community needs more of what these organizations and volunteers do, not less.

Here are some of the services provided by the Catholic Church:

- The Diocese Homeless Affordable Housing Plan proposes to add a number of units to the inventory of affordable housing for people in Hawaii.
- Oahu parishes provide food for the poor, including the homeless.
- Many churches have outreach programs to provide for the basic needs of families.
- Hope Services Hawaii, Inc. provides a reentry program, transitional housing, drug addiction counseling, etc.

These are just a few of the programs offered by the Catholic Church to benefit our community. There are many other churches and non-profit organizations that are doing the same. It is understandable that the City is looking for added revenue and the bulk comes from property taxes, but it is short-sighted to try to balance the budget on the backs of the poor.

I, along with many of the non-profits, urge you not to impose a property tax on non-profit agencies operating on Oahu.

Thank you for allowing me to provide some input on this important area.

Sincerely,

Walter Yoshimitsu
Director

To The Honorable Ernest Y. Martin,

I am writing to you today to express my disapproval of the proposal made by the Real Property Tax Advisory Commission to eliminate the tax exemption for Kuleana Land owners.

The property my family lives on in Kailua on Manu O'o Street on the island of Oahu has been in our family for over 150 years. It was officially bequeathed in 1858 via royal proclamation of King Kamehameha III as Kuleana 9546 via Palapala Sila Nui document #2137. Our ancestors were taro farmers and worked hard to care for and hold onto the property. The taro farming and poi making was passed down and performed until my grandmother's death in 1949. We all cherish and respect the history of our property and our family heritage. My 89 year old mother has lived on this property all her life and has always been proud of our family heritage, since she and her siblings also grew up helping her mother with the taro farming and poi making that was started by her ancestors. My mother is the last of her siblings who is still with us, and now I take care of my mother at home since she is not able to take care of herself anymore. One thing she has instilled in me and my siblings is to appreciate what we have received from our ancestors and to be proud that we have held onto it from generations past and should hold onto for generations to come.

When we learned about qualifying for the Kuleana Land exemption we were grateful to have our Hawaiian heritage finally recognized and in a way that helped lift some of the financial burden off of us. We felt as if our accomplishment for holding onto our precious property for generations was being rewarded and we were truly grateful for that.

The Commission states that eliminating this exemption makes everything "fair" between everyone. Was it "fair" when our Hawaiian Monarchy was wrongfully overthrown and our Queen kept imprisoned in her own Palace for the remainder of her life?!? Was it "fair" when parcels of our family property were taken by the State for conservation purposes? Or I should say, the State told our family that either they accept the monetary settlement or the property would be condemned and taken anyway. Does that sound "fair"?? Ever since the overthrow of the Hawaiian Monarchy, it seems that little by little the Native Hawaiians continue to slowly have their respect and recognition taken away in this land that was ours in the first place.

Please don't get me wrong…I completely understand about being "fair". I work and pay my share of taxes and I take nothing for granted. I pay my share to the city to have a driver's license, to register the car I drive, and even to get licenses for my dogs. I fully believe in paying my share to my government – but can't there be some things left for Native Hawaiians to be proud of? If being a part of the original people who first settled and has lived in Hawaii on the same property for generations isn't an accomplishment that deserves at least some recognition and reward, then sadly, all we'll be left with is our pride. If the Kuleana Land exemption is eliminated, I'll still be proud of my Hawaiian ancestry and proud of what our family has been blessed with for generations. I'll still work hard to find a way to pay my property tax so I won't be in jeopardy of losing this precious land of ours, but I will be disappointed that once again the government of Hawaii doesn't feel the small number of Native Hawaiians currently claiming the Kuleana Land exemption is worthy of the recognition and reward that would allow us some relief from the financial burden of taxes in today's economy. Just because our land isn't situated on Hawaiian Home Lands shouldn't mean that we shouldn't receive the same recognition and property exemptions that is given to Hawaiian Home Land owners.

I respectfully ask you to please reconsider the proposal to eliminate the Kuleana Land exemption. Thank you for your time and consideration in this matter.

Sincerely,

Sandra C.K. Campbell

635 Manu O'o St.

Kailua, Hawaii 96734

- January 6, 2012

Dear Councilmember Martin,

I'm submitting this letter in behalf of this generation of Kuleana landowners. We do not feel the present tax exemption should be repealed. When it was originally implemented, it definitely relieved a heavy burden placed upon the families involved. Together we were able to make sacrifices to pay the required back taxes. It continues to be a blessing to the ohana.

Our ancestors were gifted with land because of honorable work ethics and their love of the land. They worked industriously, producing rich results. They expected the same from their descendants in whose hands the land was bequeathed. This inheritance was to be protected land, through perpetuity.

Look closely at what has occurred in this state, this land of Hawaiian heritage. There is obvious inequity throughout. Lands once owned by kamaaina have decreased significantly. People who are well to do can quickly purchase property, resulting in higher taxes in areas where local residents, on fixed or low wage income, are expected to assume the rates as well.

I realize you have to look at the varied types of taxes generated in our state, where incoming and outgoing funds can best serve us all. But lineage should count for something when it comes to determining equity.

We don't want the burden of property taxes to lessen our hold on land intended for use and care by descendants of our deeded ancestors. We trust you will understand our concern for wanting the exemption to remain as it stands presently, for all Kuleana landowners. We feel our Kupuna would support our request as well.

Thank you for your service in our behalf.

Sincerely,

Mavis B.L. Coleman
(Kamauoha Ohana)

January 6, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to express my opposition to the proposal by the Real Property Tax Advisory Commission to eliminate the real property tax exemption. Eliminating the real property tax exemption would create an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners and charitable organizations. As an employee of a charitable non-profit organization, which primarily serves the low-income population in the County of Honolulu, I do not support any proposal to eliminate the real property tax exemption.

Non-profit organizations which support a better life for community residents and strengthen the social fabric of the City and County of Honolulu, are already facing significant economic challenges and reductions in funding. Preservation of the current tax status will provide relief to entities including charitable non-profits which provide tangible community benefits.

We urge you to seriously consider the impact of these proposed changes, particularly in light of the economic challenges we are all facing, and to reject the commission's recommendation.

Sincerely,

1/6/12

Yasuharu Iwashita
725 Piikoi Street APT 1006
Honolulu, HI 96814

January 6, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to express my opposition to the proposal by the Real Property Tax Advisory Commission to eliminate the real property tax exemption. Eliminating the real property tax exemption would create an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners and charitable organizations. As an employee of a charitable non-profit organization, which primarily serves the low-income population in the County of Honolulu, I do not support any proposal to eliminate the real property tax exemption.

Non-profit organizations which support a better life for community residents and strengthen the social fabric of the City and County of Honolulu, are already facing significant economic challenges and reductions in funding. Preservation of the current tax status will provide relief to entities including charitable non-profits which provide tangible community benefits.

We urge you to seriously consider the impact of these proposed changes, particularly in light of the economic challenges we are all facing, and to reject the commission's recommendation.

Sincerely,

Gloria G. Vergabera

1209 Kokea Street F-301

Honolulu, HI 96817

January 6, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to express my opposition to the proposal by the Real Property Tax Advisory Commission to eliminate the real property tax exemption. Eliminating the real property tax exemption would create an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners and charitable organizations. As an employee of a charitable non-profit organization, which primarily serves the low-income population in the County of Honolulu, I do not support any proposal to eliminate the real property tax exemption.

Non-profit organizations which support a better life for community residents and strengthen the social fabric of the City and County of Honolulu, are already facing significant economic challenges and reductions in funding. Preservation of the current tax status will provide relief to entities including charitable non-profits which provide tangible community benefits.

We urge you to seriously consider the impact of these proposed changes, particularly in light of the economic challenges we are all facing, and to reject the commission's recommendation.

Sincerely,

Aurora Patricio

Aurora Patricio
2637 Tuilei Street Apt. A11
Honolulu, HI 96826

January 6, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to express my opposition to the proposal by the Real Property Tax Advisory Commission to eliminate the real property tax exemption. Eliminating the real property tax exemption would create an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners and charitable organizations. As an employee of a charitable non-profit organization, which primarily serves the low-income population in the County of Honolulu, I do not support any proposal to eliminate the real property tax exemption.

Non-profit organizations which support a better life for community residents and strengthen the social fabric of the City and County of Honolulu, are already facing significant economic challenges and reductions in funding. Preservation of the current tax status will provide relief to entities including charitable non-profits which provide tangible community benefits.

We urge you to seriously consider the impact of these proposed changes, particularly in light of the economic challenges we are all facing, and to reject the commission's recommendation.

Sincerely,

Carlos DP Vergabera

1209 Kokea Street F-301

Honolulu, HI 96817

January 6, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to express my opposition to the proposal by the Real Property Tax Advisory Commission to eliminate the real property tax exemption. Eliminating the real property tax exemption would create an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners and charitable organizations. As an employee of a charitable non-profit organization, which primarily serves the low-income population in the County of Honolulu, I do not support any proposal to eliminate the real property tax exemption.

Non-profit organizations which support a better life for community residents and strengthen the social fabric of the City and County of Honolulu, are already facing significant economic challenges and reductions in funding. Preservation of the current tax status will provide relief to entities including charitable non-profits which provide tangible community benefits.

We urge you to seriously consider the impact of these proposed changes, particularly in light of the economic challenges we are all facing, and to reject the commission's recommendation.

Sincerely,

Catherine Fernandez

Catherine Fernandez

1340 Kinau St Apt. 411

Honolulu, HI 96817

January 6, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to express my opposition to the proposal by the Real Property Tax Advisory Commission to eliminate the real property tax exemption. Eliminating the real property tax exemption would create an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners and charitable organizations. As an employee of a charitable non-profit organization, which primarily serves the low-income population in the County of Honolulu, I do not support any proposal to eliminate the real property tax exemption.

Non-profit organizations which support a better life for community residents and strengthen the social fabric of the City and County of Honolulu, are already facing significant economic challenges and reductions in funding. Preservation of the current tax status will provide relief to entities including charitable non-profits which provide tangible community benefits.

We urge you to seriously consider the impact of these proposed changes, particularly in light of the economic challenges we are all facing, and to reject the commission's recommendation.

Sincerely,

Xiaoyan Li
720 Piikoi Street, Apt D
Honolulu, HI 96814

To: The Honolulu City Council

From: Thomas Paakaula
2313 Kapahu St
Honolulu, Hi 96813

Subject: The Real Property Tax Advisory Report

Dear Council Members,

I am a resident of Kalawahine Streamside, a Hawaiian Homelands community in Honolulu and I'm concerned about the Real Property Tax Advisory Report and the Commission's recommendation to repeal the exemption for Kuleana Lands. While I don't mind paying my fair share for the City's essential services, the City should consider lowering the assessed value of residential property on Hawaiian Homelands if our fair share is to be based on the value of our homes. Our homes should not be assessed at the same value of fee simple properties in the same area.

Because we do not own our land, financial institutions disallow the use of our homes as collateral to qualify for loans for home improvement or education. In fact, the Office of Hawaiian Affairs also follows this policy. Our houses are not considered assets. It appears the perception is that Hawaiian Homelands residents are at the level just above those living on the sidewalks of Honolulu, with the exception that we are able to pay for the City's services. So why assess our homes at such lofty valuations.

In addition, we can only sell our properties to a specific market (those who qualify for homestead). In essence, our situation is analogous to civil unions, recognized, but limited.

If the Commission's recommendation that owners of historic homes be allowed relief for assets worth several millions of dollars because most of the owners don't live in the houses and maintenance costs are high, then the Commission's recommendation should state that Hawaiian Homelands residents' fair share should be based on the value of houses not considered assets on property not owned by the residents, but no more than the minimum tax.

Sincerely,

Thomas Paakaula

Thomas Paakaula

January 6, 2012

Soo Sun Choe
2819 Kaonawai Place 2D
Honolulu, Hawaii 96822

Council Chair Ernest Martin
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Councilman Martin:

I would like to express my opposition to the Real Property Tax Advisory Commission proposal to eliminate the real property tax exemption. At this time eliminating the real property tax exemption would create a significant financial burden for both homeowners and charitable organizations. As the employee of a charitable non-profit as well as a Honolulu homeowner, I do not support any proposal to eliminate the real property tax exemption.

I ask that reconsider the impacts of eliminating the real property tax exemption, and that you reject the Real Property Tax Advisory Commission's recommendation.

Sincerely,

Soo Sun Choe

January 6, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to express my opposition to the proposal by the Real Property Tax Advisory Commission to eliminate the real property tax exemption. Eliminating the real property tax exemption would create an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners and charitable organizations. As an employee of a charitable non-profit organization, which primarily serves the low-income population in the County of Honolulu, I do not support any proposal to eliminate the real property tax exemption.

Non-profit organizations which support a better life for community residents and strengthen the social fabric of the City and County of Honolulu, are already facing significant economic challenges and reductions in funding. Preservation of the current tax status will provide relief to entities including charitable non-profits which provide tangible community benefits.
We urge you to seriously consider the impact of these proposed changes, particularly in light of the economic challenges we are all facing, and to reject the commission's recommendation.

Sincerely,

Delta Repunte
1927 Eluwene Street
Honolulu, HI 96817

Diocese of Honolulu

Chancery Office • 1184 Bishop Street, Honolulu, Hawaii 96813-2859 • Phone (808) 585-3300 • Fax: (808) 537-1860

Office of the Bishop

January 6, 2012

Ladies and Gentlemen of the City Council of the City and County of Honolulu:

Aloha, and Happy New Year!

It has come to my attention that the City Council is seriously considering requiring non-profit organizations to pay real property taxes. While we are all citizens of this City and County and have an obligation to contribute to its welfare, it is clear to most people that non-profit organizations are already contributing a great deal to the community and would be less able to do so if real property taxes are added to our already burdensome expenses. For the most part we do not rely on taxes ourselves but on charitable donations so that we can do the many works that serve our community.

Allow me to briefly mention how some of our Catholic-affiliated agencies are already contributing greatly to the welfare of our community. To further burden them with taxes would mean a cutback in these services and a subsequent detrimental effect on those we serve.

- Catholic schools educate children without receiving any tax money, thus saving taxpayers millions of dollars each year.
- Catholic Charities Hawaii serves those who are in need of affordable housing, the addicted, single and otherwise homeless unwed mothers, abused and abusing adolescents, seniors, and many others.
- Office of Social Ministry supports outreach programs in the 66 parishes throughout the State that feed the hungry and provide for basic human needs. Service is to Catholics and non-Catholic alike.
- HOPE Services, Inc. provides re-entry programs for recently released prisoners, transitional housing for low income families, drug addiction counseling. Again, services are offered without regard to the client's religious affiliation.
- St. Francis Healthcare System of Hawaii provides home care for the elderly confined to their homes, Senior housing programs, intergenerational programs, hospice care for the dying and their families.

This listing is just a taste of what the Catholic Church in doing to benefit our community, and there are many other churches and non-profit agencies who are doing the same. While it is understandable that the City is looking for added revenues, it would be very short-sighted to impose a real property tax on entities that are able to serve the residents of the City and County in the many non-profit organizations that operate in our State.

I urge you in the name of those who are most in need, and for the long-range welfare of the City and County, not to impose a real property tax on non-profit agencies operating on Oahu.

Thank you very much for your kind attention to this matter.

Sincerely yours,

+ Larry Silva

Most Reverend Larry Silva
Bishop of Honolulu

L-01.21

01-06-2012

Aloha:

My name is "Octava Kaili" (a 100% hawaiian) owner of "Royal Patent Grant #991 of Kalaa 4, North Kona, Hawaii. this property is an "allodial title - Kuleana exempted property, since 1852 (Kuleana of 1850-1852).

King Kamehameha III awarded this property to my III times great-grandfather - Kalimaopaoa. We have and will always be a tax exempted property. Even that revised ordinance has no jurisdiction over us.

Why this brief history? Because, I am totally in disagreement with you people wanting to do away with "Hawaii Property tax exemption", that is a No-No-No! Especially with the 32741 me involved with Kuleana exemption.

You're a $million short you say. No you're short more than that 'cause you'll need to pay towards the rail project. Again that's a big No.

What should've been done was to revamp on people's work schedule (instead of 40 hrs./wk.) drop it to 30 hrs./wk.

Another way is "make do with what you have." Even if it's less money but, do it.

Everyone is starting and doing in concentrating on going green. Well how about each department concentrate on becoming more thrifty. Right on up to the mayor, city council and the state level as well.

Taking away our tax emption to feed you people's frivolous spending is not a solution, it's darn stealing or cop out (an easy way out). Wrong already.

Aloha
Octavia Kali
a property owner

From: Davin Hamada [dhamada@UHFCU.com]
Sent: Saturday, January 07, 2012 8:02 AM
To: CCLBC
Subject: Preliminary Report of the Real Property Tax Commission

To Whom It May Concern,

Please see the attached comment letter by the University of Hawaii Federal Credit Union to the Preliminary Report of the Real Property Tax Commission. In addition, please include the letter in the addendum to the Commission's report. A copy of the letter was sent via mail on Friday, January 6, 2012.

Davin

201201 Real Property Tax Exemption Proposoal - Response Letter.pdf

Davin H. Hamada
Compliance Officer
University of Hawai`i Federal Credit Union
UHFCU.com
Direct: (808) 983-5577
Fax: (808) 983-5588

Confidentiality Notice: The information contained in this e-mail (including any attachments) is for the intended recipient(s) alone. It is the property of the University of Hawaii Federal Credit Union and contains privileged and confidential information that is governed by the Electronic Communications Privacy Act, 18 U.S.C. 2510-2521. If you are not an intended recipient, you must not copy, distribute or take any action in reliance on it. If you have received this message in error, please notify us immediately, and delete it from your computer. Thank you for your cooperation.

UNIVERSITY OF HAWAI'I
FEDERAL CREDIT UNION
UHFCU.COM

January 6, 2012

The Honorable Ernest Martin, Chair
Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, HI 96813

RE: Honolulu Real Property Tax Advisory Commission Proposal

Dear Chairman Martin:

On behalf of the University of Hawai`i Federal Credit Union (" the UHFCU") which serves over 24,000 members, I am writing in opposition to a proposal by the Real Property Tax Advisory Commission ("the Commission") to eliminate the real property tax exemption for credit unions. In addition, I would like to respond to statements in the Commission proposal that are misleading or inaccurate.

Background

As you are aware, credit unions are not-for-profit, member owned financial cooperatives. Each credit union member has equal ownership and one vote regardless of how much money a member has on deposit. At a credit union, every customer is both a member and an owner. Our boards of directors are unpaid volunteers elected by our members.

The UHFCU was chartered in 1955 and has provided quality financial products and services to its members. The UHFCU was organized because a group of University of Hawai`i employees envisioned a credit union to help provide affordable loans to members. Throughout the years, the board of directors has resisted converting to a community charter and remained dedicated to serving a field of membership of occupational and associational groups related to the University of Hawai`i.

Commission Proposals Regarding Credit Unions

The Commission report discussed some inaccurate and unfair conclusions regarding credit unions. First, the Commission statement "Real property taxpayers are being asked to subsidize the benefits credit unions afford their members such as paying higher interest rates on deposits and extending lower interest rates on its loans to members" is misleading and erroneous. *See Preliminary Report of the Real Property Tax Advisory Commission pp. 19.*

All City and County of Honolulu residents whether credit union members or not, benefit from the presence of credit unions in the marketplace. The existence of credit unions helps keep bank savings and loan prices lower and provides a viable financial services alternative. Without the presence of credit unions, I am convinced the financial services landscape would be dramatically different to the average resident.

2019 SOUTH KING STREET · (808) 983-5500
PO BOX 22070 · HONOLULU, HI 96823-2070

Second, the Commission statement "...for those credit unions that have a field of membership that is community based, one has to question whether or not those institutions maintain a competitive advantage over traditional financial institutions" is inaccurate. *See Preliminary Report of the Real Property Tax Advisory Commission pp. 19.*

While true community-based credit unions can serve all residents in a certain municipality, many other restrictions against the credit union exist. For example, credit unions are limited to the number of business loans they are able to make to 12.25% of total assets. This restriction places significant constraints on the ability of credit unions to lend to small business owners and generate revenue.

In addition, credit unions are the only depository institutions in the United States that do not have the legal authority to supplement their capital by issuing capital instruments (e.g., stock) and must meet statutory capital requirements or face asset restrictions or other sanctions that limit growth. Because a credit union's only source of capital is the retention of earnings, maintaining a given capital ratio can only be accompanied by asset growth if there is sufficient net income, and increasing a net worth ratio requires even higher levels of net income or slower growth rates.

Credit unions have statutory investment restrictions regarding the type of securities allowed to invest excess deposits. These investment restrictions are significantly greater than banks and leave credit unions at a competitive disadvantage to generate income. Therefore, I strongly oppose the statement credit unions have a competitive advantage over other financial institutions.

Community Involvement

At the UHFCU, we believe being financially strong and doing good for the people in our community are not exclusive of each other; they are integrated goals. When our business is strong and well governed, we are in a better position to affect positive change that benefits everyone. This is the essence of sound corporate governance in which we do business.

To assist our community, the UHFCU annually supports charitable organizations such as Aloha United Way, Hawai`i FoodBank, Children's Miracle Network and the American Cancer Society. As an advocate of financial literacy, the UHFCU supports the Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR UP), a program to prepare low-income students to enter and succeed in postsecondary education. In addition, we sponsor the Kids' Savings Project, whose goal is to educate elementary school students in lower income communities about the importance of saving. The UHFCU was the first financial institution in Hawai`i to participate in this program. With respect to homeownership, the UHFCU is a sponsor of the Hawaii Home Ownership Center whose goal is to provide information, education and support to first-time homebuyers in Hawai`i. Without the real property tax exemption, the UHFCU's ability to continue to invest in these critical community programs would be at risk.

Petition Campaign

The UHFCU asked its members to support our real property tax exemption by signing a petition when visiting our branches. This petition campaign began on Thursday, December 15, 2011. As of the date of this letter, nearly 700 of our members signed our petition asking the City Council to support the Credit Union tax exemption (see attachments).

This "grassroots" campaign by the UHFCU was meant to demonstrate to City Council members the importance our member owners take in keeping their credit union financially healthy and maintaining competitive products and services.

Conclusion

I would like to recognize the significant time and consideration members of the Commission, Department of Budget and Fiscal Services and Honolulu City Council spent on reviewing the various exemptions in the real property tax system. The property tax system must be reformed to bring a fairer and more transparent structure into place. I understand the City Council has difficult fiscal and political decisions to make on real property tax exemptions, but I encourage the City Council to take the time to consider all implications of this proposal, especially the impact it will have on credit unions and its members.

Thank you very much for your time on this matter. If you have any questions, please do not hesitate to contact me at (808) 983-5575 or via email at jmorse@uhfcu.com.

Sincerely,

Jeanine M. Morse
President & Chief Executive Officer

From: Linda LeGrande [mohalaway@hawaii.rr.com]
Sent: Saturday, January 07, 2012 4:58 PM
To: CCLBC
Subject: Historic Residential Exemptions

The Honorable Ernest Martin, Chair
Honolulu Real Property Tax Advisory Commission
Honolulu City Council
530 S. King, Street, Rm. 202
Honolulu, HI 96813-3065

Aloha Chair Martin,
I commend your Commission for the comprehensive and thorough job of reviewing the City's real property tax system's classes. Quite a task !
I can agree in part with some of your findings regarding the Historic Residential Exemptions and believe as you do, that these homeowners should pay something for the City services that we enjoy. By keeping the current annual $300 we could do that. I therefore request that the Council preserve the existing property tax exemption for historic properties by giving your City Council's 2011 recent amendments a proving time to determine if they are effective and not implement the Commission's recommendations. Could we allow the current minimum tax requirement to remain in place as it reads now and incorporate it with the rest of the 53 types of exemptions, credits, and property taxes being reviewed. As 80% of the homes that currently benefit from this historic residential exemption are assessed at less than $1 million, many of these homes are the homes of Hawaii's middle class ! As I understand the original intent of the historic home tax incentive when it was implemented, whether for the homes of the wealthy or the middle class, owner-occupied or not, this minimal tax preserves that intent and many old houses are still standing today because of it. How much more does 'a historical colonial home in Manoa or Nuuanu' really cost the city than a 'more modest plantation home in historic Ewa villages' ? In fact, as a way to generate greater revenue for the City AND to keep the current tax incentive in place thereby discouraging the tear down of pre-WWII homes, might we create a much higher fee for permitting the demolition of these homes together with raising the fees for the disposal of construction materials into O'ahu's landfills? WIN~WIN~WIN !!!
Thank you for the opportunity to submit comments.
Aloha, Linda LeGrande
2243 Mohala Way
Honolulu, HI 96822
808) 947-7400

January 7, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to oppose the proposal by the Real Property Tax Advisory Commission regarding the elimination of the real property tax exemption. The issue of the real property tax exemption is important because the elimination of the exemption adds an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners, charitable organizations and credit unions.

The retention of the current tax status will provide relief to deserving island residents with special financial needs as well as entities, such as credit unions, that benefit the community. Credit unions have unique characteristics that qualify them for a real property tax exemption.

- Credit unions are not-for-profit, democratic, financial cooperatives owned by their members;
- Credit union members, rather than stock market shareholders or parent companies, all benefit from earnings being passed back in the form of competitive rates, and additional products and services;
- Credit unions, with limitations on who they can serve and restrictions on products and services, also have a social mission to provide service to people of modest means as well as to increase the level of financial literacy in the community.

Furthermore, all taxpayers whether members or not, benefit from the presence of credit unions in the marketplace. Competition from credit unions helps influence the deposit and loan rates and fees offered by for-profit financial institutions. If the real property tax exemption is eliminated, credit unions may not be able to offer the same level of pricing and services to its members, which could have an impact on the overall financial market and community.

We urge you to consider the impact of these changes, particularly in light of the economic challenges we are all facing, and to not accept the commission's recommendation.

Sincerely,

Helen V. Baligad

January 7, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to oppose the proposal by the Real Property Tax Advisory Commission regarding the elimination of the real property tax exemption. The issue of the real property tax exemption is important because the elimination of the exemption adds an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners, charitable organizations and credit unions.

The retention of the current tax status will provide relief to deserving island residents with special financial needs as well as entities, such as credit unions, that benefit the community. Credit unions have unique characteristics that qualify them for a real property tax exemption.

- Credit unions are not-for-profit, democratic, financial cooperatives owned by their members;
- Credit union members, rather than stock market shareholders or parent companies, all benefit from earnings being passed back in the form of competitive rates, and additional products and services;
- Credit unions, with limitations on who they can serve and restrictions on products and services, also have a social mission to provide service to people of modest means as well as to increase the level of financial literacy in the community.

Furthermore, all taxpayers whether members or not, benefit from the presence of credit unions in the marketplace. Competition from credit unions helps influence the deposit and loan rates and fees offered by for-profit financial institutions. If the real property tax exemption is eliminated, credit unions may not be able to offer the same level of pricing and services to its members, which could have an impact on the overall financial market and community.

We urge you to consider the impact of these changes, particularly in light of the economic challenges we are all facing, and to not accept the commission's recommendation.

Sincerely,

Victoria H. Santos

(Insert Your Name Here)

From: Jimmy McMahon [mcmahonj001@hawaii.rr.com]
Sent: Sunday, January 08, 2012 9:44 AM
To: CCLBC
Subject: Historic Residential Exemptions

The Honorable Ernest Martin, Chair
Honolulu Real Property Tax Advisory Commission
Honolulu City Council
530 S. King, Street, Rm. 202
Honolulu, HI 96813-3065

Dear Mr Martin,
Thank you for your Commission for the comprehensive and thorough job of reviewing the City's real property tax system's classes. I have lived in Manoa since 1959. Restoration and preservation are bot a joy and expense. I am proud of my home. Currently I am on the process of trying to track down someone to replace my original rope pull windows from the 20's and have wood milled to replace on going dry rot issues. NOT SOMETHING I CAN GO TO CITY MILL FOR! Maintaining my old house is expensive and time consuming. Additionally we have complied with every request for view , signage, tours etc. Plus our home has been used as an example of Hawaiian living.
I can agree in part with some of your findings regarding the Historic Residential Exemptions and believe as you do, that these homeowners should pay something for the City services that we enjoy. By keeping the current annual $300 we could do that. I therefore request that the Council preserve the existing property tax exemption for historic properties by giving your City Council's 2011 recent amendments a proving time to determine if they are effective and not implement the Commission's recommendations. Could we allow the current minimum tax requirement to remain in place as it reads now and incorporate it with the rest of the 53 types of exemptions, credits, and property taxes being reviewed. As 80% of the homes that currently benefit from this historic residential exemption are assessed at less than $1 million, many of these homes are the homes of Hawaii's middle class ! As I understand the original intent of the historic home tax incentive when it was implemented, whether for the homes of the wealthy or the middle class, owner-occupied or not, this minimal tax preserves that intent and many old houses are still standing today because of it.

Aloha,
Anthony James McMahon
1932 Awapuhi St
Honolulu Hi 96822
pH (808) 228-7946 fax (808) 988-5331
mcmahonj001@hawaii.rr.com

Leonette Ann Ale Ani Riley
46696 Cape Horn Road
Cleveland, Minnesota 56017

January 8, 2012

Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Re: Proposal to Eliminate Real Property Tax Exemption for Kuleana Lands

Dear Council Chair Ernest Y. Martin and Council Member Ikaika Anderson:

Today a family member forwarded a copy of an excerpt from the "Real Property Tax Advisory Board" regarding Kuleana Lands which describe the board's intent to repeal an exemption for lands held by relatively few Hawaiian families since the time of the Great Mahele. The receipt of the e-mail and Advisory Board's excerpt attachment prompted me to find the preliminary report of the advisory commission and review its contents.

First, may I point out that I am a native Hawaiian who was raised on our family land. The land provided food, lifestyle and income for our family. While much of the Hawaiian ways have been lost, our family has managed to maintain its hold on the family land for future generations. It is our hope to educate our ohana of the Hawaiian ways lost in assimilation into American society and return our family to its roots. I will admit bias at the onset and beg the Council's pardon for any hostility perceived in the following as I will not have the time to edit my communication as the deadline for submission is tomorrow.

Upon reading the preliminary report I wonder at the focus of the report. Why is such a miniscule portion (.02 of the General Fund) of the whole funding system being scrutinized? It seems deliberate to focus on the poorer, aged, and under privileged with select wording that indicates derision, *"..the **plethora** of exemptions which **riddle** the Honolulu Real Property Tax ordinance"*? While the reports states that it believes its review to be objective and evenhanded, it is quite apparent that there is a prejudice throughout which lends me to question the statement that there were no "preset or hidden" agendas. In my opinion if you choose to focus on those less fortunate that others have deemed worthy of protection there must be a hidden agenda. This coupled with the repeated mention of "appreciated value" and "land disposal" throughout the report is indicative of a possible movement to force the aged, poor and underprivileged from their homes for monetary gain? It seems to me that the "gain" in tax revenues would not equal the loss to the families involved and as a whole the report lacks any semblance of social conscience.

The Advisory Board states: "Preferences under the real property tax law should not be conferred merely because a property falls into a certain category of use or the property owner bears a certain characteristic be it a physical disability, age, or type of use of the real property."

Why not? Societies should protect their poor, aged, and underprivileged. Government's role is to serve and protect. In our instance, Native Hawaiians of kuleana descent should have preferential treatment; considering the fact that the Hawaiian Islands at one time belonged to the Hawaiians, the small percentage of Hawaiians still maintaining their aina under adverse conditions is miniscule. By 1890, the census showed that the

transfer of land out of Hawaiian hands was almost complete. "Commercial land-grabs and U.S. imperialism, as well as the overthrow of the Hawaiian monarchy all contributed to the loss of the Native Hawaiian's rights, spiritual harm, and political injury." (Native Hawaiian's spiritual beliefs recognize the inherent sacredness of the natural world and a human obligation to care for the land and family.)

Human obligations. The report states, "The Commission believes that critics must take an objective view of whom the taxpayer is and not base their assumptions on the quid pro quo that just because one is elderly or disabled that the person is necessarily poor." Obviously the committee members are either not elderly or disabled or very obviously not poor. Poor is a relative term. For the most part, Kuleana land owners are poor, but cash not land "poor". Land to a Hawaiian is more than an asset listed on a financial statement. It is life, it is family, and it is an integral part of who we are...in this light, the statement, "realizing the appreciated value to reap the benefits of appreciation" and "divest themselves of the property" is not an option. The committee seems to lack understanding of the Native Hawaiian's values in this regard. These types of statements give credence to the committee's obvious lack of social conscience and possibility of a more insidious rationale behind the commission's proposals. To even think of displacing even a small portion of the populace is cold, unfeeling, and reverses the role of government and populace.

My time is short so I will skip to "Good Tax Policy" where the committee uses a standard for generally accepted measurement of what constitutes good tax policy from 1989. Economic rationale alone would render the 1989 tax review standards obsolete but the focus, as with the rest of the report, is on the obligations and spending plans of the government, not on the needs of the protected groups. In my opinion, a good governmental unit appreciates and understands the needs of its population at large . A population that does include those protected groups—the poor, aged, and underprivileged who seem to be targeted for displacement.

Speaking of Government fund spending plans?? Isn't there a light-rail proposed for five billion? Who will the light-rail benefit and how will the funds be apportioned if the City and County of Honolulu is pinching pennies by attacking those unable to defend their protected status?

In closing, I wish to thank you for your time. I wish I had more time to write a lengthier and nicer letter. I sincerely hope that alternative income producing means can be found to help the City and County of Honolulu make its fiscal budget demands and that social conscience deters an increase in revenue on the backs of those less fortunate.

Sincerely,

Leonette Riley

laar

January 8, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to oppose the proposal by the Real Property Tax Advisory Commission regarding the elimination of the real property tax exemption. The issue of the real property tax exemption is important because the elimination of the exemption adds an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners, charitable organizations and credit unions.

The retention of the current tax status will provide relief to deserving island residents with special financial needs as well as entities, such as credit unions, that benefit the community. Credit unions have unique characteristics that qualify them for a real property tax exemption.

- Credit unions are not-for-profit, democratic, financial cooperatives owned by their members;
- Credit union members, rather than stock market shareholders or parent companies, all benefit from earnings being passed back in the form of competitive rates, and additional products and services;
- Credit unions, with limitations on who they can serve and restrictions on products and services, also have a social mission to provide service to people of modest means as well as to increase the level of financial literacy in the community.

Furthermore, all taxpayers whether members or not, benefit from the presence of credit unions in the marketplace. Competition from credit unions helps influence the deposit and loan rates and fees offered by for-profit financial institutions. If the real property tax exemption is eliminated, credit unions may not be able to offer the same level of pricing and services to its members, which could have an impact on the overall financial market and community.

We urge you to consider the impact of these changes, particularly in light of the economic challenges we are all facing, and to not accept the commission's recommendation.

Sincerely,

Akira Terada

Jan.8, 2012

The Honorable Ernest Y. Martin
Chairperson
Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

Aloha

We are writing to testify on OPPOSITION of the proposal before the Honolulu City Council to eliminate the real property exemption for owners of kuleana property and owners of residential property.

With the current increases in water rates, gas, electricity and health insurance premiums, the proposed elimination of the real property exemption will certainly create an economic hardship on us as well as other taxpayers. As a homeowner, native Hawaiian and retired workers on fixed income we implore you to reject the proposal to eliminate the property tax exemption.

Accordingly, we respectfully request that you oppose the proposal by the Real Property Tax Advisory Report to eliminate real property tax exemption for kuleana property owners and owners of residential property. Thank you for your consideration and kokua in this matter.

Mahalo
Mason and Jan Young
147 Pukoa Street
Kailua, Hawaii 96734
ph. 261-5296
email: janyyoung44@gmail.com

Jan and Mason Young

From: Williams-Solomon, Leilani [Leilani.Williams@boh.com]
Sent: Monday, January 09, 2012 7:50 AM
To: CCLBC
Subject: FW: REAL PROPERTY TAX COMMISSION POSITION-PLS DO NOT TAX NONPROFITS

Attachments: REAL001.PDF

REAL001.PDF (141 KB)

Please see the attached letter regarding the Real Property Tax Commission Position and the recommendation to remove the exemptions for nonprofits. PLEASE DON'T DO IT!

Mahalo,

Leilani Williams-Solomon
Controller and Director
Kauakoko Foundation
808.694.8058
Leilani.Williams@boh.com

-----Original Message-----
From: NWL-009642@bankoh.net [mailto:NWL-009642@bankoh.net]
Sent: Monday, January 09, 2012 7:55 AM
To: Williams-Solomon, Leilani
Subject: REAL PROPERTY TAX COMMISSION POSITION-PLS DO NOT TAX NONPROFITS

Please open the attached document. It was scanned and sent to you using a Xerox WorkCentre Pro.

Sent by: Guest [NWL-009642@bankoh.net]
Number of Images: 2
Attachment File Type: PDF

WorkCentre Pro Location: Copy Workroom
Device Name: CorporateSecretaryXerox

For more information on Xerox products and solutions, please visit http://www.xerox.com

Kauakoko Foundation

394 `Auwaiolimu St, Honolulu, HI 96813

January 6, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, HI 96813

Re: Property Tax Exemptions

Dear Council Members:

We are writing to strongly oppose the recommendation of the Real Property Tax Advisory Commission to repeal the property tax exemptions for nonprofit organizations and other organizations, specifically cemeteries. Like many others across this land, we represent a small nonprofit with limited financial resources but one that is rich in the cultural and social value provided to the people we serve. While we agree with the Commission's overall effort to bring equity and fairness to the City's real property tax laws, we believe that taxing nonprofits is not good tax policy.

Nonprofits are given tax-exempt status to enable them to provide valuable services that the government is unwilling or unable to provide. There are a few nonprofits with abundant cash resources but the vast majority fight hard for every dollar they raise. To divert this hard earned money to the payment of taxes will necessitate a reduction in the services provided. The Commission's report makes the point that, "This means smaller nonprofit organizations which utilize little, if any, real property probably will continue to pay the minimum tax while larger organizations with substantial real property will pay more than the minimum tax." Because the assessment ratio for property taxes is based on the fair market value of the property, it fails to take into account situations in which a nonprofit may have real property in urban areas where the need is high and the value of the property is also high, disproportionately to the nonprofit's cash resources. The value of the real estate is not an indication of the use of the resources used for which the property taxes are used. That is a flawed argument. Moreover, to the extent that a nonprofit's resources are used other than for programs that support its primary mission – which is what their tax exemption was based on in the first place – it jeopardizes that very tax exemption.

Regarding the specific exemptions, the Commission is also recommending that "these exemptions be scheduled for repeal and that the City Council hold hearing in an effort to gather information and justification for the continuation of these exemptions." From our read of the report, it is not clear which

specific exemptions are being recommended for repeal – all specific exemptions, or just the ones named in various places in the report? There is a specific exemption for cemeteries that we strongly urge the Council to retain. Cemeteries obviously use very little of the services funded by property taxes and there are several cemeteries in our ahupua'a that are owned by nonprofit organizations. These cemeteries have existed for generations and generate no current revenue; their owners simply have no ability to pay other than the minimum property tax. One such cemetery is Uluhaimalama, which was once the garden of Queen Lili'uokalani. Because of the limited resources of the owners of this garden, every month members of our hālau voluntarily tend the garden by mowing and weeding and paying the water bill. Please don't add to financial burden of taking care of this honored place by taking away the property tax exemption.

In closing, equity and fairness in the tax system are laudable, but there is nothing equitable or fair about further taxing tax-exempt nonprofit organizations. We vigorously urge you to retain the property tax exemption for nonprofits and for cemeteries.

Aloha,

Karl Veto Baker
President and Director

Michael Casupang
Vice President and Director

From: Lee Henry Chang [leehenrychang@hcucc.org]
Sent: Monday, January 09, 2012 9:39 AM
To: CCLBC; Martin, Ernie
Cc: Charles Buck
Subject: Preliminary Report of the Real Property Tax Advisory Commission
Attachments: Real Property Tax Advisory Commission 6Jan2012.pdf

Please accept the attached document from The Rev. Charles Buck, Conference Minister of the Hawai`i Conference United Church of Christ, as testimony to include with the Tax Advisory Commission's Report addressing nonprofit tax exemption.

Lee Henry-Chang
Hawai'i Conference UCC

HAWAI'I CONFERENCE
UNITED CHURCH OF CHRIST

January 6, 2012

Via email: cclbc@honolulu.gov

Real Property Tax Advisory Commission
530 South King Street, Room 202
Honolulu, HI 96813

Re: Preliminary Report of the Real Property Tax Advisory Commission, December 2011

Dear Chair Kalapa and Commission Members:

I am writing in response to your Preliminary Report, December 2011, which has been submitted to the City Council for review. I am the Conference Minister for the Hawai`i Conference of the United Church of Christ. The Hawai`i Conference is a body of the United Church of Christ composed of all of the local churches and associations of the United Church of Christ in the State of Hawai`i. The Conference presently encompasses 130 churches in 5 associations on 6 islands and has more than 20,000 church members.

I have reviewed your report with much concern. While I appreciate the hard work of the Commission and its service to the community, I believe your recommendation that exempt non-profit entities be subject to real property taxation is ultimately not in the best interest of the public.

The policy behind providing churches and charitable institutions with tax exemptions is well-established and built on sound reasoning going back to our earliest tax laws. It has been recognized at all levels and branches of government, namely, that it is important to provide charitable, scientific, educational and religious organizations (that meet the 501(c)(3) qualifications for tax exemptions) with exemptions from taxes because they perform valuable functions for society and provide services that government would otherwise have to provide in their absence.

Our churches, and the related charitable organizations that are a part of the mission of the United Church of Christ, address the spiritual, mental and physical needs of our community, providing support to our youth, the elderly, parents, the homeless, the sick, the poor, and people in all walks and conditions of life. We play an integral part in the fabric of life for many in our community. Our ministries provide an alternative to the governmental sector as a means for addressing many problems. The services they provide to the community touch and make an impact on the broad diversity of our people in Hawai`i. Many of our ministries and services are

1848 Nu'uanu Avenue • Honolulu, Hawai'i 96817 • Tel: (808) 537-9516 • Fax: (808) 531-2637 • www.hcucc.org
Neighbor Islands Toll Free: (800) 734-7610

seedbeds for new and creative approaches to solving or ameliorating societal problems, and they can often respond more nimbly than government agencies and providers. Our ministries extend throughout the state, from our urban core in Honolulu to the most remote locations such as Kalaupapa.

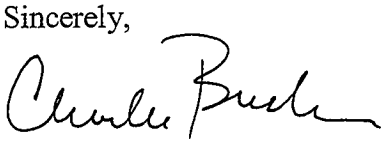
Taxing charities, churches in particular, will create barriers for them with little return to the public in exchange. Funding for our churches and ministries is increasingly difficult to come by, especially in these times of economic difficulty and governmental cuts to community services. To impose real property tax obligations simply adds to the burden of raising funds and maintaining programs. Resources are lean for many of our churches, and for some, where funding even the most basic services is a challenge, additional taxes could break them and result in the loss of their property. The revenue generated by taxing churches and other charitable organizations is relatively small in comparison to the government's overall budget and does not result in a gain to society when considering the hardship imposed upon churches and charities.

Much of the funding for our missions comes from the public, which donates hard-earned dollars. It would be discouraging to know that some of those donations would need to be diverted from religious and charitable endeavors to payment of taxes. Like other charitable organizations, the churches and missions of the United Church of Christ are not-for-profit. No income or revenues are diverted to the private inurement of our members. All of it goes back into the mission of the organization for the public good.

Finally, the Commission's report also recommends a graduated level of taxation for non-profits based upon some measure reflecting the community benefit of each non-profit's activities. This proposal is fraught with difficulty. Who will decide which non-profit service is more beneficial than the next? Among the broad spectrum of benefits that non-profit organizations provide, the societal benefit may differ for each group or segment of society. The task of assigning relative benefit to each non-profit activity is subjective and in the end may result in decisions that are arbitrary, capricious or unfair.

Thank you for the opportunity to be heard.

Sincerely,



Charles Buck
Conference Minister

cc: The Honorable Ernie Martin, Council Chair (emartin@honolulu.gov)

From: Spencer Leineweber [spencer.leineweber@gmail.com]
Sent: Monday, January 09, 2012 12:14 PM
To: CCLBC
Subject: Comments on Real Property Tax Commission Report
Attachments: Ernest Martin Real Property Tax Commission Comment .pdf

Please find our testimony concerning the Real Property Tax Commission report,
Thank you.

--
Spencer Leineweber FAIA
Honolulu, Hawaii 96822

The Honorable Ernest Martin, Chair

Honolulu City Council

530 S. King Street, Rm.202

Honolulu, Hawai'i 96813-3065

Dear Chairman Martin:

As owners of an historic residence in Mānoa built in 1912, which is listed on the Hawaii State Register of Historic Places, we are writing in response to your request for **comments on the Real Property Tax Advisory Commission's Report as it relates to the Historic Preservation Tax Exemptions.**

The existing tax exemption for residential and commercial historic properties is the City & County of Honolulu's only systematic program to encourage the perpetuation of Oahu's architectural heritage and historic legacy. The current tax exemption was the subject of intense scrutiny, fierce debate, numerous public hearings and reviews, and ultimately changes to strengthen the clarity, conditions and enforcement of the preservation program. Those changes were promulgated in September 2011 and the initial compliance period is still underway.

We disagree with the Commission's recommendations, primarily because the administrative burden for appropriate, consistent and standardized implementation would cost far more than any additional taxes collected, while still not achieving preservation outcomes. The City would need to establish a review process, train staff, and provide administrative support, to implement a review process to ensure that the projects are in keeping with the Secretary of the Interior's Standards for Rehabilitation, national standards that should be followed when undertaking work on a historic property.

In conclusion, we request that the City retain its existing property tax exemption for historic properties dedicated for preservation; give the recent amendments and implementation a proving time to determine if they are effective; and table the Commission's recommendations regarding historic property exemptions.

Thank you for your consideration of our mana'o.

Professor A. Spencer Leineweber, FAIA

Dr. Michael James Leineweber, AIA, NCARB

Honolulu, Hawaii 96822

From: Figueira, Laura
Sent: Monday, January 09, 2012 12:26 PM
Subject: FW: Kuleana Land Repeal

Can you forward this on to be inlcuded?

Mahalo.

From: Martin, Ernie
Sent: Monday, January 09, 2012 12:24 PM
To: Figueira, Laura
Subject: FW: Kuleana Land Repeal

ERNEST Y. MARTIN
Member
Honolulu City Council - District 2

From: dlr1312@aol.com [dlr1312@aol.com]
Sent: Monday, January 09, 2012 12:06 PM
To: Martin, Ernie
Subject: Kuleana Land Repeal

Dear Sir,

This is a very important law that was passed so that the land that King Kamehameha ceded down to our present day owners would be able to keep it in our families. I realize that there are may services out there to assist with taxes, but many of our people are now retired and living on fixed incomes and it is hard to qualify for these services if you make just over a certain amount of money per year. I personally had to commute for 6 months to do this research for my parents so that they would qualify for the Kuleana land exemption. I can't believe that after only a few years they want to repeal this exemption. The Hawaiian people have had so much taken away from them and they deserve this one little benefit. Please try to convince the tax commission to reconsider this law and help out the true hawaiians to keep our land as it was meant to be kept within our families. Doing away with this exemption will cause a lot of hardship on families. Thank you for your time in reading these comments.

Sincerely,
D. Robinson

From: MERLON99@aol.com
Sent: Monday, January 09, 2012 12:32 PM
To: CCLBC
Subject: Non Profits taxed on real property

Dear Sirs:

While it is understandable why the City is looking for revenues in this economy, but to see this burden put on non-profits is a unforgivable travesty and a short sighted strategy to shore up the City's revenues. If it were to come to past, it could and will lead to the people of Hawaii with a shortfall of services provided by non-profits. Which by the way in some cases government has chosen not to provide.

I urge you to look for a revenue source that is generated by sales and not by grant funding.

Take into consideration the following:

1) Non profits by the nature of it revenue sources are required to run efficient operations to survive.
2) Non profits run their operations primarily on grant funding.
3) Non profits provide services for less than most government agencies are able to provide.

4) In the equation of funding sources, non-grant funding is usually a very small percentage of the funding sources for the organization. This is the unrestricted funds or funds that can be spent to pay for non grant materials, supplies and services to keep a non-profit operating.

5) If real property of non profits were taxed the funds would have to come from unrestricted funds.

The proposal to tax the real property of non-profit may have short term benefits but at the cost of the decimation of vital tapestry of resources provided to the community by the non-profit sector.

Please look to revenues generated by sales and not grant funding to develop a continuous stream of revenue for the City.

There is no win nor is this a solution to the revenue problems for our city.

Sincerley,

Merle Okino O'Neill

Merle Okino O'Neill

Youth Service Hawaii, Executive Director
P.O. Box 61007
Honolulu, Hi 96839
808-780-7110

From: Holly J Huber [hollyjhuber@gmail.com]
Sent: Monday, January 09, 2012 2:49 PM
To: Martin, Ernie; Garcia, Nestor; Kobayashi, Ann; Berg, Tom; Cachola, Romy; Gabbard, Tulsi; Harimoto, Breene; Anderson, Ikaika; Chang, Stanley
Cc: CCLBC
Subject: Preliminary Report of Real Property Tax Advisory Commission

TO: the Honolulu City Council

RE: Preliminary Report of Real Property Tax Advisory Commission

PUBLIC COMMENTS FROM HOLLY HUBER

The Real Property Tax Advisory Commission repeatedly refused to accept public testimony, formulated many of its recommendations in private and without public discussion, and did not follow proper procedure for conducting their meetings or voting on the report submitted to the City Council.

Commission Chair Lowell Kalapa refused to accept public testimony on agenda items, in direct violation of Resolution 11-143. Kalapa's derisiveness toward public testimony was made evident at the Commission's first meeting when he dismissed it as "a waste of time."

Kalapa claimed he would accept written testimony and then refused to provide an email or fax number so the public could submit comments. He also ignored Council Chair Martin's request to release the draft report to the public prior to the Commission's final meeting.

At that December 7th meeting, Commission Vice Chair Paul Brewbaker dismissed the views of members of the public in attendance and referred to them as "clowns." The meeting was a circus; commission members dispersed without taking a final vote to approve the report and the meeting was never properly adjourned.

By refusing public testimony and improperly conducting their meetings, the Commission violated both the letter and the spirit of the City resolution that established it.

This disregard for public discourse and proper procedure invalidates the recommendations of the Real Property Tax Advisory Commission.

Holly Huber
1519 Nuuanu Ave # 154, Honolulu HI 96817
hollyjhuber@gmail.com | phone: 554-7692

From: kuki kaiwi [kaiwi@hotmail.com]
Sent: Monday, January 09, 2012 3:14 PM
To: CCLBC
Subject: Preserve Non Profit Tax Exemption
Attachments: non profit tax exemption to council .pages

Aloha and Mahalo for considering our perspectives. Please Support our Non Profit Organizations by opposing the proposal regarding the elimination of the Real Property Tax Exemption. Please see attached.

Mahalo nui,

Pauline KK Navales
1519 Nuʻuanu Ave #49
Honolulu HI, 96817
kaiwi@hotmail.com
(808)284-6798

Members of the Honolulu City Council
530 S King St. Rm 202
Honolulu HI, 96813

January 9, 2012

RE: Real Property Tax Exemptions

Dear Council Members,

I am writing to Oppose the proposal by the Real Property Tax Advisory Commission regarding the elimination of the Real Property Tax Exemption. I am humbly writing on behalf of Kumuola Foundation, a non profit organization dedicated to the preservation of the Hawaiian Culture, to Preserve Non Profit Tax Exemption.

Organizations such as ourselves require tax exemption on real property, because, we provide programs and services that help communities around Hawaii. Some services that the government sector is not willing or able to provide.

Non Profit Organizations cannot continue to exist if there is an increase in real property taxation. If we cannot exist, Hawaiiʻs communities and individuals that benefit from these programs will be forced to look to other agencies to provide these services. It will be more costly for the government to provide these services.

As a contributing member of this society, I want my charitable contributions to go toward community services, NOT taxes. Taxing these organizations has the effect of discouraging the concept of Aloha, to give back and volunteer. Every community needs more Aloha, and this is what our Non-profit Organizations provide.

Increasing the real property tax rate for Non-Profit 501 (c)(3) Organizations fundamentally undermines the ability of Non-Profit Organizations to deliver on their charitable missions and challenges our IRS Tax-Exempt Status.

I urge you to consider the impact of these changes, especially in light of todayʻs economical changes we are all facing. Please Do Not Accept the Commissionʻs recommendation. Please Support our Non- Profit Organizations by Opposing the Proposal regarding the elimination of the Real Property Tax Exemption.

Mahalo nui loa, Pauline K K Navales
1519 Nuʻuanu Ave #49, Honolulu HI 96817

From: Matsuura, Reed H.
Sent: Monday, January 09, 2012 3:17 PM
To:
Subject: FW: tax exemption testimony

Please include the attached testimony as a public comment submitted on January 9, 2012.

Mahalo & Happy New Year!

Reed

Reed Matsuura
Senior Community Liaison
Council District II
Phone - (808)-768-5038
FAX - (808)-550-6680
email: rmatsuura@honolulu.gov

From: jan young [mailto:janyoung44@gmail.com]
Sent: Monday, January 09, 2012 2:30 PM
To: Matsuura, Reed H.
Subject: tax exemption

Jan.8, 2012

The Honorable Ernest Y. Martin

Council Chairman

Honolulu City Council

530 S. King Street, Room 202

Honolulu, Hawaii 96813

Aloha

We are writing to testify in OPPOSITION of the proposal before the Honolulu City Council to eliminate the real property exemption for owners of kuleana property and owners of residential property.

With the current increases in water rates, gas, electricity and health insurance premiums, the proposed elimination of the real property exemption will certainly create an economic hardship on us as well as other taxpayers. As a homeowner, native Hawaiian and retired workers on fixed income we implore you to reject the proposal to eliminate

the property tax exemption.

Accordingly, we respectfully request that you oppose the proposal by the Real Property Tax Advisory Report to eliminate real property tax exemption for kuleana property owners and owners of residential property. Thank you for your consideration and kokua in this matter.

Mahalo

Mason and Jan Young

147 Pukoa Street

Kailua, Hawaii 96734

ph. 261-5296

email: janyyoung44@gmail.com

From: Ribellia, Kimberly
Sent: Monday, January 09, 2012 3:54 PM
To:
Cc:
Subject: FW: Kuleana and Konohiki submittals
Attachments: Dawn Wasson City Council.docx; Dawn Wasson City Council.docx

For the RPT Commission

Kimberly Ribellia
Council Chair Ernie Martin
Executive Assistant / Chief of Staff
City Council District II
Phone: 808.768.5036
Fax: 808.768.1198
Cell: 808.223.7498
Email: kribellia@honolulu.gov
"Gratitude is the fairest blossom which springs from the soul." - Henry Ward Beecher

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From: Dawn Wasson [mailto:laiekupuna19@yahoo.com]
Sent: Monday, January 09, 2012 3:07 PM
To: Ribellia, Kimberly; Tsuneyoshi, Heidi; kuuleikapu@hotmail.com
Subject: Kuleana and Konohiki submittals

January 9, 2012

Honolulu City Council
Council Chair Ernie Martin
kribellia@honolulu.gov
htsuneyoshi@honolulu.gov
http://www1.honolulu.gov/council/emailzp.htm

Aloha Council Members:

The lineal descendants of Kuleana and Konohiki landowners submit this letter of objection to the recommendation by the City Council Tax Commission. In the propose recommendation the members do not cite a reasonable argument why the native landowners be excluded from real property tax exemption. We submit justifiable rationale according to the Council's initial support for the Kuleana tax exemption. The Council cited the original Hawaiian Kingdom law in verbatim about tax exemption for a class of property owners. Second, the Royal Patent law also states that all parties who file a claim to real property in Hawaii swore an oath of allegiance to the ruler and the law of the land prior to the Mahele and after claims to real property. The present law or exemption by City Council, and the Real Property Tax Commission have failed in its fiduciary responsibilities to its commitment to Kuleana and Konohiki landowners. In conclusion, we seek the continuance of real property tax exemption.

Mahalo,

Geraldine Nini Roberts	808 927-0285
Elizabeth Kuhia Nihipali	310 658-0227
Elae Kapu	808 782-5312
Mona Kahawaii	808 351-2972
Dawn K. Wasson	808 692-6901
Henry W. Wasson Sr.	808 293-1801
Henny K. Wasson	808 852-8778

From: David Goya [admindgoya@pacthawaii.org]
Sent: Monday, January 09, 2012 4:04 PM
To: CCLBC
Subject: Preliminary Report of the Real Property Tax Advisory Committee
Attachments: PACT RPT Testimony .pdf

Please find enclosed our testimony related to the Preliminary Report of the Real Property Tax Advisory Committee.

Mahalo,
David Goya

David Goya
Vice President of Operations

1485 Linapuni Street, Suite 105
Honolulu, Hawaii 96819
Direct: 792-9707
Tel: (808) 847-3285 Fax: (808) 841-1485
Website: www.pacthawaii.org

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Parents And Children Together, 1485 Linapuni Street, Suite 105, Honolulu, HI 96819

PARENTS AND CHILDREN TOGETHER
A FAMILY SERVICE AGENCY

January 9, 2012

Honolulu City Council
530 South King St., Room 202
Honolulu, HI 96813

Re: Preliminary Report of the Real Property Tax Advisory Commission

To the Honorable Members of the Honolulu City Council:

Parents And Children Together has served to meet a wide range of community needs since 1968. With multiple programs spread geographically across all islands, it is necessary for us to occupy dozens of offices, classrooms and support facilities throughout the State.

While we understand the Commission's desire to increase the revenue stream from real property taxes and the resultant recommendation to tax non-profit organizations, we are concerned about the potential reach and impact of any proposed changes to the current exemptions.

By their very purpose, non-profits exist for the benefit of the people that they serve. Unlike for-profit entities, they do not possess long-term objectives to increase their equity for eventual appreciation and gain. As such, they are truly a flow-through organization where any cost savings benefit the recipient of the services themselves. If real property taxes are increased, it does not result in less profit in the owner's pocket, instead it directly and immediately translates into the reduction or termination of services to those who need them the most.

PACT's programs serve individuals and families in the community who do not have the resources or capabilities to help themselves because they are on the lower end of the economic scale. Increasing the tax burden upon a non-profit organization will result in reduced and compromised services to this group, in effect representing a regressive tax against those who can least afford it.

Our programs contribute to an increase in the level of education and responsibility among our customers that translates into an enhanced level of public safety in the community, and a reduced need for police enforcement and criminal infrastructure. While public safety represents one of the largest expense line items for the County, increasing the real property taxes assessed against non-profits works against the County's public safety goals by handicapping the effectiveness of these organizations in meeting their social objectives.

PACT has deep concerns with the proposal to reduce or eliminate the real property tax exemption for non-profit organizations, specifically as it impacts the level and quality of service provided to the recipients of our services. We feel that this issue warrants further discussion and clarification and welcome the opportunity to contribute to this process.

Respectfully submitted,

Ruthann Quitiquit
President and CEO

1485 Linapuni St. Suite 105, Honolulu, HI 96819
Tel: 808-847-3285 | Fax: 808-841-1485 | www.pacthawaii.org

From: Natalie aka Bicycle Mom [the-green-one@hawaii.rr.com]
Sent: Monday, January 09, 2012 4:06 PM
To: CCLBC
Subject: Comments regarding RPT commissions preliminary report to council
Attachments: RPT report - Additional comments & recommendations 1-9-12.pdf

Aloha,

Please include my comments with the public comments regarding the Preliminary Report of the Real Property Tax Advisory Commission.

Please also confirm receipt of this email.

A hui hou, Natalie

Natalie J. Iwasa, CPA, Inc.
1331 Lunalilo Home Road
Honolulu, HI 96825
Phone/Fax: 808-395-3233

America Counts on CPAs[SM]

Member AICPA, HSCPAs, Association of Certified Fraud Examiners, and Smart Business Hawaii

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TO: Honolulu City Council

FROM: Natalie Iwasa
395-3233

DATE: January 9, 2012

RE: Preliminary Report of the Real Property Tax Advisory Commission

Aloha Councilmembers,

Thank you for recognizing the fact that our real property tax system is in dire need of overhaul and as a result, establishing this commission to aid in efforts to improve it. The commission worked under a tight deadline. As a result, some aspects of the real property tax system were only briefly discussed or not mentioned at all. I therefore offer additional comments regarding our real property tax system for your consideration.

Real Property Tax Credit

The commission noted in its report the availability of the real property tax credit for those homeowners who may have difficulty paying their real property taxes. Under current law, the definition of income for the real property tax credit includes the following:

- total income from the tax return before adjustments to arrive at Adjusted Gross Income (the spouse's income is included if a joint return is filed);
- tax exempt interest;
- non-taxed IRA distributions, pensions and annuities (excluding rollovers);
- non-taxed social security;
- nontaxable contributions to public or private pension, annuity or deferred compensation plans (this is an add-back to arrive at gross wages); and
- other income (unemployment, federal COLA, and other, not specified).

While this list may appear complete, I **recommend the definition of income be reviewed and possibly revised** to increase fairness and equity among those who receive the credit. For example, some employees may participate in Sec. 125 plans, also known as cafeteria plans, that allow them to set aside part of their compensation on a pretax basis. The most popular benefits that qualify for pretax treatment under these plans include health insurance, dependent child care and out-of-pocket medical costs. This compensation is not included in taxable wages reported on the income tax return; therefore, a homeowner who currently sets aside $5,000 in pretax child care benefits and reports $47,000 in taxable wages (and therefore has gross wages of $52,000) may receive the real property tax credit while

the homeowner who has $52,000 in taxable wages and pays $5,000 for child care with after-tax dollars is not eligible for the credit.

The administration had concerns about how this income would be determined if it were included in the calculation of the tax credit. Pretax benefits received under cafeteria plans are not reported in Box 1 of W2s but may be reported as optional information in Box 14. In addition, the amounts are required to be reported to the employee with their pay stubs and are typically included with year-to-date amounts. The last pay stub of the year normally includes totals for each deduction for the year.

During the review of which income should be included for the tax credit, **consideration should be given to the following**:

- whether income from retirement plans is counted twice, e.g., when someone has withholdings for retirement plan contributions and then takes distributions in the same year;

- whether household income should be considered, as it is for the in lieu of home exemption; and

- allowing low-income renters who are required to pay the real property tax directly to receive the credit.

The current credit application process includes the completion of a three-page form along with submission of copies of the applicant's income tax return (or bank statements if no tax return is filed), applicable schedules and various other documents. If the applicant files an income tax return, a tax *return* transcript is required. Tax return transcripts may not include changes made after the original return was filed, and they provide no additional information beyond what is required in the tax return schedules and documents that are required to be submitted with the application. In addition, the IRS provides tax *account* transcripts as well as tax *return* transcripts, and taxpayers are often confused which form is required and may submit incorrect documents, adding to staff time required to process applications. **Consideration should therefore be given to removing the tax return transcript from the list of required documents**.

<u>Tax Compromises</u>

Nonprofit organizations are allowed to request tax compromises when a property or portion thereof is eligible for exemption from real property taxes but does not qualify for the exemption solely because no timely application for exemption is filed. Note that no other group of real property tax payer is afforded this option. Under resolution 11-259, compromises for property tax claims by nonprofit organizations in excess of $500 are required to be approved by city council. The Department of Budget and Fiscal Services

recently reported to the council that 34 compromises were approved over the last five years. The total decrease in taxes was $1,320,677.61.

The tax compromise process, i.e., communications to city council, budget meetings, council hearings and management of related paperwork, uses city resources beyond what would be necessary if organizations had met the required deadline. While Chair Kalapa told commissioners that in some cases the nonprofit is unable to apply for exemption in a timely manner because of holdups by city departments, e.g., lack of timely approval for a permit, other organizations miss the deadline because they are unaware of it or for other reasons.

In previous testimony to the council, I **suggested the city enlist the help of various organizations (HANO aka the Hawaii Alliance of Nonprofit Organizations, the Hawaii Society of Certified Professional Accountants, Hawaii Association of Independent Schools and Hawaii Association of Public Accountants) to remind nonprofits about the requirements and due dates for applying for exemption.** These reminders would result in fewer requests for compromise. During the discussion of tax compromises in a commission meeting, Lisa Maruyama offered to provide HANO's members with this information.

In addition to requesting help from organizations that work with nonprofit organizations to educate them about the exemption application process, **consideration should be given to modifying the requirements for obtaining a compromise to include only those nonprofits that missed the deadline due to administrative holdups.**

Unanswered Questions

Commissioners were restricted as to the questions they could ask of the administration; therefore, the following questions were not answered by the administration and remain open.

1. 759 Ahukini is a single family home in Hawaii Kai and receives an exemption under ROH 8-10.20 (low-income rental housing). It is owned by the Hawaii Housing Finance & Dev. Corp. Is the low-income rental housing exemption allowed for single family homes?

2. 408 Beretania Street (part of Kukui Gardens) ~2.4 acre residential property was assessed at $19.5M. According to the Real Property Assessment Division's (RPAD) website, on 12/18/07 it sold for $71.7M. (There was another transfer on 1/31/11, but no sales price is listed.) Why is the assessed value so low? (This property has a low-income rental housing exemption.)

3. How much does it cost to process each "in lieu of" home exemption application – the same as the low-income credit?

4. How often are title transfer and death records compared to real property tax records and related exemptions and dedications? (Note commissioners were told the city just recently started receiving death records from the state after about eight years of lack of information from the state due to "privacy concerns." Additional details were not provided, however, due to time constraints.)

5. Who determines which exemption or dedication applies when there are two or more that an entity may qualify for (e.g., thrift shop vs. nonprofit)?

6. One testifier, Holly Huber, provided information on inconsistencies in real property tax data and complaints about possible misclassification of properties, erroneous exemptions and other errors. According to Ms. Huber, the city has not responded to her regarding these concerns. I find this especially troubling given that a representative from RPAD informed the commission that the city currently relies on self-reporting and complaints to determine when property owners no longer qualify for particular exemptions or dedications. In addition, while searching the city's RPAD website, I found the database awkward to use and also came across potential errors.

One more question came up just recently with respect to a property in Hawaii Kai. According to the city's RPAD website, the Hawaii Kai Memorial Park property at 390190440000 was sold for approximately $1.6 million in November 2010. In 2006, the property sold for over $11 million dollars. Since there are not many properties comparable to this one, how will the recent sale impact the assessed value? Are controls in place to review assessments so the city receives the revenue it is entitled to?

In addition, real property taxes for this property have not been paid for 2009, 2010 or 2011 according to the RPAD website. The total amount due with penalties and interest is approximately $56,000. While most purchasers of real estate will likely not accept a property with delinquent taxes due, it appears in this case that the back taxes were accepted by the new owner(s). In addition, according to the city's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011, over $19 million was due to the city for real property taxes at the end of the year. Given that the sale of real properties offers an opportunity to collect past-due taxes, **consideration should be given to a requirement that such taxes be paid prior to title transfer.**

<u>Clarification and Additional Information Related to the Preliminary Report</u>

One of the recommendations made by the commission is to partially tax nonprofit organizations. Discussions regarding nonprofit organizations included consideration of the taxes that would be due if 90% of the property were exempt, rather than the current 100%. The administration provided the commission with examples of several nonprofit organizations as well as a summary of the impact on the various categories of nonprofit organizations under this scenario. It should be noted that small organizations, such as

the Hawaii Aiki Kwai club would continue to pay $300 using current rates even if the exemption were lowered to 90%. I have included these schedules for your reference.

Another recommendation made by the commission is consideration of the removal of the exemption for credit unions. While credit unions are a type of nonprofit organization recognized by the federal government, they offer the same services as banks and are often quite profitable. The commission's discussion regarding credit unions included the services offered and consideration of the amount of net income these organizations have made over the past eight and a half years. I have therefore attached the schedule of net income of credit unions in Hawaii that the commission considered.

The term "multiple home exemption" referred to on page 15 of the preliminary report deserves clarification. This terminology was first used when the homeowners' exemption increased by certain multiple amounts from the base exemption at the time. The current multiple home exemption consists of the $80,000 base plus an additional $40,000 granted when the homeowner reaches age 65 on or before the June 30th preceding the tax year for which the exemption is claimed.

Final Comments

I have learned a lot by participating in this commission and appreciate the opportunity to provide these comments to you. I look forward to the council's discussion of the final report, any additional public comments (hopefully unedited) and testimony regarding the recommendations in the report.

Source: National Credit Union Administration, ncua.gov Credit Unions in Hawaii Amounts are in Thousands Bold, larger font = testimony received		CU:SO57 Net Income (Loss) JUN11	CU:SO57 Net Income (Loss) DEC10	CU:SO57 Net Income (Loss) DEC09	CU:SO57 Net Income (Loss) DEC08	CU:SO57 Net Income (Loss) DEC07	CU:SO57 Net Income (Loss) DEC06	CU:SO57 Net Income (Loss) DEC05	CU:SO57 Net Income (Loss) DEC04	CU:SO57 Net Income (Loss) DEC03
7597	Aloha	34	(450)	103	(184)	248	148	210	146	159
1845	**Aloha Pacific**	**1,755**	**1,526**	**4,393**	**1,691**	**1,917**	**2,690**	**3,331**	**7,340**	**4,171**
1607	**Big Island**	**165**	**137**	**(577)**	**439**	**565**	**548**	**700**	**656**	**343**
2638	Board of Water Supply Federal Credit Union	38	62	198	133	211	205	129	80	73
24630	CU Hawaii	980	566	1,947	685	1,652	1,163	926	2,770	3,211
2614	Dole Wahiawa Federal Credit Union	16	13	(21)	(10)	3	7	6	18	15
1987	Ewa	34	90	195	146	81	137	49	94	179
2223	First Hawaiian Homes Federal Credit Union	3	163	93	19	7	20	10	5	3
24796	Garden Island	58	152	101	478	1,174	N/A	N/A	N/A	N/A
12613	Glover Federal Credit Union	6	25	1	16	48	(11)	(5)	-	1
14303	H M S A Employees Federal Credit Union	54	99	482	368	239	149	78	363	502
2280	Hamakua Coast Community Federal Credit Union	11	5	(12)	48	56	66	79	88	60
24839	**Hawaii Central**	**418**	**503**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
1719	Hawaii Community Federal Credit Union	(3,163)	1,090	3,681	5	1,520	1,331	3,235	3,071	3,598
1784	Hawaii County Employees Federal Credit Union	233	308	702	702	925	800	691	513	643
2403	**Hawaii Federal Credit Union**	**(135)**	**(114)**	**(322)**	**241**	**294**	**186**	**137**	**3**	**477**
10938	Hawaii First	(319)	(320)	195	42	340	520	517	179	110
1870	**Hawaii Law Enforcement**	**(592)**	**(626)**	**1,682**	**1,335**	**1,273**	**1,062**	**901**	**691**	**1,006**
13158	Hawaii National Guard Federal Credit Union	(6)	(25)	(33)	169	209	264	250	161	126
4676	Hawaii Pacific Federal Credit Union	34	53	751	(102)	179	269	364	361	230
1785	**Hawaii Schools Federal Credit Union**	**9**	**1**	**350**	**48**	**318**	**(486)**	**68**	**(183)**	**(15)**
1718	**Hawaii State Employees Federal Credit Union**	**2,453**	**3,694**	**12,214**	**10,375**	**5,366**	**6,157**	**8,613**	**8,146**	**8,409**
2941	Hawaii Stevedores/Castle Federal Credit Union	9	(170)	(167)	(38)	(19)	(26)	1	2	(16)
5927	Hawaiian Airlines Federal Credit Union	(14)	(129)	(236)	29	(59)	4	1	4	12
1869	Hawaiian Electric Employees Federal Credit Union	(17)	(11)	434	356	401	267	257	172	283
1717	**Hawaiian Tel Employees Federal Credit Union**	**1,762**	**4,310**	**4,888**	**4,402**	**4,266**	**3,336**	**2,692**	**2,306**	**1,779**
1815	**HawaiiUSA**	**7,749**	**6,122**	**8,699**	**4,383**	**11,275**	**11,385**	**11,583**	**7,957**	**6,150**
2705	Helco Federal Credit Union	46	190	179	258	356	388	409	425	367
1829	HFS	1,376	2,139	827	3,236	3,623	2,886	2,015	2,924	2,924
1733	**Hickam Federal Credit Union**	**1,288**	**233**	**3,544**	**1,861**	**2,488**	**3,426**	**1,537**	**3,302**	**(4,137)**
7594	Honea Federal Credit Union	36	12	147	26	39	51	83	130	155
1830	Honolulu	655	41	(3,115)	(50)	484	375	1,440	1,728	1,640
1880	Honolulu Fire Department Federal Credit Union	83	46	416	296	389	534	262	204	308
9115	Hotel & Travel Industry Federal Credit Union	(9)	50	284	108	123	142	147	68	135
5628	Independent Employers Group	(56)	(37)	88	(54)	48	47	25	34	47
1947	Island Tradition	1	(7)	(13)	5	18	12	5	6	3
2860	Ka'U	(176)	(199)	(59)	(1)	28	64	93	23	30
2275	Kahuku Federal Credit Union	18	44	18	17	(21)	25	39	25	14
10399	Kahului Federal Credit Union	90	48	279	401	505	499	365	311	424
11553	Kamehameha Federal Credit Union	(39)	69	(14)	274	436	378	271	181	231
7029	Kapalama Pacific	(94)	(212)	(46)	6	23	6	5	(30)	17
9381	Kauai Community Federal Credit Union	(216)	138	(2,779)	793	877	1,733	1,751	1,468	2,091
5487	Kauai Government Employees Federal Credit Union	355	139	67	232	220	232	152	134	214
2577	Kauai Teachers Federal Credit Union	16	(85)	26	27	110	171	323	135	271

Source: National Credit Union Administration, ncua.gov
Credit Unions in Hawaii

Amounts are in Thousands
Bold, larger font = testimony received

		CU:SO57 Net Income (Loss) JUN11	CU:SO57 Net Income (Loss) DEC10	CU:SO57 Net Income (Loss) DEC09	CU:SO57 Net Income (Loss) DEC08	CU:SO57 Net Income (Loss) DEC07	CU:SO57 Net Income (Loss) DEC06	CU:SO57 Net Income (Loss) DEC05	CU:SO57 Net Income (Loss) DEC04	CU:SO57 Net Income (Loss) DEC03
10070	Kaumakani Federal Credit Union	(54)	(104)	(179)	(24)	4	(4)	23	11	60
2578	Kekaha Federal Credit Union	(59)	(144)	(53)	(99)	131	32	44	(41)	37
2576	Koloa Federal Credit Union	(86)	(230)	(57)	43	51	36	34	140	130
11494	Kuakini Medical & Dental	61	118	35	260	423	316	234	121	92
9285	Kula Community	55	1	179	160	532	717	400	254	193
2575	Kulia Ohana	(477)	(57)	(93)	(10)	10	12	-	13	35
3644	Kunia	(467)	(298)	265	(23)	1	10	55	167	169
2953	Lanai Federal Credit Union	53	80	5	15	45	43	151	110	136
11332	Leahi Federal Credit Union	2	(13)	(38)	(34)	(4)	(2)	-	(13)	26
10882	Local Union 1186 IBEW	(11)	(69)	(98)	29	136	119	84	9	(2)
2562	Maui	24	63	496	271	710	841	420	266	321
1866	Maui County Federal Credit Union	458	464	3,798	2,805	2,923	1,800	1,936	1,481	1,961
1817	Maui Teachers Federal Credit Union	113	87	317	117	279	279	327	358	289
2713	McBryde Federal Credit Union	599	975	830	1,060	835	618	870	866	869
17989	McCabe Hamilton & Renny Federal Credit Union	25	-	(111)	50	50	67	34	66	103
8186	Meadow Gold Dairies Federal Credit Union	(21)	(51)	27	-	-	-	(10)	-	-
7471	Molokai Community Federal Credit Union	(166)	(168)	268	319	13	208	30	46	108
7521	NAVFAC	(114)	(145)	(391)	13	138	122	87	76	144
10349	North Hawaii Community Federal Credit Union	17	(356)	(270)	(74)	3	149	129	91	167
24830	Oahu	4	6	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1959	Odavies Federal Credit Union	(35)	(325)	(104)	(89)	41	17	45	(69)	39
3050	Onomea Federal Credit Union	(81)	(191)	98	(137)	72	92	87	8	81
6663	Oral Federal Credit Union	(20)	(42)	-	1	1	1	1	3	3
1868	OTS Employees Federal Credit Union	21	40	13	(234)	93	12	9	(13)	126
5368	Pacific Island Energy	(42)	(107)	(106)	14	65	57	48	30	22
1961	**Pearl Harbor Federal Credit Union**	**(272)**	**(753)**	**870**	**4**	**1,877**	**1,473**	**1,014**	**1,643**	**2,032**
24284	Plumbers & Fitters Local 675	(15)	2	(17)	15	35	(5)	3	8	43
20187	Prince Kuhio	(14)	(32)	31	(46)	15	19	36	9	64
5099	**Queen's Federal Credit Union**	**41**	**82**	**63**	**168**	**326**	**459**	**428**	**231**	**176**
7423	Schofield Federal Credit Union	301	584	560	433	253	286	181	233	331
13001	Sheraton Hawaii Federal Credit Union	(5)	(49)	(125)	23	41	25	52	144	174
9719	St Francis Medical Center Federal Credit Union	36	65	(136)	47	77	100	125	112	99
12720	Times Federal Credit Union	(53)	(67)	(83)	30	22	34	58	29	84
10465	**University of Hawaii Federal Credit Union**	**1,989**	**3,662**	**5,991**	**4,797**	**3,014**	**2,442**	**2,637**	**1,836**	**1,932**
3574	Valley Isle Community	(61)	14	686	595	817	875	586	328	334
2049	Waialua Federal Credit Union	93	103	96	241	348	228	184	123	184
9924	Wailuku Federal Credit Union	185	403	412	231	198	196	171	196	241
2563	West Maui Community Federal Credit Union	47	32	259	203	310	276	353	269	341
5978	West Oahu Community Federal Credit Union	(37)	77	406	254	394	160	596	154	537
8435	**Windward Community**	**298**	**441**	**913**	**439**	**102**	**358**	**463**	**375**	**455**

Non-Profit Exemption

Tax Rate: $3.50

					Current	Land & Bldg 90% Exempt			Land 90% EX & Bldg 100% EX				
Non-Profit Corp	TOTAL AREA (sf)	2011 Land	2011 Bldg	2011 ASSESSED VALUE	Minimum TOTAL TAX	10% TAXABLE VALUE	10% TOTAL TAX	90% EX Rev Incr	10% Land Taxable	10%Land Total Tax	90%Land Rev Incr	TMK COUNT	TMK
ST FRANCIS HOSPITAL	51,036	3,003,600	778,500	3,782,100	600	378,210	1,324	724	300,360	1,051	451	2	180180080000; 220440350000
	6,932	575,700	523,600	1,099,300	300	109,930	385	85	57,570	300	0	1	180180040000
	78,582	1,807,400	0	1,807,400	300	180,740	633	333	180,740	633	333	1	910170900000
Total	**136,550**	**5,386,700**	**1,302,100**	**6,688,800**	**1,200**	**668,880**	**2,341**	**1,141**	**538,670**	**1,984**	**784**	**4**	
KAMEHAMEHA SCHOOL	13,977	44,163,200	101,643,200	145,806,400	**300**	14,580,640	51,032	50,732	4,416,320	15,457	15,157	1	160220010000
HAWAII AIKI KWAI (Aikido club)	8,824	587,300	173,800	761,100	300	76,110	300	0	58,730	300	0	1	330020260000
HALE WAI VISTA LOW-MOD HOUSING	**0**	**10,000,000**	**828,800**	**10,828,800**	**300**	1,082,880	3,790	3,490	1,000,000	3,500	3,200	1	860010350001

NonProfit Exemptions	Number	Exemption Amt	100% EXEMPT Tax Benefit	90% EXEMPT Tax Benefit	Tax Revenue Increase
Non-Profit Organizations	650	$1,633,639,000	$13,272,000	$11,944,800	$1,327,200
Non-Profit Child Care Center	3	5,943,000	74,000	$66,600	$7,400
Churches	861	1,700,820,000	9,468,000	$8,521,200	$946,800
Cemeteries	43	38,226,000	160,000	$144,000	$16,000
Schools	146	629,144,000	2,920,000	$2,628,000	$292,000
Miscellaneous	6	5,692,000	25,000	$22,500	$2,500
Total NonProfit EX	**1,709**	**$4,013,464,000**	**$25,919,000**	**$23,327,100**	**$2,591,900**

Hawaiian Homes Land 7 yr Ex	Number	Exemption Amt	100% EXEMPT Tax Benefit	90% EXEMPT Tax Benefit	Tax Revenue Increase
Tax Rate = $3.50	**329**	**$171,983,000**	**$598,000**	**$538,200**	**$59,800**

Kuleana Lands	Number	Exemption Amt	100% EXEMPT Tax Benefit	90% EXEMPT Tax Benefit	Tax Revenue Increase
Tax Rate = $3.50	**37**	**$23,775,000**	**$91,000**	**$81,900**	**$9,100**

Historic Residential	Number	Exemption Amt	100% EXEMPT Tax Benefit	90% EXEMPT Tax Benefit	Tax Revenue Increase
Tax Rate = $3.50	**255**	**$282,947,000**	**$990,000**	**$891,000**	**$99,000**

From: laurakaakua@gmail.com on behalf of Laura H. E. Ka`akua [laura.kaakua@tpl.org]
Sent: Monday, January 09, 2012 4:47 PM
To: CCLBC
Cc: Lea Hong
Subject: Testimony re: Real Property Tax Exemption for Nonprofit Organizations
Attachments: TPL Testimony In Opposition To Repeal of Real Property Tax Exemption for Nonprofits.pdf

Aloha,
The attached letter is in response to the Preliminary Report of the Real Property Tax Advisory Commission, December 2011, submitted to the City Council. My attached testimony on behalf of The Trust for Public Land opposes the Commission's recommendation that nonprofit organizations should pay real property taxes.

Mahalo,
Laura Kaakua

--
Laura Hōkūnani Edmunds Ka‘akua
Native Lands Project Manager
The Trust for Public Land, Hawaiian Islands Program
Union Plaza, Suite 202
1136 Union Mall
Honolulu, Hawai‘i 96813
T. (808) 524-8562
M. (808) 561-8800
F. (808) 524-8565
Email: laura.kaakua@tpl.org
www.tpl.org/hawaii - Conserving Land *for* People

THE TRUST *for* PUBLIC LAND

CONSERVING LAND FOR PEOPLE

January 9, 2012

Chair Ernest Y. Martin and City Councilmembers
530 S. King Street, Room 202
Honolulu, Hawaii 96813

Aloha Chair Martin and Members of the City Council:

I am writing on behalf of The Trust for Public Land to oppose the proposal by the Real Property Tax Advisory Commission regarding the elimination of the real property tax exemption for charitable nonprofit organizations.

The Trust for Public Land (TPL) is a national, non-profit 501(c)(3) land conservation organization that conserves land for people to enjoy as parks, gardens, and other natural places, ensuring livable communities for generations to come. TPL assists communities in achieving their park and open space conservation goals through conservation finance and conservation real estate services. Since TPL's first conservation project in Hawai‘i in 1979, TPL has completed 24 projects on all five of the main Hawaiian islands, thus protecting 40,222.645 acres. Recently completed projects on O‘ahu have included MA‘O Farms, Sunset Ranch, Honouliuli Preserve, Pūpūkea-Paumalū, Moanalua Valley, and Waimea Valley.

TPL partners with government agencies and other nonprofit 501(c)(3) organizations to acquire land for conservation, cultural preservation, parks, and agriculture. The Trust for Public Land facilitates the land transaction, takes title to the protected land for a short period of time, and then transfers the land to either a government agency or to a nonprofit 501(c)(3) organization. Lands held by our community nonprofit partners benefit all residents and visitors of O`ahu. Nonprofit 501(c)(3) organizations require tax exemption on real property because they provide necessary programs and services that the government sector is not willing or able to provide. The nonprofits that TPL partners with essentially take on the responsibilities of the parks and land departments of the state and county to protect and care for lands that are important to Hawai‘i's people.

The very limited resources of these nonprofits, often dependent on grants and philanthropy, should not be consumed by a requirement to pay real property taxes. Every penny received by these nonprofits is needed to restore and maintain the lands that they own so that the natural and cultural resources are protected and so that the public can benefit from the land. Donors to these charitable organizations will be less likely to donate if their donations are going to taxes rather than the protection and care of lands important to the donors. These organizations that are filling in the gaps in government services should receive greater charitable support, not less. To impose a real property tax on these nonprofit organizations dedicated to the care and protection of the important lands that they own would be shortsighted. Paying real property taxes on these lands

The Trust for Public Land Hawaiian Islands Program, 1136 Union Mall Suite 202
Honolulu, HI 96813 Ph: (808) 524-8562 Fax: (808) 524-8565 www.tpl.org/hawaii/

would directly decrease the nonprofits ability to care for and appropriately manage their lands for the public good, and could lead to the nonprofits losing their land or their IRS tax-exempt status. The repeal of the real property tax exemption would also greatly discourage nonprofits from taking on the already large responsibility of owning and managing conservation land for the public's benefit. If there is an opportunity to conserve a property that is important to the people of Oʻahu, and the government is not willing or able to take on the responsibility of owning the property, nonprofits should be encouraged to take on that kuleana - not discouraged through a burdensome real property tax.

TPL is currently working on five conservation projects that were recommended for funding by the County's Clean Water and Natural Lands Commission: Turtle Bay Mauka Agricultural Lands, Galbraith Estate/Lands of Līhuʻe, Fong Plantation, Kahuku Mauka Agricultural Lands, and Hāwea Heiau Complex and Keawāwa Wetland. The Kahuku Mauka Agricultural Lands is poised to be owned by the nonprofit The North Shore Community Land Trust, and Hāwea Heiau Complex and Keawāwa Wetland is poised to be owned by the nonprofit Livable Hawaiʻi Kai Hui. Both nonprofits will own these lands for the benefit of the public.

On the Kahuku Mauka Agricultural Lands, The North Shore Community Land Trust will provide local (often organic) farmers with reasonably priced land and certified facilities to increase the locally grown produce available to Oʻahu consumers, and will maintain the rural environment of the North Shore and its scenic undeveloped viewplane. At Hāwea Heiau Complex and Keawāwa Wetland, Livable Hawaiʻi Kai Hui will restore the wetland and upland areas to a native Hawaiian landscape, improve and expand wetland habitat for the endangered ʻalae ʻula (Hawaiian Moorhen) and the other native wetland species, care for Hāwea Heiau Complex in a culturally appropriate manner, and invite the public to experience and learn about the area. For both organizations that TPL has partnered with, a repeal of the real property tax exemption for nonprofit organizations would fundamentally undermine their availability to deliver on their charitable, and very important, missions.

Although TPL usually does not hold property for a significant period of time, it is sometimes necessary for TPL take title to secure a property from development, and to hold title until such time as our government or nonprofit partner can take ownership. If TPL were burdened with paying real property taxes for the period when we own the property, it could discourage TPL from serving as a bridge owner on very worthwhile conservation projects that benefit everybody in the City and County of Honolulu.

Mahalo,

Laura Kaakua
Native Lands Project Manager
The Trust for Public Land, Hawaiian Islands Program

From: Figueira, Laura
Sent:
To:
Subject: FW: OHA Comment on Real Property Tax Advisory Commission Report and Proposal

Attachments: OHA Comment on Real Property Tax Advisory Commission Report and Proposal.pdf

OHA Comment on Real Property T...

From: Martin, Ernie
Sent: Monday, January 09, 2012 6:37 PM
To: Figueira, Laura
Subject: FW: OHA Comment on Real Property Tax Advisory Commission Report and Proposal

ERNEST Y. MARTIN
Member
Honolulu City Council - District 2

From: Kamaile Maldonado [kamailem@oha.org]
Sent: Monday, January 09, 2012 4:50 PM
To: Martin, Ernie
Cc: Berg, Tom; Anderson, Ikaika; Office of Councilmember Stanley Chang; Kobayashi, Ann; Gabbard, Tulsi; Cachola, Romy; Harimoto, Breene; Garcia, Nestor
Subject: OHA Comment on Real Property Tax Advisory Commission Report and Proposal

Aloha Councilman Martin,

Attached please find the Office of Hawaiian Affairs' comment on the Preliminary Report of the Real Property Tax Advisory Commission and its proposal to eliminate real property tax exemptions. Should you have any questions regarding this important matter, please feel free to contact me. Thank you very much for your attention to this important matter.

Mahalo,

Kamaile M. Maldonado
Public Policy Advocate
Public Policy | Office of Hawaiian Affairs
711 Kapi`olani Blvd., Suite 500 | Honolulu, HI 96813
•: (808) 594-1945 7: (808) 594-1865 •:
kamailem@oha.org<mailto:kamailem@oha.org>

PHONE (808) 594-1888

FAX (808) 594-1865

STATE OF HAWAI'I
OFFICE OF HAWAIIAN AFFAIRS
711 KAPI'OLANI BOULEVARD, SUITE 500
HONOLULU, HAWAI'I 96813

January 9, 2012

The Honorable Ernest Y. Martin
Council Chair
Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawai'i 96813

Re: Proposal to Eliminate Real Property Tax Exemption for Kuleana Land

Aloha e Councilman Martin,

The Office of Hawaiian Affairs would like to express its strong opposition to the proposed elimination of the real property tax exemption for Kuleana lands described in the December 2011 Real Property Tax Advisory Report. For over one hundred years, the Hawaiian people have suffered the continual loss of traditional family Kuleana. As a result, very few Hawaiian families live on Kuleana lands today. In 2007, the Honolulu City Council established a real property tax exemption for these few remaining Kuleana owners in order to give them the best opportunity to retain the lands that were granted to their ancestors. For many Kuleana owners, the Council's exemption is critical to their financial ability to retain these lands.

As you know, the Kuleana exemption does not significantly impact Honolulu's tax revenues. In Fiscal Year 2011-12, the Kuleana exemption amount represented only .0005 of Honolulu's total exemption amount. Given this, eliminating the Kuleana exemption is unlikely to benefit Honolulu in any meaningful way. On the other hand, eliminating the exemption could have devastating effects on the ability of the few remaining Kuleana owners to retain their lands.

In light of these considerations, the Office of Hawaiian Affairs urges the City Council to retain the Kuleana property tax exemption, thereby allowing Kuleana owners to preserve and maintain these culturally significant lands as they have continuously done for over 150 years.

Thank you for this opportunity to provide comment on this important issue. Should you have any questions, please have your staff contact Kamaile Maldonado at 594-1945 or via email at kamailem@oha.org.

'O wau iho nō,

Richard Pezzulo
Interim Chief Executive Officer

RP: km

c: Members, Honolulu City Council

From: Figueira, Laura
Sent:
To:
Subject: FW: Real Property Tax Advisory Commission Report

From: Martin, Ernie
Sent: Monday, January 09, 2012 8:08 PM
To: Figueira, Laura
Subject: FW: Real Property Tax Advisory Commission Report

ERNEST Y. MARTIN
Member
Honolulu City Council - District 2

From: Paul W. Meyer [pwmeyer1@prodigy.net]
Sent: Monday, January 09, 2012 7:12 PM
To: Martin, Ernie
Cc: Berg, Tom; Anderson, Ikaika; Office of Councilmember Stanley Chang; Kobayashi, Ann; Gabbard, Tulsi; Cachola, Romy; Harimoto, Breene; Garcia, Nestor
Subject: Real Property Tax Advisory Commission Report

The Honorable Ernest Y. Martin
Chair, Honolulu City Council
emartin@honolulu.gov

Dear Council Chair Martin,

RE: Comments on the Real Property Tax Advisory Commission Report

On behalf of myself and my family, we submit the following comments opposing the elimination of the real property tax exemption for kuleana lands as proposed in the Real Property Tax Advisory Report. Thank you for the opportunity to provide public comment.

My family has been in possession of this land since 1834, over these years my cousins and I retain only 3 parcels of the 7 that was partitioned in the late 1920's by my grandmother, Sarah Miala Meyer. It has been a struggle financially and culturally to maintain and preserve these lands which are significant to us as lineal descendants.

My family urges the City Council to retain the kuleana tax exemption as the benefits, financial and culturally to all families who have continuously held and used these lands from the onset of the Mahele.

Paul W. Meyer

From: Ribellia, Kimberly
Sent:
To:
Subject: FW: Zoning and Planning Committee Testimony

Attachments: Thomas Law Review Francis A Boyle.pdf

Thomas Law Review Francis A B..

Please include as part of the testimony for the RPT Commission.

Kim

From: Tsuneyoshi, Heidi
Sent: Tuesday, January 10, 2012 11:23 AM
To: Ribellia, Kimberly
Subject: FW: Zoning and Planning Committee Testimony

Here is the testimony for the Kuleana property tax exemption

Mahalo,
Heidi Tsuneyoshi
Community Liaison
Council Chair Ernest Y. Martin
Council District II
Phone: 768-5039

From: Routh [mailto:Routh@2bolo.com]
Sent: Monday, January 09, 2012 4:40 PM
To: Tsuneyoshi, Heidi
Subject: FW: Zoning and Planning Committee Testimony

Aloha Heidi,

My testimony was kicked back, could you please forward my testimony to the proper office for processing and ask them to send me a confirmation that they put it on the record? Sorry to have to ask, it just won't go through.

Routh Bolomet

From: Routh [mailto:Routh@2bolo.com]
Sent: Monday, January 09, 2012 4:27 PM
To: 'cnakazaki@honolulu.gov'
Cc: 'jtachibana@honolulu.gov'
Subject: Zoning and Planning Committee Testimony

Aloha Council Members.

I am writing to you today regarding the recommendation by the Real Property Tax office to get rid of the Kuleana Tax office. I oppose getting rid of the Kuleana Tax office for several reasons.

First and foremost, any kind of tax is illegal on Kuleana lands given to awardees by King Kamehameha III who promised all land taxes were paid in perpentuity by the konohiki's who gave up their lands.
The state of Hawaii recognizes the grandfather protection of the LCA's and Kuleana lands in land court. So if the city and county were to push the issue and the Kanaka should fight it in land court, then they will actually be costing the city and county more money then if they left everything as it is. Paying $300 is fair because it covers city services and that is why the Kanaka are not fighting it so far. Also if you look at the Thomas review which explains why it would be an illegal move to charge Kuleana's property taxes you might understand that doing so can open a whole can of worms. Those saying that it is preferential treatment to the Kanaka, the indigenous peoples of Hawaii, must be very careful, because for every so called preferential treatment given to the Kanaka, more is taken away and more are given to people who are not even residents of our islands. Furthermore there are plenty of preferential treatment given to veterans who fight the war, but what about us who are just fighting to feed our families. Everyday we fight an economic war kanaka or not. Churches, non-profits are other areas where preferential treatment is given. If you take away from the Kanaka Maoli, you need to take away from everyone across the board, otherwise it will be a discriminatory move, since the State of Hawaii Passed SB 1520 last summer recognizing Kanakas. Oh by the way, I do not get a Kuleana Tax break, but I know people who do and these are people that actually work the land and pass their savings on to us by selling ag products for less then they would otherwise be able to. In the end, more people will lose then the Kanaka Maoli, especially if there is a discriminatory lawsuit that comes out of this move, then all of us will be paying that legal bill and now we will even have less money in our coffers.

I understand that you need to raise funds to run the cities increased cost of doing business, therefore I propose instead of getting rid of the kuleana land tax which actually benefit a small number of Kuleana landowners, rather to investigate those who are abusing the veterans disability tax discount of which I have a neighbor who pays the low $100? Property tax rate who is supposedly disabled with a heart disease, however I watched him lift CMU blocks, drive a tractor and build his new house. I can't even lift a CMU block without getting a coronary, yet I pay my full tax! But again that is only one person, what I feel would be better is raising the excise tax by a ¼ percent. This will bring more money into the county then property taxes in the long run, because everybody has to contribute indiscriminately. If you can afford to buy more stuff, your contribution is higher, if you are on a fixed income and can't spend as much, you are less affected. ¼ % is insignificant on a personal level, but on a whole should bring in far more taxes to the city and county then raising kuleana homeowners taxes. We need to find solutions that will help people be able to get out from behind the 8 ball, raising property taxes on families already challenged financially will cause more people to seek city and state services. Please be forward thinking and get rid of this ridiculous, discriminatory property tax increase unless you are going to remove the tax and make Kuleana tax $0 on Oahu as it is on all the other

islands, then I support the change.

Mahalo,

Routh Bolomet

Volume 7
Summer 1995

ST. THOMAS LAW REVIEW

RESTORATION OF THE INDEPENDENT NATION STATE OF HAWAII UNDER INTERNATIONAL LAW

Francis Anthony Boyle

SYMPOSIUM

TRIBAL SOVEREIGNTY: BACK TO THE FUTURE?

Volume 7 Summer I995

RESTORATION OF THE INDEPENDENT
NATION STATE OF HAWAII UNDER
INTERNATIONAL LAW

Professor Francis Anthony Boyle

I understand that the Sovereignty Commission' is looking into models and examples, of where the native people of Hawaii can go in light of the state legislation that has been adopted, and also in light of the recent federal law that has just been signed into law by President Clinton.2 I have been asked to discuss one particular model for the future for Native Hawaiian people to consider. I was not invited here to go through all the possibilities that you might have. The model I discuss here is certainly not the only potential option for the people of Hawaii. It is not for me to tell Native Hawaiian people what to do. You, the native people of Hawaii, must decide for yourselves. But one thing I can do is to describe a particular vision of the future; how you might go about achieving it; what would be the consequences; and what would be the basis of authority for doing it, particularly in light of Public Law 103-150 signed by President Clinton.

When I read the Public Law for the first time, the first thought that occurred to me is that now, after 100 years, the United States government,
has finally and officially conceded, as a matter of United States law, that
Native Hawaiian people have the right to restore the independent nation state
that you had in 1893 when the United States government came and destroyed it. Also as a matter of international law, the Native Hawaiian people
have the right to now go out and certainly proclaim the restoration of that
state. I am not talking about the State of Hawaii as part of the United States
of America. Rather, I

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* An earlier version of the author's remarks was delivered to the Hawaiian Sovereignty Advisory Commission on December 28, 1993.
** A.B., 1971, IJniv. of Chicago; J.D. (M.C.L.), 1976; A.M., 1978; Ph.D., 1983, Harvard; Professor of Law, University of Illinois College of Law. I express gratitude to Bumpy Kanahele and the
members of the Ohana Council for sponsoring me during my stay in Hawaii.
1. See 1993 Haw. Sess. Laws 1009, 1011 (creating the Hawaiian Sovereignty Advisory Commission to advise the Legislature in carrying out the purposes of The Act Relating to Hawaiian
Sovereignty).
2. Overthrow of Hawaii Resolution, Pub. L No. 103-150, 1993
U.S.C.C.A.N. (107 Stat.) 1510.
3. Id

am talking about an independent state under international law, and ultimately
a member of the United Nations and other international organizations. There is a recent example that was pursued by the Palestinian People,
who in 1988 decided, of their own accord, to proclaim their own state.4 This
was a decision taken by the Palestinian People as a whole. It was subject to a
majority vote because there was not unanimous consent, but even those who

opposed it agreed to be bound by a majority vote. In 1988, the Palestinian people unilaterally proclaimed their own state in a Declaration of Independence. This unilateral Declaration of Independence eventually led to the recognition of the Palestinian state by 125 nation states in the world.5 You don't read about that much here in the United States because the United States government is one of the few governments in the world to oppose the Palestinian state. But almost all of Latin America, Africa, and Asia recognize the existence of the state of Palestine. Again, these are indigenous people, like Native Hawaiians, striving for their right of self-determination. Indeed the Palestinians have the amount of votes to be admitted to the United Nations organization as a sovereign independent nation state, yet it is the threat of a United States veto that has prevented the admission of the state into the United Nations organization.6 This however, has not prevented the vast majority of the states in the world from recognizing the existence of the Palestinian state. Even most of Europe would accord them formal de jure diplomatic recognition if not for the pressure brought to bear by the United States government. Therefore, many of the European states, which are the last holdouts, are today according them de facto recognition as an independent state. That is, they are treating the Palestinians as if they are an independent state, without formally coming out and announcing it. So, this is one model to consider that I will discuss. Not that the plight of the Palestinians are on all fours with Native Hawaiians, but there too, you

have a situation of massive violations of fundamental human rights and people
living under a regime of military occupation. In their case, for the last fortyfive
years; in your case, for the last one hundred years. So I will discuss some
of the parallels with that process

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4. See John Quigley, paleYtinets Declaration Of Independence: Self-Determination And The Right
of The Palestinians to Statehood, 7 B.U. INT'L. L.J. I (1989).
5. Id.
6. See. e.g,, Ved Nanda et al., Self Determination: The Case of Palestine, 82 AM.
SOC'Y INT' L. L. PROC. 334, 344 (1988).

and what could be the Native Hawaiian process in the event that you were to
decide to move in that direction.
I am not here to survey all the possibilities you might have, but I am
prepared to comment on them. There are other things you could consider
such as autonomy, returning to Article 73 status at the United Nations,7 and
semi-sovereignty. There are various different types of status. But from my
perspective, this is the route that other people in your situation have chosen
to go. There is ample authority and precedent under international law for the
Native Hawaiians to decide to move in that direction.
I begin by asking, how can this be done, how can you do it? What I am
suggesting is that instead of asking the permission of the United States
Congress to declare independence, you exercise your right of selfdetermination
that has been afforded to you by the United Nations Charter,
which states that, "[t]he purposes of the United Nations are to develop
friendly relations among nations based on respect for the principle of equal

rights and self-determination of peoples, and to take other appropriate
measures to strengthen universal peace."8
In contemplating this, there are four characteristics, or requirements, to
consider in the creation of an independent state.9 I submit— as I will point
out as I go through the analysis—that the Native Hawaiian people, Kanaka
Maoli, have all the requirements you need to go ahead and do this if this is
your choice. This is your decision.
The first requirement is that of a fixed territory. Clearly we have the
Hawaiian Archipelago. Second is a population, a distinguishable population of
people. The Native Hawaiians are such a distinguishable population who
would trace their ancestry back before the appearance of Europeans on these
lands. Third, there must be a government. Here you have your communal
structures, the kupunas—Kekune Blaisdell, my friend—and the kupuna
council, that you have traditionally had. You do not need a government along
the lines of the federal government of the United States or the State of
Hawaii to have a government. Rather, what you need is a way to organize
your people to govern

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7. U.N. CHARTER art. 73 ("Members of the United Nations which have or assume responsibilities for the administration of territories whose peoples have not yet attained a full measure of
self-government recognize the principle that the interests of the inhabitants of these territories are paramount . . . ").
8. U.N. CHARTER art. I, 11 2.
9. See Convention on Rights and Duties of States adopted by the Seventh International Conference of
American States, Dec. 26, 1933, 165 L.N.T.S. 19, 25 (listing the requirements for an independent state).

your relations with each other, and clearly you have that. The fourth requirement is the capacity to enter into international relations, to deal with other states, and to keep your commitments. As I understand it, there are already states in the Western Pacific region that support the Native Hawaiian people, and would probably be prepared to give you diplomatic recognition as an independent state, if this is your desire. I also suspect, like the Palestinians, there would be a large number of states—certainly in the Third World, that have come out of a colonial situation, in Latin America, Africa, and Asia — that would also be prepared to recognize you as an independent state and enter into diplomatic relations with you. Whether you would someday be allowed into the United Nations, of course, would depend on the U.S. veto. But the U.S. veto does not go on forever. Eventually the United States lifted its veto on the admission of Vietnam to the United Nations, despite the enormous hostility towards the people of Vietnam. Vietnam then became a member nation of the United Nations organization.10

So, that being said as preliminary, introductory remarks, I would like to go through the Public Law on a line-by-line basis and provide my analysis of it. Indeed, I would encourage all of you, as Native Hawaiians, to study this. It makes it very clear what happened to you. This is now officially recognized as a matter of United States domestic law. You should be able to take this law, any time you are in court, and show it to the judge and the jury, and say, "this is the law; this is what has happened to me and my people and I am

basing my conduct, whatever I am doing, on the basis of this law. It cannot
be denied any more." As a litigator before the International Court of Justice, I
would be able to take this law to the World Court and say, "the United States
government has now officially conceded that it illegally invaded and occupied
the Kingdom of Hawaii. For this reason, the native people of Hawaii would
be entitled to a restoration of their independent status as a sovereign nation
state, to go back to what they were before the U.S. invasion, to undo the
damage that had been done."
This law is styled as an apology, and one might say that yes, an
apology is certainly here and it is long overdue. But it is not enough. When a
government commits a severe violation of international law, as happened
here, it should not simply apologize and then walk away. Damages are
required, reparations, and in extraordinary circumstances,

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10. Assemh/y Opens Nev Session: Admission of Djbouti, Vietnam, UN MONTHLY CHRON., Oct. 1977, at 5, 6.

restitution, that is, to return the situation to what it was before the violation.[11]
This is especially true when you have a treaty violation. In the case of
the Kingdom of Hawaii, there were three treaties on point, in law, with the
United States government that were violated by means of the invasion. This
violated international law at the time, the basic principle- - pacta sunt servanda
- treaties must be obeyed.[12] It even violated the terms of the United States
Constitution at that time.[13] Treaties were the "supreme law of the land," and

the invasion and annexation of Hawaii not only violated international law, but
the United States Constitution itself.
It's clear then, that the United States admitted in the law that they overthrew the Kingdom of Hawaii.[14] There is no question or doubt that this
was a clearly illegal act, under the standards of international law in existence
at that time.
An apology is certainly a start, but now we really have to deal with the consequences. What are the implications of this apology, of this law? That is
the topic of which I address here. Indeed, the implications, I submit, are what
you, the Hawaiian people, make of this. It is for you to decide the implications, not the Congress, not the State of Hawaii government, but
rather the Hawaiian people, pursuant to your right of self-determination. What
will be the implications of this, as you see it? What do you want?
In a meeting with Judge Nakea,[15] where I spoke on behalf of the Graces,[16] the judge said, "well, yes, but in the United States law, the

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11. Case concerning The Factory at Chorzow, 1928 P.C.I.J. (ser. A) No. 17, at I (Sept. 13).
12. Vienna Convention on the Law of Treaties, May 23, 1969, art. 26, 1155 U.N.T.S. 331.
13. See U.S. CONSr. art. VI, cl. 2 ("all Treaties . . . shall be The Supreme Law of the Land").
14. Overthrow of Hawaii Resolution, Pub. L. No. 103- 150, 1993 U.S.C.C.A.N. (107 Stat.) 1510, 1512 ("Whereas it is proper and timely for the Congress . . . to acknowledge the historic significance
of the illegal overthrow").
15. The Honorable Clifford L. Nakea serves in the 5th Judicial Circuit of the State of Hawaii, District Court.
16. Michael Grace and Sondra Field huilt a house in the Anahola Beach Park on the island of Kauai. When ordered to vacate the park by the Hawaiian Homes Commission, they refused, were arrested
and then convicted in the Hawaii state courts for trespassing. Their dwelling was destroyed. Grace and Field
argued that they had title to the occupied property based on their status as citizens of the independent Nation
of Hawaii. The federal courts, to whom the Graces had turned arguing a denial of due process, refused to
acknowledge their property claim. For a full accounting of the case see Grace v. Drake, 832 F.Supp.
1399(D.

United States government has always been able to extinguish the right of
native peoples, and the Supreme Court has seen nothing wrong with that." I
replied that, "well, that might be the case with respect to Native Americans
living in the United States, but here in Hawaii you're in a very different
situation. You had these three treaties, one of which was a treaty of
friendship, commerce, and navigation,[17] that established good relations
between two sovereign states, and they violated that, too."
This issue, a treaty of this nature, came up most recently in the World
Court in the Nicaragua case,[18] when the World Court condemned the United
States government for violating a treaty of friendship, commerce, and
navigation by mining the harbors in Nicaragua. Certainly the World Court
can do the same thing—condemn the United States—for overthrowing a
monarch and for overthrowing and destroying an entire sovereign nation
state.
Here you have the Congress of the United States of America admitting
that in one of its own laws. That is very clear, this admission, what we
lawyers call an "admission against interest." Congress has admitted what the
United States did and it has opened this Pandora's Box. How should this be
remedied? Again, the one point to keep in mind here is that it is now for the
Hawaiian people to decide the appropriate remedy, not the Congress. The
United States government is the criminal. The government admitted what it
has done now, for the last 100 years - and that the American presence, then,
in Hawaii, for the last 100 years has been nothing more than an illegal,
colonial, military occupation regime.

In reading the Public Law it is important to remember the so called "whereas" clauses. These clauses are official findings of fact and law by the
United States Congress. These findings bind all state and federal courts here
in Hawaii. I was pointing this out this afternoon to Judge Nakea with respect
to the case of Mike and Sondra Grace, that the court and judges are bound
by these findings of fact. They can no longer be contested or denied. The
United States is stuck with them.

Haw. 1991), aff'd, 1993 U.S. App. LEXIS 24968 (9th Cir. 1993).
17. Treaty of Friendship, Commerce, and Navigation, Dec. 20, 1849, U.S.-Haw., 103 Consol. T.S. 391. "The cession of the Hawaiian Islands to the United States having been accepted by the resolution
approved by the President, July 7, 1898 (30 Stat. 75), the treaties with that country terminated upon the
formation of the government for the Islands." WILLIAM MALLOY, TREArIEs, CONVENTIONS, INTERNArioNAL AcTs, PROTOCOLS AND AaREEMENTs BETWEEN THE UNITED STArFS OF AMERICA AND OTHER POWERS 1776-1909 908 (1910).
18. Military & Paramilitary Activities (Nicar.v. U.S.), 1986 I.C.J. 4 (June 27).

The next sentence of this law reads: "Whereas, prior to the arrival of the first Europeans in 1778, the Native Hawaiian people lived in a highly
organized, self-sufficient, subsistent social system? based on communal land
tenure, with a sophisticated language, culture, and religion."[19] That concedes
that Native Hawaiians, at that time and as of today, still have one requirement
for an international state, which I mentioned, a government. You have a
means to govern yourselves as a people. Congress has effectively conceded it
right there. It still is in existence today. This is a type, a system of government
that is historically separate and apart from the State of Hawaii or the United

States federal government. It is still there, and it still works today. I have seen
it in my visits with the Ohana Council - the people of Hawaii providing shelter, food, housing, education, dispute settlement procedures and mechanisms. The types of things that you did a hundred years ago, before the
U.S. invasion, to some extent you are still doing today. It would simply be a
matter of expanding those types of functions that you provide for your own
people.
In the case of Palestine, this involves building the state from the ground
up. The Palestinian People rejected participation, acquiescence, and collaboration with, Israeli military occupation forces. They proceeded to
provide to their own people, social services such as health, education, judges,
dispute settlement, etc.[20] That is building the state from the ground up; that is
how you build a state. No one is going to give it to you. I doubt very seriously that tomorrow the U.S. Congress is just going to pass a statute and
give you a state. Rather, you must go out and say, "we're creating our state.
Here it is, and we ask you to recognize the state, and then the consequences
from there."
The next sentence of the law reads: "Whereas, a unified monarchical government of the Hawaiian Islands was established in 1810 under Kamehameha I, the first King of Hawaii."[21] Again, Congress is admitting that
you had a government. You had a state. It was there. It was viable and
functioning. It was internationally active. This was not a position the U.S.
government maintains with respect to Native Americans.[22] Now here the
government is wrong too. The United States

19. Overthrow of Hawaii Resolution, Pub. L. No. 103-150, 1993 U.S.C.C.A.N. I (107 Stat.) 1510.
20. See Alon Ben-Meir, An Intelligent Middle Ground on Which to Build Peace, CHI. TRIB., Aug. 26, 1987, at 17.
21. Overthrow of Hawaii Resolution, Pub. L. No. 103-150, 1993 U.S.C.C.A.N. I (107 Stat.) 1510.
22. See generally Markus B. Heyder, Note, The International Law Commission s Draft

maintains that Native Americans did not have a state-type structure that had to be recognized, because it was somewhat different from the structures of government that Europeans were under on the North American continent.[23]

We know the government is wrong. The Native Americans did have a governing structure. The Europeans simply did not want to recognize it, but instead wanted to steal the land.[24]

Putting that aside, you are in a very different situation here from Native Americans. Congress has conceded what it will not concede for the Native Americans[25] - that you had a state, a state just like any other state in existence at that time—just like the United States of America—and that you were entitled to as much respect and dignity. Congress has now conceded this point. I read in the newspaper that during his visit to Hawaii, Secretary of Interior Bruce Babbitt asked, "should Native Hawaiians be treated by the federal government like the Native Americans?" My response to reading that was, "why would you want to do that?" The tape of the San Francisco Tribunal shows that Native Americans are up against genocide and extermination. That is the policy of the federal government with respect to Native Americans. So I do not understand why Native Hawaiians would want

to buy into that system, and be treated in that system in a way that ultimately
would lead to your extermination. That is certainly the way large numbers of
Native Americans see it. That was the purpose of the San Francisco Tribunal.
I would encourage you, if you haven't seen it, to look at that tape. So whatever you do, I would certainly caution you against trying to seek the
same type of treatment that the federal government has doled out to the
Native Americans. We know where that will lead.
On the basis of this statute, moreover, you are entitled to a lot more than they give the Native Americans. That is not to say that, in my opinion,
the Native Americans are not also entitled to establish themselves as independent nations, if that is their desire. But the difference

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Article on State Responsihility: Draft Artic/e /9 and Native American Self-Determination, 32 COLLJM. J.
TRANSNAT'L. L. 155 (1994); Susan Lope, Note, Indian Giver: The Illusion of Effective Legal Redress for
Native American Land Claims, 23 Sw. U. L. REV. 331 (1994).
23. Lope, supra note 22, at 333-34. "Discovery . . . initiated the inevitable erosion of the Native American nations.' Id
24. See generally Heyder, supra note 22.
25. See William J. Murphy, Jurisdiction - Sovereign Immunity - Business Owned by Native American Nation Granted Sovereign Immunitv from Suit Arising From Its Private Off-Reservation Transaction, In Re Greene, 980 F.2d 590 (9th Cir. 1992), cert denied, 114 S. Ct. 681 (1994), 17 SUFFOLK TRANSNAI'L L.J. 599, 601 n.I6 (1994) (listing cases in which Congress' power to regulate
Native Americans was upheld).

here is that your right to do this, the predicate to do this, has now been
recognized by the United States Congress itself,[26] whereas the Congress has
never recognized this for Native Americans.[27] I doubt Congress ever will,
because to fully recognize Native American sovereignty would eliminate the
whole basis of pseudo-legitimacy upon which the United States Congress

rests—land title and everything else. I doubt very seriously that Congress
would want to do that.
The next paragraph of the law states that, "from 1826 to 1893, the United States recognized the independence of the Kingdom of Hawaii,
extended full and complete diplomatic recognition to the Hawaiian Government, entered into treaties and conventions. . . to govern commerce
and navigation and friendship."[28] Congress did not draft the word "friendship" into this law.
In fact, Congress wanted to the word "friendship" but the treaty was friendship and commerce. Here Congress admits that the invasion, overthrow,
occupation, and annexation, starting in 1893, violated all these treaties. It
violated basic norms of international law, even in existence at that time and
that was a pretty bad time, one must admit. States were going to war, people
were killing each other, the strong doing what they will, the weak suffering
what they must, pretty much like today in the New World Order. But again,
here, the United States Congress has taken the position that this behavior was
illegal under international law, even in accordance with the minimal standards
in effect at that time. Again this distinguishes the case of the Native Hawaiians
from the Native Americans, where they have yet to admit that there was
anything wrong under international law with the way they treated the Native
Americans. If you read all the Supreme Court cases, they say that this is just
the right of conquest, and those were the rules in existence at that time.[29] But
in the case of Native Hawaiians, the

26. Overthrow of Hawaii Resolution. Pub. L. No. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510.
27. "In the context of Native American efforts to regain self-determination, the combination of adverse judicial doctrines and the professed plenary power of Congress over Native Americans frustrates any
move toward genuine self-determination by Native American peoples." Heyder. supra note 22, at 155.
28. Overthrow of Hawaii Resolution, Pub. L. No. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510.
29. Contra American Insurance Co. v. Peters 26 U.S. (I Pet.) 511 where Justice Marshall, in an 1828 decision involving the rights of the inhabitants of Florida following the cession of that state from
Spain to the United States, states "[t]he usage of the world is, if a nation be not entirely subdued, to
consider the holding of conquered territory as a mere military occupation, until its fate shall be determined at
the treaty of peace." Id. at 542.

United States admits that this was not just a question of right of conquest, but
of treaty violations. They were violated.
The government acts violated international law. It even violated the terms of the United States Constitution at the time when treaties were the
"supreme law of the land."[30] So again, legally you are in a much different,
much better situation than Native Americans.[31]
"On January 14, 1893, John L. Stevens. .. the U.S. minister . . . conspired with a small group of non-Hawaiian residents of the Kingdom of
Hawaii, including citizens of the United States, to overthrow the indigenous
and lawful government ...."[32] So again, Congress concedes that the government of the Kingdom of Hawaii was the lawful government at that
time, and that an official agent of the United States government conspired to
overthrow the government of Hawaii. The United States government is
bound by the actions of its agents, of its ministers.[33] The government therefore cannot say, "he did it, and later on we condemned what he did."

You know the President did shed a crocodile tear or two over what he did,
did he not, right? There was a statement. That is not enough. Of course it
isn't. If the minister did it, it is just the same as the President doing it. There is
no difference. The President was bound by the actions of his minister. The
United States government was bound by the actions of the minister. Thus, it
was the United States government that conspired to overthrow the lawful
government of the Kingdom of Hawaii. Again, an internationally illegal act at
the time it was done.
The next paragraph continues, "pursuant to the conspiracy. . . naval
representatives called armed forces to invade the sovereign Hawaiian

30. U.S. CONST. art. VI, cl. 2.
31. The next section of the law is on the Congregational Church. It is an attempt at reconciliation and does not need further elaboration.
32. Id.
33. See Nuclear Tests Case (Austl. v. Fr.) 1974 I.C.J. 252 (Dec. 20), where the International Court held that:
It is well recognized that declarations made by way of unilateral acts, concerning legal or factual situations, may have the effect of creating legal obligations. Declarations of this kind may be, and often are,
very specific. When it is the intention of the State making the declaration that it should become bound
according to its terms, that intention confers on the declaration the character of a legal undertaking. the State
being thenceforth legally required to follow a course of conduct consistent with the declaration. An undertaking of this kind, if given publicly, and with an intent to be bound, even though not made within
the context of international negotiations, is binding.
Id. at 267. (holding France bound to statements made by government ministers). But see Personnel
Management v. Richmond, 496 U.S. 414 (1990) ("The United States is neither bound nor estopped by acts
of its officers or agents in entering into an arrangement or agreement to do or cause to be done what the law
does not sanction or permit.").

nation on January 16, 1893, and to position themselves near the Hawaiian
government buildings and the (Iolani) Palace to intimidate the Queen
(Liliuokalani) and her government."[34] Notice the use of the word
"invade."

Today we prefer to use euphemisms such as "incursion." That is another
word for invasion. But here Congress significantly calls an invasion an
invasion. That is what it was, a clearly illegal act, an invasion in violation of
treaties and international agreements, an invasion in violation of international
law, and an invasion in violation of the United States Constitution—the
overthrow of a lawful government.
Under international law when you have a violation of treaties of this
magnitude, the World Court has ruled that the only appropriate remedy is
restitution.[35] Damages are not enough. Reparations are not enough - that is
the payment of money, or giving you an island over here and saying: Here,
you can have that island. That is not enough. Restitution is to restore what
you once had, that is the Kingdom of Hawaii, that is your independent nation
state. This is the appropriate remedy, if that is what you want for what was
done.
The Public Law goes on from here, reciting the sorry history of what
happened, the establishment of the provisional government.[36] Well, that is not
entitled to any legitimacy at all. It was imposed by raw, naked, and brutal
military force, at the point of a bayonet, gunboat diplomacy, just as was
practiced in many other countries, only here now Congress is finally
admitting this.
The next paragraph points out that the establishment of this provisional
government was without the consent of the Native Hawaiian people or the
lawful government of Hawaii, and violated all of the international treaties and

agreements.[37] So under international law, you

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34. Ovenhrow of Hawaii Resolution, Pub. L. No. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510.
35. Case concerning the Factory at Chorzow, 1928 P.C.I.J. (ser. A.) No. 17, at 47 (Sept. 13). But see J. Patrick Kelly, The Changing Process of International Law, and the Role of the World Court, 11
Mich. J. INT" L. 129, 159 (Fall 1989) ("actual practice indicates that compensation is now governed by the
doctrine of unjust enrichment rather than a right of restitution").
36. "Whereas, on the afternoon of January 17, 1883, a Committee of Safety that represented the American and European sugar planters, descendants of missionaries, and financiers disposed the Hawaiian
monarchy and proclaimed the establishment of a provisional government." Ovenhrow of Hawaii Resolution, Pub. L. No. 103- 150, 1993 U.S.C.C.A.N. (107 Stat.) 1510, 1510-11.
37. "Whereas, the United states minister thereupon extended diplomatic recognition to the Provisional government that was formed by the conspirators without the consent of The Native Hawaiian
people to the lawful government with Hawaii and in violation of treaties between the
two nations and of international law." Overthrow of Hawaii Resolution, Pub. L. No. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510, 1510-11.

would not call this a provisional government - I certainly would not call it
that. You would call it a government of military occupation. Certainly I would
suggest that that would be an appropriate way to think about it. That is, you
had military forces here and then you had a civilian arm of the military occupying regime.
You see the same thing today in the occupied Palestinian lands where
the Israeli occupying forces have set up a civilian arm of their military occupation authorities to administer the civil affairs of the Palestinian people.[38]
These matters, by the way, are currently the subject of the negotiations
between the Palestinian Liberation Organization (PLO) and Israel today. The
negotiations centered around the withdrawal of the civilian military occupation arm, and the withdrawal of the military occupation forces themselves.[39] Indeed, the September 13, 1993 agreement calls for the

dissolution of the civilian occupation arm and then the withdrawal of the
military occupation forces themselves.[40]
I submit, therefore, that this "provisional government" referred to in the Public Law is really the civilian arm of a military occupation force. That
was the predecessor to the current government of Hawaii that administers
you today. Again, following the implications of that law, the state government
of Hawaii occupies a similar position to that provisional government. Of
course you have federal military forces here keeping it in power. Again,
somewhat similar to the arrangement in Palestinian lands.
We then come to the very famous statement by your Queen, "that I yield to the superior force of the United States of America,"[41] and you are
aware of the rest of the language. She made it very clear that this statement
and her later abdication were procured under duress and

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38. See J. Timothy McGuire, Intenational Law, and the Administration of Occupied Territories Two Decades of Israeli Occupation of the West Bank and Gaza Strip, 8 EMORY INT 1 L. REV. 383 (1994).
39. See David 1. Schulman, The Israeli-PLO Accord on the Declaration of Principles on Interim Self-Government Arrangements: The First Step Touard Palestinian Self-Determination, 7 EMORY INT'L L. REV. 793 (Fall 1993); Gumar Halley, Issues Confronting the Return of Palestinian Arab Refugees After the 1993 Declaration of Principles on Interim Self-Government Arrangements, 8 GEO. IMMIGR. L.J. 149 (1994).
40. Declaration of Principles on Interim Self-government Arrangements, Sept. 13, 1993, Isr.-P.L.O., art. VI, 32 I.L.M. 1524, 1527. The author served as Legal Advisor to the Palestinian Delegation to the Middle East Peace Negotiations from 1991 to 1993.
41. Overthrow of Hawaii Resolution, Pub. L. No. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510, 1511.

force. In other words, it could not be treated by anyone as a valid surrender
of sovereignty by the Native Hawaiian people at all and she made that very

clear in this language. So in other words, she was simply bowing to superior
power, but not as a matter of right or of law. I have done a similar thing
myself in the Bosnia case in the World Court.[42] I pointed out in a file
communicating with the World Court, that the so-called Owen-Stoltenberg
plan[43] to partition the Republic of Bosnia and Herzegovina, was concluded, or
arguably still might be concluded, by means of threats and duress, compulsion
and coercion. It was therefore invalid, or would be invalid, under international
law and the Vienna Convention on the Law of Treaties.[44] This type of
behavior still goes on today. But your Queen, a very powerful person, made
clear that she was simply yielding to superior force, and thus preserving the
rights of her people for the future their right of self-determination and their
right to restoration of their sovereignty.
The law goes on, with Congress admitting that "[w]ithout the active
support and intervention by the United States . . . the insurrection . . . would
have failed for lack of popular support and insufficient arms."[45] I was reading
a little letter by the fellow who traces his ancestry to one of the missionaries
[Thurston Twigg-Smith] who pulled this thing off which states, "well, we
should stop all this debate, these were real genuine patriots, etc., etc.,"[46] and
of course they were entitled to do what they did. Well, apparently he didn't
bother to read the law. He can say whatever he wants, but Congress has now
made it very clear what happened. He can argue till the cows come home but
this is now the law. He had better read it. In fact Congress has condemned

42. See Case Concerning Application of the Convention on the Prevention and Punishment of The Crime of Genocide (Bosnia & Herzogovina v. Yugoslavia). 1993 I.C.J. 325 (Sept. 13). The author
served as Bosnia's Agent hefore the Court.
43. See Alan C. Laifer, Note, Never Again? The 'Concentration Camps' in Bosnia-Herzogovina: A Legal Analysis of Human Righis Ahuses, 2 NE.W EUR. L. REV. 159, 187 (Spring 1994). The author
served as Legal Advisor to President Izetbegovic and the Members of the Bosnian Presidency during these
negotiations during the summer of 1993 in Geneva.
44. "A treaty is void if its conclusion has been procured by the threat or use of force in violation of the principles of international law embodied in the Charter of the United Nations." Vienna Convention of
the Law of Treaties' supra note 12, at art. 52.
45. Overthrow of Hawaii Resolution, Pub. L. No. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510, 1512.
46. "Honolulu advertiser publisher Thurston Twigg Smith, whose grandfather was one of the leaders of the overthrow, defended its legality in an editorial prepared for Sunday's edition." Lou Cannon,
Waving (and Lowering) Flag in Hawaii Pride, WASH. POST, Jan. 17, 1993, at A33.

what his ancestors did. Now the simple question is, where do the Native
Hawaiian people want to go from here?
Well, again, "the U.S. minister raised the flag and declared Hawaii to be
a protectorate of the United States."[47] Of course that's nonsense. They did not
protect anything, did they? Was there a need to protect Hawaii from itself,
from its own people? Who was threatening Hawaii at that time? It was the
United States. They needed protection from the United States, so this is
absurd. It was entitled to no legal validity at all at the time and is not now.
That is basically what Congress is saying.
The Blount Report states that "military representatives had abused their
authority and were responsible for the change in government."[48] Again, this is
further admission that the United States acted illegally under international law.

But an admission is not enough. The implication then, of these admissions by Congress, by the Blount Committee, is that there must be restitution.[49] The Hawaiian people have a right to be returned to the situation they were in, as of January 17, 1893. This is your right if that's what you want. The federal government disciplined the minister and forced him to resign his commission. Well, of course they should have done that, but that should not have been the end of the process. The overthrow should have been reversed. They had the authority to do it; the President could have done it if he had wanted to, he just did not do it. So this is simply eye-washing. It is nice that they finally conceded these points, but it is not enough under international law. I do not know how the Native Hawaiians feel about it. I suspect maybe they would agree with me that it is certainly not enough. Where it should lead from here is another issue. Again, I'm trying to point out, line by line, that this Resolution clears up all these matters, all debate, all argument, and it makes it very clear here. You have a right to restoration, to restitution, and to proclamation of your state. You do not need the permission of Congress to do this. Congress might not like it, but it is kind of stuck with its own law, is it not?

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47. Overthrow of Hawaii Resolution, Pub. L. NO. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510, 1512.
48. Id. ("Presidentially established investigation conducted by Congressman James Blount into the events surrounding the insurrection and overthrow").
49. See Mark A. Inciong, Note, The Lost Tru*t: Native Hawaiian Benefciaries Under the Hawaiian

Homes Commission Act, 8 ARIZ. J. INT,L & COMP. L. 174, 191 n.34 (1991) ("The Blount Report . . .
found that the overthrow . . . had been illegal . . . and that Liliuokalani [should] be restored to power").

President Cleveland's message to Congress admitted all this. "An act of war, committed with the participation of a diplomatic representative of the United States and without authority of Congress."[50] The President clearly admitted that this was illegal behavior of the most heinous type. A "substantial wrong" was done, calling for the restoration of the Hawaiian monarchy.[51] Now of course, there was no restoration, but that does not change the legal situation. Today over 100 years later, you have a right to restore it yourselves, if that is what you want to do. You do not need to petition Congress to do it. Congress has given you everything you need right here to do it. The United Nations Charter provides the rest of the authority to do it.[52]

The Newlands Joint Resolutions[53] provided for the annexation of Hawaii. Where is the authority for this? There is none. They stole the land, the country, displaced the government, and now they have annexed it. This very issue was addressed by the Nuremberg Tribunal in 1945, where the German Nazi government tried to maintain that some of the annexations of foreign territory that it had undertaken before and during the Second World War were entitled to legal recognition. The Nuremberg Tribunal itself in 1945 said, "no annexations are valid prior to the conclusion of a peace treaty."[54] The United States government and the President conceded that they

engaged in acts of war, that they are occupying your land and that they put
themselves at war with your people.[55] Now they have annexed it, but the
annexation has no validity under international law. If, as part of the peace
treaty between Hawaii and the United States you concede them some land
that's up to you, that's your choice. Or if you want to give the federal
government operating facilities for a base upon the payment of funds and rent
or something, that's for you to decide. But, now they have effectively, in this
law, invalidated the

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50. "Whereas, in a message to Congress on December 18, 1893, President Grover Cleveland reported fully and accurately on the illegal acts of the conspirators." Overthrow of Hawaii Resolution, Pub.
L. No. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510, 1511.
51. Overthrow of Hawaii Resolution, Pub. L. No. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510, 1511.
52. U.N. CHARTER, art. I, § 2.
53. Newlands Resolution, Pub. L. No. 55, 30 Stat. 750 (1898).
54. "[I]t was held that, by 1939, the rules on belligerent occupation [that it does not transfer sovereignty] had 'been recognized by all civilised nations and were regarded as being declaratory of the law
and customs of war.'" GEORG SHWARZENBERGER, 2 INTERNATIONAL LAW 165 (1965) (citing
Nuremburg Judgement, International Military Tribunal, Cmd. 6964 at 65 (1946)).
55. Overthrow of IHawaii Resolution, Pub. L. No. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510.

entire annexation. The whole legal basis for it has now been invalidated.
If the annexation of the land is invalid, then where does the title come
from, who has title to the land? It is the Native Hawaiian people who retain
title to the lands of Hawaii, as a matter of international law. It is not the
federal government, not the state government, but the people themselves.
That is the implication here, certainly as I read this section, as an international

lawyer. Again these findings of fact and conclusions of law are now officially
set forth by Congress. It is only one step, as I am trying to point out here.
What are the implications then of these findings of fact and conclusions of
law?
The law next reads that, "[t]he Newlands Resolution, the.. . Republic of
Hawaii ceded sovereignty over the Hawaiian Islands to the United States."[56]
But, the Republic of Hawaii never had sovereignty over the Hawaiian
Islands.[57] We have already determined that the so called Republic of Hawaii
was the civilian occupying arm of a military occupation authority. It had no
sovereignty. Military occupation forces, even though they are there and are
present, do not exercise sovereignty over the territories they occupy.
Sovereignty remains in the hands of the displaced sovereign. This is black
letter international law.[58] This is the issue at stake in the Middle East peace
negotiations between the Israelis and Palestinians. The Israelis do not have
sovereignty over the West Bank, the Gaza Strip, or East Jerusalem. They are
a military occupation authority. They exercise administrative powers, but they
do not have sovereignty. They never did. The sovereignty remains in the
hands of the Palestinian people and they have proclaimed a state. Again I
submit there is a parallel here for Native Hawaiian people. Sovereignty resides
in your hands. This so-called Republic never had sovereignty to cede to the
United States, and that is pretty clear from just reading through the
Resolution and moving one step forward from the analysis set forth here.

"The Republic of Hawaii also ceded 1,800,000 acres of crown, government, and public lands of the Kingdom of Hawaii, without the consent
of or compensation to the Native Hawaiian people, or their

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56. Id. at 1512.
57 Miiilami B. Trask, Historical and Contemporary Hawaiian Self-Determination: A Native Howaiian Perspective, 8 ARIZ, J. INT 1. COMP. L. 77, 91-95 (1991).
58. "[A]nnexation of occupied territory is a violation of international law . . . Title to the territory in question must not change until there is either complete suhjugation (debellatio) or a peace treaty has been
put into effect." GFRHARD VON GLAHN, LAW AMONG NATIONS 768 (1992).

sovereign government."[59] The Republic had no authority to do this, for the
reasons I have already spelled out here. The government of the Republic of
Hawaii was a military occupation authority, the civilian arrn, without any
sovereign claims to the land under the laws of military occupation and the
laws of war. So they had no power to cede anything. The title to the land
rested and still rests, under international law, with the Native Hawaiian people.
I tried to make this point in my discussion with Judge Nakea. How can
it be said that the Graces trespassed on their own land? You cannot trespass
on your own land. The trespassers then become the State of Hawaii, the land
developers, the golf courses, and the resorts. Then, what this law does is point
out that the whole situation is completely turned around on its head. It now
changes the whole way that these authorities should be looking at the matter.
The federal government is the trespasser and the criminal. You are simply the
Native Hawaiians asserting your rights under international law. Now this

arrangement, as it were, this reversal of positions between who is the criminal
and who is the victim, and between who is asserting their rights and who is
violating their rights, has been effectively conceded by Congress.
In this regard, I would encourage all Native Hawaiians to know what
your rights are. Get a copy, a little hand copy, of the Universal Declaration of
Human Rights[60] and carry it around with you. Your rights are in there.
With respect to what Bumpy Kanahele and his people are doing out on
the beaches, in the settlements, Article 25 of the Declaration provides that
"everyone has the right to a standard of living adequate for the health and
well-being of themselves and their family, including food, clothing, housing,
medical care and necessary social services."[61] They have a right to have
housing, that is clear. The State of Hawaii has no right to throw you out of
your own homes. Even if those homes are nothing more than tents on a
beach, they are still your homes. Where is the government's right now, if they
ever had any, after the passage of this law? I don't see it. It is no longer there.

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59. Overthrow of Hawaii Resolution, Pub. L. No. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510, 1512.
60. Universal Declaration of Human Rights, G.A. Res. 217 (111), U.N. GAOR, 3d Sess., at 71, U.N. Doc. A/810 (1948).
61. Id. at art. 25.

The same right exists with respect to attempts to destroy your temples
and places of worship. Article 18 of the Declaration provides that "everyone
has the right to freedom of thought, conscience, and religion. This right

includes freedom to manifest his religion or belief in teaching, practice,
worship, and observance."[62] So where is the right of the State of Hawaii, or a
real estate developer, or a resort developer, to destroy any of your temples,
when these are your temples, this is your land, and your right to worship is
guaranteed in the Universal Declaration? I don't see that right any more and
indeed it will be very hard for them to argue that now that this law has been
passed. I won't go through the applicability of all the Universal Declaration of
Human Rights to the activities of Native Hawaiians here in relations of the
state and federal governments. Again I would encourage you to get this from
Amnesty International. They have them available. Read through it, and
understand what your rights are, and proceed to assert them in your dealings
with the state and federal government.
"Whereas, the Congress . . . annexed Hawaii . . . and vested title to the
lands in Hawaii in the United States."[63] This is clearly illegal. We have already
seen it. The annexation was invalid. The United States cannot get title from
the Republic of Hawaii because the Republic never had title in the first place.
They had no sovereignty. They were nothing more than a military occupation
power, and a military occupation power cannot validly transfer title to land.
Again, black letter international law.[64] That is why, today, the United States
government condemns the illegal settlements in occupied Palestinian land.

You cannot transfer title; the occupying power cannot sell land legally. I mean
they can do it, but that doesn't make it lawful. It is invalid. It is illegal. So an
occupying power cannot sell land, they do not control title, sovereignty. They
can administer, but that is all, arguably, that they can do. In theory, they are
obliged to leave, not to stay.
The law goes on to state: "Whereas, the Newlands Resolution effected
the transaction between the Republic of Hawaii and the United States
government."[65] The Newlands Resolution is entitled to no validity

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62. Id. at art. 18.
63. Overthrow of Hawaii Resolution, Pub. L. No. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510, |512.
64. "Belligerent occupation does not transfer sovereignty. Instead it transfers to the occupant the authority to exercise some rights of sovereignty." VON GLAHN, supra note 58, at 774. See aLso SHWARZINBERGER, supra note 54, at 163-78.
65. Overthrow of Hawaii Resolution, Pub. L. No. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510, 1512.

at all, since it is based on an illegal invasion, a violation of treaties, and a
violation of the principle of pacta sunt servanda.[66] Many, many violations of
law have accrued as a result of this.
Congress admits that "the indigenous Hawaiian people never directly
relinquished their claims to. . . inherent sovereignty.. . through a plebiscite or
a referendum."[67] This gets back to the question of what happened, back in,
what '59, right? What validity was that entitled to? Well, now Congress is
saying, none. I would say even before this, none, because you did not have a
plebiscite conducted by the United Nations organization itself. This would
have been a requirement if Article 73 of the U.N. Charter had been carried

out.[68] The United States did not do that. Congress is effectively conceding
now that the so-called vote is meaningless, as a matter of international law
and of United States domestic law. So you are not bound by it. Rather, I am
suggesting that you are now free to determine your own fate pursuant to the
principle of self-determination in Article 1, Paragraph 2 of the United Nations
Charter.[69]
Moving further through the Public Law, we encounter more
admissions. "Whereas, the long-range economic and social changes in Hawaii
over the nineteenth and early twentieth centuries have been devastating to the
population and to the health and well-being of the Hawaiian people."[70] Well
that is an understatement. The Hawaiian people have been subjected to the
international crime of genocide, as determined and defined by the 1948
Genocide Convention,[71] and the 1987 Genocide Convention Implementation
Act,[72] the Proxmire Resolution. That is clear. That was one of the findings of
the San Francisco Tribunal. That was one of the key findings of the Tribunal
held here this summer concerning Hawaii (Ka Ho'okolokolonui Kanaka
Maoli). Having argued genocide myself to the International Court of Justice,
and having convinced them that genocide is going on in Bosnia-

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66. See Martin Hession, The Legal Framework of European Community in International Environmental Agreements, 2 NEW EUR. L. REV. 59, 103 (Spring 1994).
67. Overthrow of Hawaii Resolution, Pub. L. NO. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510, 1512.
68. U.N. CHARTER art. 73.
69. U.N. CHARTER art. I. 11 2.
70. Overthrow of Hawaii Resolution. Pub.L. NO. 103-150, 1993 U.S.C.C.A.N. (107Stat.) 1510,

1512.
71. Convention on the Prevention and Punishment of the Crime of Genocide, Jan. 12, 1951, 78 U.N.T.S. 277.
72. Genocide Convention Implementation Act of 1987, Pub. L. NO. 100-106, 102 Stat. 3045 (1987).

Herzegovina,[73] I submit that there would be no difficulty in convincing the World Court that genocide has been practiced by the United States government against Native Hawaiians. Now, that is bad enough, but where does that lead you? I suggest that where it leads you is back to the creation of a State. One of the few and only protections a people have from being exterminated, by means of genocide, is their own state and ultimately, United Nations membership.

This is what happened to the Jews. From 1939 to 1945 they did not have a state. They did not have membership in the League of Nations. So everyone looked the other way and they were exterminated. Today, the situation is being replayed with the Bosnians. The Bosnians do have a state and they do have U.N. membership.[74] This is the one thing they have that is keeping them from going the same way as the Jews. The Palestinians recognize this, too. They had to proclaim a state in order to protect themselves from being annihilated. So a state, an independent sovereign nation state, is one way a people who are threatened with extermination by means of genocide, can attempt to protect themselves. According to the statistics that Kekune Blaisdell presented to the San Francisco tribunal, the Native Hawaiian people are threatened with extinction by the year 2030. This

is something that has to be given very serious consideration. What is the best
way to protect the existence of your people, as a people? Is it to accept the
same status as Native Americans, which I guess Secretary Babbitt is
considering graciously giving you? Or is it to proclaim your own state, and
then ultimately seek international recognition and finally U.N. membership?
Well again, this is for you to decide. You have to consider the alternatives
because ultimately it is your future and that of your children and your
children's children that is at stake.
In the final "whereas" clause, Congress states, "it is proper and timely
for Congress to acknowledge the historic significance of the illegal
overthrow."75 Before this, Congress talked only about an overthrow. but did
not concede it was illegal, although it violated all these treaties. But now
Congress says that it was illegal. In other words, in this law, Congress is
agreeing with what I am saying here. It was

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73. See Case Concerning Application of the Convention on the Prevention and Punishment of The Crime of Genocide (Bosnia & Herzogovina v. Yugoslavia), 1993 I.C.J. 325 (Sept. 13).
74. Status of the U.N Convention on the Non-Applicability of Statutory Limitations to War Crimes and Crime; Against Humanity, 33 I.L.M. 1394 (1994).
75. Overthrow of Hawaii Resolution, Pub. L. No. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510, 1513.

illegal. If you had any doubt, now even Congress is agreeing. It was an illegal
overthrow. It had no validity at all. The fruits of this overthrow are entitled to
no recognition as being valid today. That calls into question the title to all the
land here. Who's land is it? Well, it seems to me, from what Congress seems
to be saying, the land is that of the Native Hawaiians.

The Resolution then addresses reconciliation efforts, about support for
the reconciliation efforts.[76] Well, of course I am in favor of reconciliation. But
there is more to it than that. Under international law, if you have a violation
of this nature the appropriate remedy is not simply reconciliation, apology, or
reparations, but is restitution.[77] That is, to set right the harm that has been
done—to restore the situation to what it had been before the violation in
1893. There is a very famous case by the World Court, the Chorzow
Factory[78] case, that would be the authority for this. In other words, sure,
have reconciliation, but what about restoration? That clearly is what you are
entitled to.
We now move to this Section 1, acknowledgment and apology.[79] The
law again repeats, "illegal overthrow," so it is not simply my interpretation of
the significance of the various "whereas" clauses. The "whereas" clauses were
"resolved by the Senate and House of Representatives of the United States of
America, in Congress and Senate, and signed by the President."[80] This
operative provision of the law recognizes the illegal overthrow and
"acknowledges the historical significance of this event which was ultimately
the suppression of the inherent sovereignty."[81]
The law, in effect, says that the Native Hawaiian people still have
sovereignty. The sovereignty inheres in you. Now it is for you to decide what
to do with this sovereignty, because the State of Hawaii and the federal
government, are, as I have explained, the civilian arms of the military
occupation authority. Military occupation authorities do not have sovereign

powers. The sovereignty resides in the people. That is clearly the implication
of Section I of the operative provision of the statute.

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76. Id.
77. Case Concerning the Factory at Chorzow, 1928 P.C.I.J. (ser. A) No. 17, at I (Sept. 13,).
78. Id.
79. Overthrow of Hawaii Resolution, Pub. L. No. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510, 1513.
80. Id.
81. Id.

Paragraph 3 apologizes for the overthrow "with the participation of agents of
the United States."[82] The U.S. government again is responsible for the actions
of its ministers, Congress now called these people "agents." So their conduct,
their illegal conduct, binds the United States government. Which means the
United States government, then, is under an obligation to undo the harm that
was done. But even if they do not, the Native Hawaiian people have a right to
act to undo that harm. And if you doubt that, the rest of the sentence reads, "
the deprivation of the rights of Native Hawaiians to self-determination."[83]
So in other words, Congress has conceded that the Native Hawaiian people have a right to self-determination. What does that right include? Well,
as I have said, self-determination of peoples under the U.N. Charter provides
a right to a state of your own and to membership ultimately, someday, in the
United Nations organization,[84] just like the 188 other states that are currently
members of the United Nations today.
Paragraph 4 expresses its commitment to acknowledge the ramifications.85 What are the ramifications? Well, that is the subject of my

discussion here. If you followed the analysis that I presented before, then I put
forward here what I believe are the ramifications, the implications, of the
overthrow of the Kingdom of Hawaii. Now, whether that is the direction you
want to go, that is for you to decide, not me.
Then finally, in the definitional section, Congress defines Native Hawaiians as "any individual who is a descendant of the aboriginal people,
prior to 1778 . . . occupied and exercised sovereignty, in the area that now
constitutes the state of Hawaii."86 This again, affirms that the native people of
Hawaii were, and by implication still are, the sovereign authority in these
lands. It is not the state, not the federal government, but the Native Hawaiian
people themselves.
Based then on this public law, and going through it line by line, I would
express the opinion that today the Kanaka Maoli have the right to exercise
self-determination as a people in accordance with the U.N. Charter: To
proclaim an independent state, if that is your desire, to join the world community of states as an independent nation state. This also

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82. Id.
83. Id.
84. U.N. CHARTFR art. 1. 11 2.
85. Overthrow of Hawaii Resolution. Pub. L. NO. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510, 1513.
86. Id.

means that you have the right to determine your political status, your type of
governmental organization to govern yourselves through customary systems,
and to freely pursue your economic, social, and cultural development in

accordance with Article I of the International Covenant on Civil and Political
Rights and the International Covenant on Economic, Social and Cultural
Rights.87 The United States government is a party to that first treaty. That
treaty also recognizes the right of Native Hawaiians to freely dispose of your
natural wealth and resources, without prejudice to obligations arising out of
international economic cooperation. This is your land. These are your natural
resources. Whatever powers are exercised by the state and federal
governments are those of a colonial occupation military regime. But the
sovereignty still resides in the hands of the Native Hawaiian people. You have
the territory necessary for a state. That is, the Hawaiian Archipelago, the
lands that you had before the invasion of 1893. You would be entitled to
claim a twelve mile territorial sea and a 200 mile exclusive economic zone, in
accordance with customary international law and the Law of the Sea Treaty
of 1982.88
The second requirement of an independent state are the people. Again
Congress has recognized the Kanaka Maoli people are a group of people with
sovereign powers. You have lived here forever. You are the original
inhabitants and occupants of these islands. You have always been in
possession of your land. And so you would be entitled to reestablish an
independent sovereign nation state in that land. Possession is nine-tenths of
the law. You are still here; you are still living in your homes; you are still
occupying your land. It might be true that the state and federal governments

are illegally dispossessing you. But, you are still going back in there; you are
still building settlements; you are still occupying it, and you are staying there.
That is all that international law requires. As I have suggested, that certainly is
your right under the Universal Declaration of Human Rights.[89]
Who would be your citizens? Well certainly the citizens would be those
who are descendants of the Kanaka Maoli, who occupied and exercised
sovereignty in Hawaii prior to the Europeans in 1778. You would trace your
ancestors back. Again, it would be your right to

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87. International Covenant on Economic. Social and Cultural Rights, G.A. Res. 2200 (XXI), U.N. GAOR. 21st Sess., Supp. No. 16 at 49, U.N. Doc. A/6316 (1966).
88. United Nations Convention on the Law of the Sea, opened for signature Dec. 10, 1982, U.N. Doc. A/CONF.62/122, reprinted in 21 I.L.M. 1261 (1982).
89. Universal Declaration of Human Rights, G.A. Res. 217 (111), U.N. Doc. A/810, at 71 (1948), reprinted in 2 DUSAN J. DJONOVICH, UNITED NATIONS RESOLUTIONS (1973).

determine who your citizens are. I take it you would reject this blood
percentage that has been set up by the United States government. This is
reminiscent of Nazi laws, that were applied to decide who was Aryan. Those
laws, in turn, were patterned on laws in the American South, on
miscegenation, who was a black and who was a white.[90] A state is free to
determine who its own citizens are. Certainly you would be free to determine
that all those who could trace their ancestors back to 1778 would
automatically become citizens of the new state.
Now, what about those who are living here, who are not able to trace
their ancestors back? What about them? This is an issue that has confronted
several states today. For example, in the Baltics, Lithuania, Latvia and

Estonia, there are large numbers of Russian citizens who were left behind as a
result of the Russian/Soviet occupation for the last fifty years. This is about
half the amount of time you are dealing with here. The three Baltic states
have taken different approaches. For a period of time, I advised the Republic
of Lithuania under President Landsbergis, who was the hero and leader of
their independence movement. He subsequently lost an election and the
people voted the communists back in, so I no longer advise them. But the
Lithuanians have taken a very generous approach to those Russians who
remain, trying to integrate them into their society.[91]
Certainly the Hawaiian state could take the position that you'll set up a
procedure to provide citizenship to all people who are habitual residents of
the new state of Hawaii, as of a certain date. This would mean that those who
have lived here continuously five years, ten years—whatever cut off point
you want—are also themselves entitled to become citizens of this state on a
level of equality with everyone else. Unlike the Native Hawaiians who would
automatically become citizens, the habitual residents would have to apply for
citizenship.
Again, there are precedents here in the way the Palestinians are dealing
with these issues. They too have a diaspora population. You have large
numbers of Hawaiians all over the world who had to leave. Approaching it in
this way would enable you to allow all them to claim Hawaiian citizenship, if

that is the case, if that's what they want to do, and to return. The Palestinians
did it that way. They set up a state, and said that they were setting up a state
for all

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90. RACIAE DETERMINATION AND IHE FEAR OF MISCEGENATION (John D. Smith ed., 1993).
91. See Stephen Kenyer, Soviet Turmoil: Issue of Citizenship For Ethnic Russians is Dwindling Latvians, N.Y. TIMES, Sept. 7, 1991, at AI ("The Lithuanian . . . authorities are preparing to offer citizenship to all residents who want it").

Palestinians everywhere in the world. In theory, those who want to be citizens of the state can claim it and be admitted. Also there are a large
number of Jewish settlers living in occupied Palestine. The Palestinians have
taken the position that they are prepared to accept a certain number of Jewish
settlers as citizens of their state on a basis of equality with everyone else,
provided that they are prepared to be peaceful, law abiding citizens, treated as
equals.
So there are precedents for the new state of Hawaii to take a similar position for those non-Native Hawaiians who live here. That is, telling nonnatives
residents that you are setting up an inclusive state and want them to stay and to apply for citizenship in the new state. It could be done in a way
that they would not have to renounce their U.S. citizenship if that's what the
Native Hawaiians decide. That could be a big issue with the current generation of non-Native Hawaiians living here. It probably would not be a
big issue for the next generation. They would be Hawaiian at birth, entitled to
citizenship at birth, and probably whether they would claim U.S. citizenship

would not be all that important. But for those who are here who are U.S.
citizens, it would be possible to allow them to become dual nationals. That is,
they would apply for Hawaiian citizenship without having to give up U.S.
citizenship. This would be fully consistent with United States law.
I was born in the United States, but I applied for Irish citizenship. My family is Irish, I have Irish citizenship and an Irish passport. The Irish have
been subjected to genocide, too. We know what it is all about. We are a
diaspora people too. We have people all over the world. So we have an
inclusive form of citizenship that allows people to claim it without having to
give up whatever other citizenship they have as well. The Native Hawaiian
state could approach the question of citizenship in a similar way.
I have already discussed that the system of government, again the third
requirement that you would need, and I believe you have it, for an independent state. You have your Kupuna system. As I said, Congress has
recognized "a highly organized, self-sufficient, social system based on
communal land tenure, maintaining order through mediation."92 That is all
you need, and you have that. So you would simply work that out, the implications of that system on a nation state basis, that is, the new Hawaiian
state basis. That would be the way the new

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92. Overthrow of Hawaii Resolution. Pub. 1.. No. 103-150, 1993 U.S.C.C.A.N. (107 Stat.) 1510.

Hawaiian state would be governed, not the current situation as you see it
today.

The final requirement is the capacity to enter into international relations. Again here, if you were to declare an independent state, you would probably obtain recognition in that capacity from a fairly large number of states. I could not predict the number of states that would recognize you. I don't know. You would have the same problems encountered in the creation of the Palestinian state. We[93] did not know how many states would recognize the Palestinian state back in August of 1988, before it was created. But as of December 1993, 125 states recognize the state of Palestine. Someday the state of Israel will recognize the state of Palestine. The state of Palestine already recognizes the state of Israel. There can be peace and reconciliation between those two peoples as we]l.

I cannot predict how long this would take, what would be the consequences, or how many states will recognize you. However, I take it that the plight of the Hawaiian people is generally well known in the world, and there's a great deal of sympathy. For a variety of reasons, the Palestinians have had an uphill struggle and battle in obtaining that recognition. So, it might be that you would be able to obtain recognition quickly, especially if you pursue this process in accordance with principles of peaceful, non-violent struggle. I submit that is the most effective technique you have today. If you doubt me, you should read Gandhi's book, Satyagraha, about non-violent civil resistance.[94] The book explains how Gandhi threw the mighty British Empire

out of India without using force. People power is what we call it today. I
submit that the Native Hawaiian people would be able to do the same thing,
moving in this direction and adopting the techniques of peaceful, non-violent
action, such as those called for by Gandhi.
In conclusion, I reiterate that this discussion is not presented as a solution to any problems. My assignment here, as I understood, it was to
sketch, briefly, one outline, one alternative, that the Native Hawaiian people
can consider among other available alternatives. Ultimately, it is your choice—not the choice of the United States Congress, not the choice of the
State of Hawaii. And with all due respect to the Commissioners here, it is the
choice of the Native Hawaiian people. They

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93. The author served as the legal advisor to the Palestine Liberation Organization on the creation
of the Palestinian State from 1987 to 1989.
94. M.K. GANDHI, NON-VIOLENT RESISTANCE (SATYAGRAHA), (Schocken ed., 1971) (1951).

have the right to self-determination. They have the inherent sovereignty.
Their rights have now even been recognized by the United States Congress
itself. So, it is no longer just me giving an opinion as a law professor. But
rather, the opinion presented here is based upon these formal findings of fact
and law by the United States Congress.
Recent actions continue to provide the Hawaiian sovereignty movement greater power and legitimacy. Since these remarks were presented
in Hawaii in December, 1993, new developments have continued to demonstrate the importance of the Hawaii sovereignty issue.
The plebiscite to be conducted late this year will allow about 274,000

Native Hawaiians to cast a ballot deciding whether or not they want to elect
delegates to a convention that may recommend some form of native Hawaiian government.[95]
The Ohana Council, however, condemns this upcoming vote as "a direct interference with the recognized inherent right of the people and their
process of self-determination, a deliberate attempt to confuse the issue and
suppress the rightful process of restitution and restoration."[96] The Ohana
Council declared its independence (for both its 10,000 members and all native
Hawaiians) from the United States in January 1994, proclaiming itself the
Nation of Hawaii.[97]

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95. Joy Aschenbach, Aloha to a New Nation?, SACRAMENTO BEE, Feb. 12, 1995, at F01. The results from the December balloting will be announced on January 17, 1996, on the 103d anniversary of the
overthrow of the Kingdom of Hawaii by American businessmen and sugar planters. The ballot issued by the
Hawaiian Sovereignty Advisory Commission, may be voted on by any adult of Hawaiian origin, even if
not currently residing in Hawaii and even if incarcerated. Rick Carroll, Hawaiian Natives Want to Say
'Aloha ' to U S: But Reliance on Tourism Makes Return to Old Ways Impossible, WASH. TIMFS, Dec.
23. 1994, at A6. Cf HAW. REV. STAT. 10-2 (1994), defining "Hawaiian" as "any descendant of the
aboriginal peoples inhabiting the Hawaiian Islands which exercised sovereignty and subsisted in the
Hawaiian Islands in 1778, and which peoples thereafter have continued to reside in Hawaii." Secton 10-2
defines "Native Hawaiians" as:
any descendant of not less than on-half part of the races inhabiting the Hawaiian Islands previous to 1778, as defined by the Hawaiian Homes Commission Act, 1920, as amended; provided that the
term identically refers to the descendants of such blood quantum of such oboriginal peoples which
exercised sovereignty and subsisted in the Hawaiian Islands in 1778 and which peoples thereafter
continued to reside in Hawaii.
See also Hoohull v. Ariyoshi, 631 F. Supp. 1153 (D. Haw. 1986) (Offce of Hawaiian Affairs definition of
"Hawaiian" to include all persons who are descendants of aboriginal Hawaiians is constitutional as it has a

rational basis and reasonably furthers legitimate legislative purpose) (cited in Trustees of Hawaiian Affairs
v. Yamasaki, 737 P.2d 446 (Haw. 1987)).
96. Id (quoting Nation of Hawaii leaders). But see John Hughes, Career Options for 50th State, CHRISTIAN SCI. MONITOR, May 5, 1994, at 18 ("No serious observer believes that the sovereignty
debate will result in the secession of Hawaii, or even part of it, from the United States .... [H]ow would a
sovereign nation support itself economically? But substantial support exists for some kind of compensation
for the overthrow of the monarchy.").
97. The Nation of Hawaii declared its independence from the Unites States on January 16, 1994.

In the spring of 1994, following President Clinton's formal apology to native Hawaiians in November 1993, the United States Navy returned the
island of Kahoolawe, which had been taken during World War 11. The federal
government signed quitclaim deeds (one in English and one in Hawaiian)
returning the island, which will hold the island in trust fcr the Hawaiian Sovereign Nation. Congress has since authorized $400 million for restoration
of the island long used as a bombing and target range.[98]
There is much yet to be done, however. In October 1994, the Intermediate Court of Appeals of Hawaii rejected claims by Native Hawaiians
that the state courts lacked jurisdiction over members of the Kingdom of
Hawaii, a sovereign nation.[99]
If Native Hawaiians wish to establish their sovereignty, then this court opinion is not determinative of the recognition at stake. This is simply another
state action that would not be binding upon an independent state. The
recognition of the illegal overthrow has already been made by the United
States. Because the overthrow was illegal, the present governing system could
be rejected by the native Hawaiians. The law now exists, admitting the
illegality of government action. It is now up to the Native Hawaiian people to

decide how to proceed.

16, 1994. Halvaii.s Search for Sovereignty, CHRISTAIN SCI. MONITOR, Oct. 17, 1994, at 9. The Proclamation of Independence is reproduced here as an appendix. See infra app.

98. See Aschenbach, supra note 95; Christopher Merrill, A Little Justice in Hawaii: Kahoolawe Lives!, THE NATION, Sept. 5, 1994, at 235.

99. Hawaii v. French, 883 P.2d 644 (Haw. Ct. App. 1994); Hawaii v. Lorenzo, 883 P.2d 641 (Haw. Ct. App. 1994). The Lorenzo court cited 1993 Haw. Sess. Laws 1009, 1010, Act 359, § 1, which recognized that following the overthrow, "the indigenous people of Hawaii were denied the mechanism for expression of their inherent sovereignty through self-government and self-determination, their lands, and their ocean resources." The court further noted that the stated purpose of Act 359 is to "facilitate the efforts of native Hawaiians to be governed by an indigenous sovereign nation of their own choosing." Lorenzo, 883 P.2d at 643 (citing 1993 Haw. Sess. Laws 1009, 1010, Act 359, 1). Notwithstanding the court's recitation of the Act, it concluded that "while the legislature has tacitly recognized the illegal ovethrow, Act 359 indicates that the State of Hawaii does not recognize that the Kingdom exists at the present time. Id The court left that burden to the detendant, and held that he had not presented any factual basis for concluding that the Kingdom exists. Id at 643-44.

PROCLAMATION RESTORING THE INDEPENDENCE OF THE SOVEREIGN NATION STATE OF HAWAII JANUARY 16, 1994

Today the Kanaka Maoli proclaim our Right of self-determination as a People in accordance with Article I (2) of the United Nations Charter, and join the World Community of States as an independent and Sovereign Nation state.

We hereby re-establish our Independent and Sovereign Nation State of Hawaii, that was illegally taken from the Kanaka Maoli on January 17, 1893.

By virtue of our Right to self-determination the Kanaka Maoli claim the Right to freely determine our political status and freely pursue our economic, social and cultural development in accordance with common Article I of the International Covenant on Civil and Political Rights and the International

Covenant on Economic, Social and Cultural Rights.
The Kanaka Maoli claim the Right, for our own ends, to freely dispose of our
natural wealth and resources . . . including our lands and our waters without
prejudice to any obligations arising out of international economic cooperation,
based upon the principle of mutual benefit and international law.
We the Kanaka Maoli, claim all the Land, and Natural Wealth, Resources and
Minerals, and Waters, which has always resided and will always reside within
the Hands of the Kanaka Maoli, to be ours forever, originally under communal land tenure.
Hawaii comprises 132 islands, reefs and shoals, stretching 1,523 miles (2,451
kilometers) southeast to northwest across the Tropic of Cancer between 154
40' and 178 25'W longitude, and 18 54' to 28 15'N latitude, consisting
approximately of a total land area of 6, 425 square miles (16,642 square
kilometers), including I percent of less than six square miles of land area,
made up of islands off the shores of the main islands and the Northwestern
Hawaiian Islands, from Kure Atoll in the north to Nihoa in the South. The
Hawaiian Islands form an Archipelago, which extends over a vast area of the
Pacific Ocean, possessing a 12 mile Territorial Sea, and the 200 mile
Exclusive Economic Zone, in accordance with generally recognized
Standards of International Law.

In the Independent and Sovereign Nation State of Hawaii lives the Kanaka
Maoli. We have lived here forever, since time immemorial. We are the original
inhabitants and occupants of these Islands. We have always been in possession
of our land and are thus entitled to re-establish our Independent and

Sovereign Nation State.
The current citizens of the Independent and Sovereign Nation State of Hawaii
consist of all those who are descendants of the Kanaka Maoli prior to the
arrival of the first westerners in 1778, and those persons who have lived in
Hawaii prior to the illegal Overthrow, invasion and occupation of January 17,
1893, in the area which now constitutes the Archipelago of Independent and
Sovereign Nation State of Hawaii.
The Independent and Sovereign Nation State of Hawaii will establish
procedures for according citizenship by means of naturalization to all people
who are habitual residents of Hawaii as of today's date.
The Kanaka Maoli fully support and subscribe to all of the Rights of the 1948
Universal Declaration of Human Rights for all of the people living in our
Independent and Sovereign Nation State of Hawaii.
The Independent and Sovereign Nation State of Hawaii adheres to the
generally recognized principles of international law, including the terms of the
United Nations Charter. We will apply for Membership in the United Nations
Organization in due course. We will conclude other international treaties and
agreements at the appropriate time. In the meantime, we call upon the foreign
military occupation forces in the Independent and Sovereign Nation State of
Hawaii, to withdraw from our Sovereign Territory immediately.
Since time immemorial, the Kanaka Maoli, has maintained their close
relationship to the 'aina (land) and its natural surroundings, through practice
wholistically spiritual in nature and in harmony with natural law. The natural

belief and practice that the 'Aina was considered "sacred" for the well-being
of the human sustenance of life.
Prior to the first European invasion, of 1778, Hawaii was known to have
unique culture and system of government. Through customs and

traditional practices, The Kupuna (Elders), were highly regarded and
respected, as the keepers of the wisdom and knowledge, in a highly organized
self-suffcient and sustainable social system, based on a communal land tenure
system, and were always consulted upon to maintain order and ho'oponopono.
The Kanaka Maoli of today, embody within their governmental structure,
traditional customs and culture, the Aha Kuka O Na Kupuna (Council of
Elders), based on mutual respect and practice, and family order. Their advice
on many decisions, is highly regarded for the basis of all authority and
principles as handed down through generations in their teachings. Their
natural ability and practice of Natural Law was understood to be commonly
known and exercised, by their deep spiritual connection to nature, its use,
application and practice of the Law of Nature, then and now. The Kanaka
Maoli believe that all things have life, be it animate or inanimate, because
everything has been derived and created from one Source, the Creator.
Today the Kanaka Maoli, respectfully continue to seek the guidance of our
Kupuna, be it Spiritually, Mentally and Physically, on authority and decisions
that affect our lives, to restore our customs and teachings of our culture,

language, and knowledge, from being exploited, desecrated, and on the verge
of eventually becoming extinct. For all these reasons, the Kupuna Council will
serve as the Provisional Government of the Independent and Sovereign
Nation State of Hawaii, until such time when the Kanaka Maoli will convene
a constitutional convention.
Despite the historical injustices and abuse, that has documented a time and
dark chapter of the lives of the Kanaka Maoli, so unimaginable to the
conscience of humanity, and to all human life as a whole, we have come to
realize, that in the course of this modern times, we could never depart and
separate our undying love and connection, "sacred ties," with the Spirit of this
Land, Aloha 'Aina, which is the heart and life of all living things, as taught
and handed down from the ancient wise ones (Kupuna). For we must protect
if from such invasion and exploitation, to liberate it from alien destructive
forces, to preserve our cultural heritage for future generations, from the
devastation of extinction.

The Kanaka Maoli, has continued to exercise, practice and occupy their lands,
despite foreign powers, denying them their inalienable rights to selfdetermination
and Independence, and Statehood. Thus were well recognized
principles of international laws violated. Thus were the national identity, land,
resources, Right to Sovereignty over their Territory violated, and a peaceful
people Overthrown, by the invasion of foreign powers, who continue to
occupy, exploit and destroy our way of life.

Today, the Kanaka Maoli, have united at this very historic and symbolic
place, the Iolani Palace, wherein we remember the last days and the tragic
moment in our history, that have affected the safety and well being of our
people, to which our beloved Kupuna and Queen Liliuokalani, and her
commitment to restore the rights of our People, have been stolen. Her
dedicated endurance against the foreign powers, who have committed such
acts of aggression and force, threats of fear and imprisonment, knowingly in
violation of numerous treaties, agreements and principles of international
customs and law, has never faltered, for the Love of her people, and those
who stood on truth and justice, shall now prevail here today, and forever.
We here today have the same commitment. It is the duty and obligation of
every Kanaka Maoli, young and old, to stand ready to restore and defend our
natural rights, territorial integrity and independence without prejudice, and
reject and resist all unlawful acts, injustice and complicity, violence and
terrorism against our political independence, and also reject such use and
violence against the territorial integrity against other peaceful states.
If not for those, who have continued the struggle for peace, justice and honor;
who have passed in spirit, continue standing beside us here today,
If not for those who have sacrifices their families and lives; who have desired
to go to prison, rather than be forced to adhere to unjust principles and acts,
and have gone through the crossroads of temptation. If not for those of us

who have awaited this day; who have considered the facts and evidence of
such acts of oppression, subjugation and fear, and the lost of their honor,
dignity and pride.

We the Kanaka Maoli, have historically been the victims of crimes against
humanity and genocide as defined by the Nuremberg Charter and the Genocide Convention.
We, the Kanaka Maoli, today, have the duty to heal their wounds, and restore
their integrity, for they have given their lives for us to be here today, that all
Kanaka Maoli can once again determine to protect the future and destiny of
our children, and their heritage.
The Independent and Sovereign Nation State of Hawaii, proclaims its
commitment to the purposes and principles of the United Nations Charter.
The Kanaka Maoli have long been recognized as a peaceful loving Nation,
and to live in peaceful co-existence with other peaceful Nation States, based
on equality, truth and justice, and for the respect of their undying Spirit of
Aloha, and for the Rights of Humanity.
We proclaim that, despite of the continued interference of our rights to selfdetermination,
Rights of Sovereignty, and Right of Independence, by the
foreign occupying powers, we stand this day, in all honor, dignity and respect,
of this sacred land, to restore our Independent and Sovereign Nation State of
Hawaii.
We pledge that our commitment will continue until the illegal occupation
ends, and the revival of our Culture of our Independent and Sovereign Nation

State has been fortified, with the Spirit of Aloha totally restored, and the spirit
of justice, freedom and liberation, shall once again bring peace on earth for all
humanity.
We call upon our great people, and all Nations of the World, to unite and act
this day, to declare and proclaim our inalienable Sovereignty of the Nation
State of Hawaii, fully restored and functional, and arise in the uniting of
freedom and dignity in our homeland, which is the homeland of the free, now
and forever.
Therefore, the Kupuna, in General Council Assembled, by the Authority
recognized and vested in the Aha Kuka O Ka Ohana, in the name of the
Kanaka Maoli people, to preserve and to forevermore cultivate the Heritage
and Culture of the Kanaka Maoli, do solemnly publish, declare and proclaim,
that the Independent and Sovereign Nation State

of Hawaii, free and absolved from any other political connection from any
other Nation State, and whomsoever disregards the principles and Rule of the
Law of Nations, Justice, Integrity and Morality of Character and Humanity,
who by force and acts of aggression, illegally occupy's our Territory.
We have therefore concluded, that the facts are self-evident. That to continue
under any colonial regime would cause the destruction and extinction of our
culture and people. Our firm commitment for the protection of our divine
heritage, We mutually pledge our Lives, Our Fortunes, our Sacred Honor, in
the Spirit of Aloha.

FOR YOUTH DEVELOPMENT
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

Ernest Martin
Honolulu City Council
530 S King Street Room 202
Honolulu, HI 96813

Dear Mr. Martin:

I am writing on behalf of the Hawaii State Alliance of YMCAs and the Maui Family YMCA, to oppose the recommendations of the Real Property Tax Advisory Commission regarding the elimination of the real property tax exemption.

The work of charitable organizations like the YMCA throughout Hawaii, improves lives, strengthens communities and the economy, and lightens the burdens of government, taxpayers, and society as a whole. Your constituents, and those throughout Hawaii, recognize the vital and ongoing work of nonprofit organizations in delivering essential services, enhancing their quality of life, and uplifting the spirit of faith, innovation, and inspiration in Maui and state-wide.

This change of the real property tax exemption could undermine the ability of nonprofits like the Y to maintain programs and services, much less to expand them to meet the increased needs that will result from this unique economic climate and policy choices being made at all levels of government. Under these conditions, nonprofits may not merely be the next place for people in need to turn; we are likely their only place to turn. Charitable nonprofits in Hawaii must be able to count on the current tax exemption if there is to be any validity in the presumption of policymakers that nonprofit organizations will be there to fill the gaps.

To show the challenging impact this economy is a having the Maui Family YMCA saw an increase in financial support to families and children in Maui from $97,000 in 2010 to just over $190,000 in 2011. Without generous contributions and the current tax exemptions, many of these children and families would have had to do without the services of the Y.

It is imperative the City Council make no change to the real property tax exemption that threatens the ability of charitable organizations to serve those most in need and to continue to strengthen our communities. I ask that you avoid endangering the ability of nonprofits to serve Honolulu specifically but also Hawaii and ask for the City Council's continued support of the valuable contributions of the non-profit sector.

Sincerely,

Mike Morris,
State Alliance Chair
President/CEO

MAUI FAMILY YMCA
250 Kanaloa Ave., Kahului HI 96732
P 808 242 9007 F 808 244 6713 www.mauiymca.org

FOR YOUTH DEVELOPMENT
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

January 9, 2012

Ernest Martin
Chair, Honolulu City Council
Honolulu Hale
530 South King Street
Honolulu, Hawaii 96813

Dear Chair Martin,

Thank you for the opportunity to provide public testimony on the recommendations of the Tax Advisory Commission. The YMCA of Honolulu (The Y) appreciates the time the Commission took to prepare its Report, and the spirit in which the Commission developed its recommendations. With that said, the Y respectfully opposes the recommendation to require non-profits to pay a real property tax.

Through its nine branches island-wide, the Y provides a myriad of important programs and services. Attached to this letter is a two page handout highlighting just some of the contributions the Y makes, not just to the families and community of Oahu, but to our approximately 900 full and part-time staff. There is no question that a real property tax would negatively impact the Y's ability to meet its mission.

It is especially important to note that the Y has a substantial financial assistance program which provides our most challenged residents access to our critical services and programs. For the last two years, the Y has distributed more than $900,000 annually of financial assistance. Not only is this a significant amount, it represents a substantial increase from previous years. At a time when government revenues are down and the Y is being asked to do more to ensure that every person has access to our life changing work, it is important that our ability to meet the need not be diminished by a real property tax.

Again, with appreciation for the Commission's efforts, the Y opposes a real property tax on non-profits. We respectfully request that the City Council not approve that recommendation.

Thank you for considering the Y's perspective.

Sincerely,

Michael Broderick
President & CEO
YMCA of Honolulu

Attachment

Cc: Ann Kobayashi, Chair, Committee on Budget (with attachment)

YMCA OF HONOLULU
1441 Pali Highway, Honolulu HI 96813
P 808 531 YMCA **F** 808 533 1286 www.ymcahonolulu.org

JIM R. YATES, Chairman, Board of Directors
MICHAEL F. BRODERICK, President & Chief Executive Officer

United Way
Aloha United Way

the YMCA

FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

FOR COMMUNITY
YMCA OF HONOLULU

In 2010, the YMCA provided the following for Oahu communities:

- A gathering place for over 104,000 Hawaii residents, which, through facility, program and sustaining (philanthropic) membership, enhanced personal connection and community building.

- $955,000 in financial assistance and subsidies giving low income families better access to the pursuit of a healthy lifestyle.

- Substance abuse treatment, intervention and crime/drug/gang prevention programs for 4.000 youth and teens, offering youth needed support and guidance at a critical juncture in their lives.

- Strategic collaborations with other organizations including Hawaii Nutrition and Physical Activity Coalition (NPAC), Hawaii Department of Education (DOE), Hawaii Department of Health (DOH), Boys & Girls Club, National Military Families Association, and the Susannah Wesley Community Center (Palama Settlement, Parents & Children Together [PACT], Coalition for Drug Free Hawaii) that helped leverage resources for new community programs.

- A paid workforce of almost 900 full and part time staff, infusing $17.2 million, ($13.6 million in gross pay, $2.1 million in benefits and $1.5 million in payroll taxes), into our economy. More than 290 staff received their medical and dental benefits through the YMCA.

- A volunteer force of over 2,500 individuals, serving in governance, advisory, program and community event capacities that provided training, personal connections and a greater knowledge of their community to those volunteering.

- Almost 500 hours of free or low cost meeting and conference space supporting the community and capacity building efforts of local nonprofit communities.

AREAS OF FOCUS

Youth Development
Nurturing the potential of every child and teen

Healthy Living
Improving the nation's health and well-being

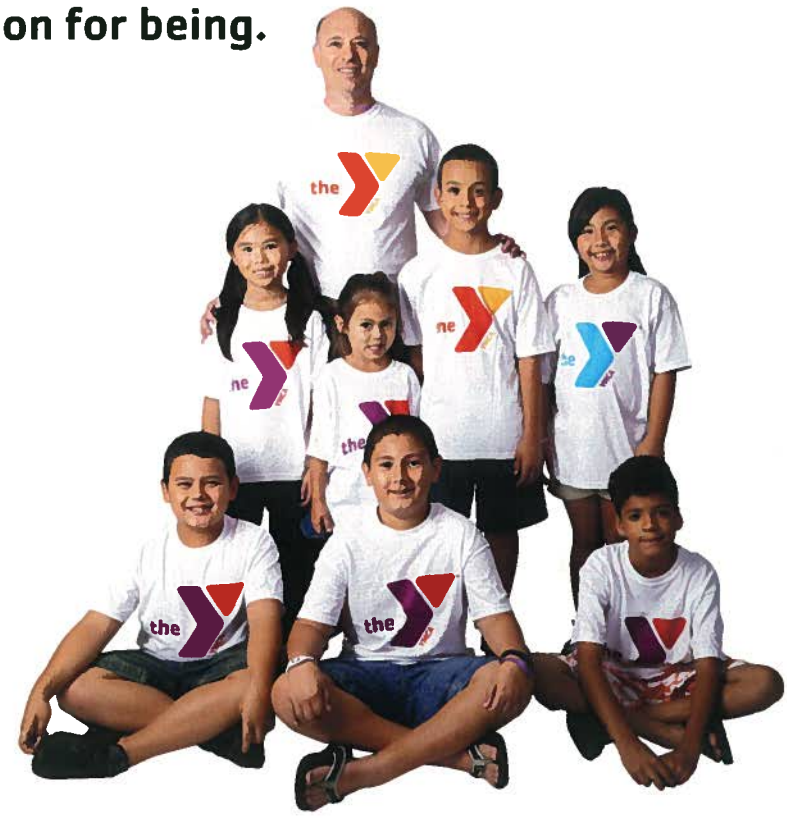
Social Responsibility
Giving back and providing support to our neighbors

FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

FOR COMMUNITY
YMCA OF HONOLULU

Every day people come to the Y for a variety of reasons. For many, it's a safe and nurturing environment for kids and teens to discover the joy of learning and playing. For some, it's a place to exercise -- to improve their health and well-being. For others, it's a chance to connect and give back to their community.

With a deep commitment to strengthening our communities, the YMCA of Honolulu ensures that children, teens, adults, seniors, and families have access to the essentials needed to learn, grow and thrive. That is our reason for being.



YMCA MISSION

The YMCA of Honolulu is a fellowship dedicated to putting Christian principles into practice through programs that build healthy spirit, mind and body for all.

YMCA COMMITMENT

The YMCA of Honolulu is Hawaii's leading 501 (c) (3) nonprofit organization committed to youth development, healthy living, and social responsibility.

CORE VALUES

The YMCA's core values serve as the foundation for all Y programs, activities, and interpersonal interactions taking place at YMCA branches.

- **Caring**: to demonstrate a sincere concern for others, for their needs and well-being
- **Honesty**: to tell the truth, to demonstrate reliability and trustworthiness through actions that are in keeping with my stated positions and beliefs.
- **Respect**: to treat others as I would want them to treat me, to value the worth of every person, including myself.
- **Responsibility**: to do what is right--what I ought to do, to be accountable for my choices of behavior and actions and my promises.

January 9, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to oppose the proposal by the Real Property Tax Advisory Commission regarding the elimination of the real property tax exemption. The issue of the real property tax exemption is important because the elimination of the exemption adds an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners, charitable organizations and credit unions.

The retention of the current tax status will provide relief to deserving island residents with special financial needs as well as entities, such as credit unions, that benefit the community. Credit unions have unique characteristics that qualify them for a real property tax exemption.

- Credit unions are not-for-profit, democratic, financial cooperatives owned by their members;
- Credit union members, rather than stock market shareholders or parent companies, all benefit from earnings being passed back in the form of competitive rates, and additional products and services;
- Credit unions, with limitations on who they can serve and restrictions on products and services, also have a social mission to provide service to people of modest means as well as to increase the level of financial literacy in the community.

Furthermore, all taxpayers whether members or not, benefit from the presence of credit unions in the marketplace. Competition from credit unions helps influence the deposit and loan rates and fees offered by for-profit financial institutions. If the real property tax exemption is eliminated, credit unions may not be able to offer the same level of pricing and services to its members, which could have an impact on the overall financial market and community.

We urge you to consider the impact of these changes, particularly in light of the economic challenges we are all facing, and to not accept the commission's recommendation.

Sincerely,

Thomas N Yamabe Li II
Thomas N Yamabe Li

6770 Hawaii Kai Dr. # 1504
Honolulu, HI 96825
January 9, 2012

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530 S. King Street, Room 202
Honolulu, Hawaii 96813

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Sincerely,

Judith E. Tarpley

Judith E. Tarpley

Audubon
Ms Shirley Kamins
4389 Malia St Apt 213
Honolulu HI 96821

January 9, 2012

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530 S. King Street, Room 202
Honolulu, Hawaii 96813

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Sincerely,

Shirley R. Kamins

January 9, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

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Sincerely,

Beverly Miura

January 10, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

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Greigson Gono

January 10, 2012

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Honolulu, Hawaii 96813

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Coleen Iwanaga

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January 10, 2012

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530 S. King Street, Room 202
Honolulu, Hawaii 96813

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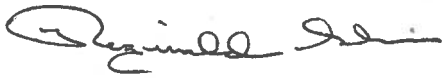

Reginald Shin

January 10, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

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Sincerely,

Scott Yoshida

January 10, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

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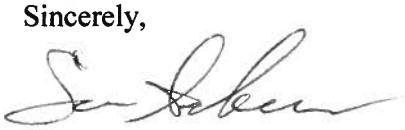
- Credit unions, with limitations on who they can serve and restrictions on products and services, also have a social mission to provide service to people of modest means as well as to increase the level of financial literacy in the community.

Furthermore, all taxpayers whether members or not, benefit from the presence of credit unions in the marketplace. Competition from credit unions helps influence the deposit and loan rates and fees offered by for-profit financial institutions. If the real property tax exemption is eliminated, credit unions may not be able to offer the same level of pricing and services to its members, which could have an impact on the overall financial market and community.

We urge you to consider the impact of these changes, particularly in light of the economic challenges we are all facing, and to not accept the commission's recommendation.

Sincerely,



Sun Anderson

January 10, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

RE: Real Property Tax Exemptions

Dear Council Members:

I am writing to oppose the proposal by the Real Property Tax Advisory Commission regarding the elimination of the real property tax exemption. The issue of the real property tax exemption is important because the elimination of the exemption adds an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners, charitable organizations and credit unions.

The retention of the current tax status will provide relief to deserving island residents with special financial needs as well as entities, such as credit unions, that benefit the community. Credit unions have unique characteristics that qualify them for a real property tax exemption.

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Sincerely,

Craig Shimomi

January 10, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

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Sincerely,

Shirley A. Onishi

Shirley Onishi, Realtor LLC

January 10, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

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We urge you to consider the impact of these changes, particularly in light of the economic challenges we are all facing, and to not accept the commission's recommendation.

Sincerely,

Stan Onishi Sr.

Stan Onishi Sr.

January 10, 2012

Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, Hawaii 96813

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Sincerely,

Lena Uehara

Lena Uehara

UNIVERSITY OF HAWAI'I
FEDERAL CREDIT UNION
UHFCU.COM

January 6, 2012

The Honorable Ernest Martin, Chair
Members of the Honolulu City Council
530 S. King Street, Room 202
Honolulu, HI 96813

RE: Honolulu Real Property Tax Advisory Commission Proposal

Dear Chairman Martin:

On behalf of the University of Hawai`i Federal Credit Union (" the UHFCU") which serves over 24,000 members, I am writing in opposition to a proposal by the Real Property Tax Advisory Commission ("the Commission") to eliminate the real property tax exemption for credit unions. In addition, I would like to respond to statements in the Commission proposal that are misleading or inaccurate.

Background

As you are aware, credit unions are not-for-profit, member owned financial cooperatives. Each credit union member has equal ownership and one vote regardless of how much money a member has on deposit. At a credit union, every customer is both a member and an owner. Our boards of directors are unpaid volunteers elected by our members.

The UHFCU was chartered in 1955 and has provided quality financial products and services to its members. The UHFCU was organized because a group of University of Hawai`i employees envisioned a credit union to help provide affordable loans to members. Throughout the years, the board of directors has resisted converting to a community charter and remained dedicated to serving a field of membership of occupational and associational groups related to the University of Hawai`i.

Commission Proposals Regarding Credit Unions

The Commission report discussed some inaccurate and unfair conclusions regarding credit unions. First, the Commission statement "Real property taxpayers are being asked to subsidize the benefits credit unions afford their members such as paying higher interest rates on deposits and extending lower interest rates on its loans to members" is misleading and erroneous. *See Preliminary Report of the Real Property Tax Advisory Commission pp. 19.*

All City and County of Honolulu residents whether credit union members or not, benefit from the presence of credit unions in the marketplace. The existence of credit unions helps keep bank savings and loan prices lower and provides a viable financial services alternative. Without the presence of credit unions, I am convinced the financial services landscape would be dramatically different to the average resident.

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Second, the Commission statement "...for those credit unions that have a field of membership that is community based, one has to question whether or not those institutions maintain a competitive advantage over traditional financial institutions" is inaccurate. *See Preliminary Report of the Real Property Tax Advisory Commission pp. 19.*

While true community-based credit unions can serve all residents in a certain municipality, many other restrictions against the credit union exist. For example, credit unions are limited to the number of business loans they are able to make to 12.25% of total assets. This restriction places significant constraints on the ability of credit unions to lend to small business owners and generate revenue.

In addition, credit unions are the only depository institutions in the United States that do not have the legal authority to supplement their capital by issuing capital instruments (e.g., stock) and must meet statutory capital requirements or face asset restrictions or other sanctions that limit growth. Because a credit union's only source of capital is the retention of earnings, maintaining a given capital ratio can only be accompanied by asset growth if there is sufficient net income, and increasing a net worth ratio requires even higher levels of net income or slower growth rates.

Credit unions have statutory investment restrictions regarding the type of securities allowed to invest excess deposits. These investment restrictions are significantly greater than banks and leave credit unions at a competitive disadvantage to generate income. Therefore, I strongly oppose the statement credit unions have a competitive advantage over other financial institutions.

Community Involvement

At the UHFCU, we believe being financially strong and doing good for the people in our community are not exclusive of each other; they are integrated goals. When our business is strong and well governed, we are in a better position to affect positive change that benefits everyone. This is the essence of sound corporate governance in which we do business.

To assist our community, the UHFCU annually supports charitable organizations such as Aloha United Way, Hawai`i FoodBank, Children's Miracle Network and the American Cancer Society. As an advocate of financial literacy, the UHFCU supports the Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR UP), a program to prepare low-income students to enter and succeed in postsecondary education. In addition, we sponsor the Kids' Savings Project, whose goal is to educate elementary school students in lower income communities about the importance of saving. The UHFCU was the first financial institution in Hawai`i to participate in this program. With respect to homeownership, the UHFCU is a sponsor of the Hawaii Home Ownership Center whose goal is to provide information, education and support to first-time homebuyers in Hawai`i. Without the real property tax exemption, the UHFCU's ability to continue to invest in these critical community programs would be at risk.

UNIVERSITY OF HAWAI'I
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UHFCU.COM

Petition Campaign

The UHFCU asked its members to support our real property tax exemption by signing a petition when visiting our branches. This petition campaign began on Thursday, December 15, 2011. As of the date of this letter, nearly 700 of our members signed our petition asking the City Council to support the Credit Union tax exemption (see attachments).

This "grassroots" campaign by the UHFCU was meant to demonstrate to City Council members the importance our member owners take in keeping their credit union financially healthy and maintaining competitive products and services.

Conclusion

I would like to recognize the significant time and consideration members of the Commission, Department of Budget and Fiscal Services and Honolulu City Council spent on reviewing the various exemptions in the real property tax system. The property tax system must be reformed to bring a fairer and more transparent structure into place. I understand the City Council has difficult fiscal and political decisions to make on real property tax exemptions, but I encourage the City Council to take the time to consider all implications of this proposal, especially the impact it will have on credit unions and its members.

Thank you very much for your time on this matter. If you have any questions, please do not hesitate to contact me at (808) 983-5575 or via email at jmorse@uhfcu.com.

Sincerely,

Jeanine M. Morse
President & Chief Executive Officer

2019 SOUTH KING STREET · (808) 983-5500
PO BOX 22070 · HONOLULU, HI 96823-2070

UNIVERSITY OF HAWAI'I
FEDERAL CREDIT UNION

JOIN US IN TAKING ACTION

Petition to Oppose the Elimination of the Real Property Tax Exemption

To: The Members of the Honolulu City Council

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Asako Shiba	Asako Shiba	1252 Alewa Dr. Honolulu HI 96817	12/20/11
JoAnn Chang	JoAnn S Chang	1180 Kalama Paka Pl Hon. HI 96825	12/20/11
Randall Dang	[illegible]	3459-A Kilauea Ave Honolulu. 96816	12/20/11
Iris Miura	Iris Miura	1572 Hoomoana Place Pearl City, HI 96782	12/20/11
NEIL SALUMGA	[illegible]	~~1255~~ 2600 CAMPUS ROAD QLC13 HONOLULU, HI 96822	12/20/11
Gary Tachiyama	[illegible]	3626 Kumukoa St. Hon. HI 96822	12/20/11
Laura Shimabukuro	Laura Shimabukuro	1040 Kinau St #705 Hon. HI 96814	12/21/11
Donna R. Ching	Donna R. Ching	2377 St. Louis Dr. Hon., HI 96816	12/21/11
VIVIAN L	Vivian L	1865 LUSITANA ST. HONOLULU, HI 96813	12/21/11
Bonny B.	Bonny Banta	91985 Fuaha La St Ewa Beach 96706	12/21/11

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HELEN H. HAMADA		1919 YOUNG ST. #303 HONOLULU HI 96826	01/05/2012
HILLARY CHANG		1133 WAIMANU ST #2108 HON HI 96814	1/05/2012
Sharon Minami		1330 Ala Moana Blvd #1005 Honolulu HI 96814	1/5/12
BRYAN ANDERSON		45-499 WAIKALUA PL KANEOHE, HI 96744	1/5/12
Thelma C. Diercks		250 Ohua Ave. #10E Honolulu, HI 96815	1/5/12
KATHLEEN K. GAGNON		1243 Auwaiku ST. Kailua, HI 96734	1/5/12
W. BRUCE SAVAILLE		1146 Alohi Way #303 Honolulu, HI 96814	1/5/12
Monika Kathuna		PO BOX 61435 Honolulu HI 96839	1/5/12
Sandra Onaga		2499 Kapiolani Blvd. #2705 HON, HI 96826	1.5.2012

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Robert Yamashiro		9012 Maunalua Ave.	~~12-22-11~~ 12/21/11
RALPH SAHARA		3214 Patty Drive HONOLULU HI 96822	21 Dec 2011
ROSEMARIE V. WOODRUFF		854 KEALAHOU ST. HONOLULU HI 96825	12/21/11
NATHANAEL COHN		2585 Pali St Honolulu, HI 96822	12-21-11
Ruth H. Horie		112 So. School St. #211 Honolulu, HI 96813	12/21/11
Janet K. Uyehara		94-1118 Manini Pl. Waipahu, HI 96797	12/21/11
Alexandre A. Kruger		2241 AHE. St. #33-A Honolulu, HI 96816	12/21/11
Martin Guils		1628 Keeaumoku #902 Honolulu, HI 96822	12/21/11
CARL FURUTANI		45-247 Halemanu Pl. Kaneohe, HI 96744	12/21/11
Spencer Garrod		826 19th Ave Honolulu, HI 96816	12/21/11

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Casey Philbin	Casey Philbin	2451A Punnoa pL 96816	12/21/11
John R Smith	John R Smith	3907 Pi'i Pl 96816	12/21/11
Paulette Feerey	Paulette Feerey	53-866D Kamehameha Hwy 96717	12/22/11
Marcia Rei Sistoso	Marcia Rei Sistoso	215 Pakohana St. #A Honolulu, HI 96813	12/22/11
LAYNE KOSEKI	Layne Koseki	1520 SPRECKELS ST.	12/23/11
C. Matsuzaki	C. Matsuzaki	P.O. Box 11163	12/23/11
JOHN DAVIS	John Davis	1616 LIHOLIHO ST #803	12/23/11
Steven P. Businger	Steven Businger	108 Kokaha pl. Hon HI 96825	12/23/11
Stella Hieda	Stella Hieda	738 21st Ave Hon 96816	12/23/11
MARSHAL KINGSBURY	M. Kingsbury	47-451-2 HOI IWA ST, KANEOHE 96744	12/27/11

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Scott Higgins		2081 Keeaumoku Pl	12/21/11
Jane Park		1433 Kewalo St.	12/22/11
Nanise Young		PO Box 384168 Waikoloa, HI 96738	12/22/11
GRANT OTOSHI		1233 SEVENTH AVENUE HONOLULU, HI 96816	12/22/11
Cherry Torres		901 Prospect St #302 Honolulu HI 96822	12/22/11
Diane Ibaraki		45-560 Kiani St Kaneohe HI 96744	12/22/11
Gary Park		PO Box 4044 Kaneohe	12/23/11
Walter Taoumo		2069 Coit Ave 18B Wahiawa HI 96786	12/23/11
Zhengyu Yu		2640 Dole St. Hon. HI 96822	12/23/11
Gregg S. Geary		1557 Noe St. Honolulu, HI 96819	12/23/11

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Ruth Tsujimura		190 Niuiki Cir Hon 96821	12/16/11
Ann Akamine		45-547 A Mokulele Dr Kaneohe 96744	12-16-11
DORREL WHINERY		45-145 Kahana Hou Cir Kaneohe, HI 96744	12/16/2011
Debra Okuno		1616 Lihoiliko St Hon 96822	12/16/11
Eric Pilger		91-1079 Kumulipo St. Kapolei, HI 96707	12/16/11
Stella Hieda		738 21st Ave Honolulu, HI 96816	12/16/11
OLGA BORIC-LUBECKE		4838 Kalohala St. Honolulu, HI 96816	12/16/11
SUZANNE TILLERY		2333 Kapiolani Blvd Honolulu, HI 96826	12/16/11
CHERISH SHIMAMOTO		3145 F Kalihi St. Honolulu, HI 96819	12/19/11
Cecelia Hannides		3125A Catherine St. Honolulu HI 96815	12/20/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Fernando Santiago Manciyano		1212 Punahou St 3401 Honolulu HI 96826	12/15/11
DIEP T VO-LE		189 POLIHALE PL HONOLULU, HI 96825	12/15/11
Jolene J. Bueno		1210 Wilder Ave #401 Honolulu, HI 96822	12/15/11
Joy K Lewis		3033 Ala Ilima St #2001 Honolulu HI. 96818	12/15/11
KIMBERLY L. ZIPP		1545 NEHOA ST 604 HONOLULU HI 96822	12/15/11
Joseph Campos II		2202 Wilder Ave Hon HI 96822	12/15/11
George Nihei Jr.		2638 Nakookoo St #303 Honolulu HI 96826	12/15/11
Soohee Choy		276 Kaumakani St Honolulu, HI 96821	12/15/11
Martha Hanson		2440 Campus Rd. #309 Honolulu, HI 96822	12/15/11
Reome Albano		98-207 Kaonohi St. J1 Aiea, HI 96701	12/15/11

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Charlene Baker		1086 Mokuhano St Honolulu HI 96825	12/27/11
Delia Gumayagay	Delia Gumayagay	47-152 Hemo Pl. Kaneohe, HI 96744	12/27/11
Haley Hendricks	Haley Hendricks	Hale Aloha Lokelani 754A 2579 Date St. Honolulu, HI 96822	12/27/11
Nelson Sakamoto		98-707 Iho Pl. #1505 Aiea, HI 96701	12-28-11
Laurie Furuhashi	Laurie Furuhashi	45-247 Kakamuku Pl. Kaneohe, HI 96744	12/28/11
Rudy Tulonghari		910 14TH Ave Hon HI. 96816	12/28/11
Mandi Domingue	Mandi Domingue	1825 eastwest Rd Honolulu, HI 96822 Hale Kahawai RM#317A	12/28/11
Mark Takamiyashiro		2002 East West Rd Honolulu, HI. 96826	12/28/11
Raymond Pang	Raymond Pang	1515 Kalaepohaku St Hon HI 96816	12/30/11
Kevin Yuen	Kevin Yuen	1257 Nehoa St Hon, HI 96822	12/30/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Michie Hamao	Michie Hamao	Hon. HI 96822 3262 Paty Dr.	12/20/11
Victoria H. Asayama	Victoria H. Asayama	2418 Oahu Ave Honolulu, HI 96822	12/20/11
TAISHA SUGAI Taisha Sugai	Taisha Sugai	1251 Heulu St #102 HON 96822	12-20-11
R KELLY AUNE	R Kelly Aune	HON 96825 1040A AWAWAMALU ST	12-22-11
Krystyna Aune	Krystyna Aune	1040-A Awawamalu St.	12/22/11
Allan H. Fuji	Allan H. Fuji	970 Shinnan Place	12/22/11
Henry T. Yamaguchi	Henry Yamaguchi	1077 Kalapaki St. Hon. HI 96825	12/23/11
Dorothy M. Higashi	Dorothy M. Higashi	1072 Alalehua St Honolulu, HI 96818	12/20/11
Mangmang Brown	[illegible]	2652 Ferdinand Ave Hon, HI 96822	12/30/11
Carol Beresiwsky	Carol Beresiwsky	1524 Halekoa Dr Hono HI 96821	12/31/11

UNIVERSITY OF HAWAI'I
FEDERAL CREDIT UNION

JOIN US IN TAKING ACTION

Petition to Oppose the Elimination of the Real Property Tax Exemption

To: The Members of the Honolulu City Council

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
CLAUDE J. KLUG	Claude J Klug	435 SEASIDE AVE. #702 Honolulu, HI 96815	12/15/11
JAMES C. BRAY	James C Bray	91-1044 Kekaiholo ST Ewa Beach Hi 96706	12/15/11
Maria Naranja	[illegible]	91-1040 Kaloqua St Ewa Beach Hi 96706	12/15/11
Dolores Donovan	Dolores Donovan	1050 Kinau St., #1107	12/15/11
Susanne Carvalho	Susanne Carvalho	905 Spencer St #504 Hono. Hi 96822	12/15/11
Jonathan T. Wong	[illegible]	955 Ala Lilikoi St #706 Honolulu, HI 96818	12/16/11
James R. Landers	James R. Landers	1556 Piikea St, Hon.	12/16/11
James A. Landers	James A. Landers	1263 Elm St., Unit I	12/16/11
Peter Dowrick	[illegible]	45-032 Lilipuna Rd Kaneohe	12/16/11
Mary Jo Noonan	[illegible]	3357 Anoai Pl. Honolulu 96822	12/16/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Ruth Alcagell	[illegible]	443 E Hind Dr	Jan 2012
Jordan Meredith	Jordan Meredith	839 Kealahou St Honolulu 96825	01-4-2012
Connie Meredith	[illegible]	3341 Anani Place Honolulu, HI 96825	01-4-2012
Ricky Oshima	[illegible]	2022 OSWALD ST Hono HI 96816	01-4-201
AYAKO OSHIMA	Ayako Oshima	2022 Oswald St. Hon., HI 96816	Jan. 04, 2012
Stefannye Slaughter	[illegible]	3291 Uilani Place Honolulu, HI 96816	1-5-2012
Peter Awakuni	[illegible]	1856 Kualuna St. Honolulu, Hi 96817	1-5-2012

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Petition to Oppose the Elimination of the Real Property Tax Exemption

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Lester Yim	Lester Yim	1900 Piimauna Place Hon HI	12/16/11
Beverly Klopf	Beverly Klopf	516 Ulumu St. Kailua, HI 96814	12/16/11
LEON NOE	[illegible]	2292 Halekoko St Honolulu, 96821	12/16/11
He Xu-Sadri	He Xu-Sadri	1617 Kapiolani Blv Honolulu 96814	12/16/11
SUZI JOHNSTON	[illegible]	PO BOX 11629 HONOLULU, HI 96828	12/17/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
JONATHAN KAWAKAMI		2226 STRAN IBW AVE UNITB Hon HI 96822	12/31/2011
BARBARA HARGER	Barbara Harger	1740A Mikahala Way Hon HI 96816	1/5/2012

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Paula T. Morelli		1511 Ehupua Pl Honolulu 96822	12/23/11
Alex PACHECO		3515 AKAKA Pl. HONOLULU 96822	12/28/11
Primo Bailon		1566 Ala Aolua Hon. HI 96819 LP.	12-29/11
Janek Bailon	Janek Bailon	1566 Ala Aolua Lp Hon. HI. 96819	12-29-11
Shari Matsuda		91-346 Kaukolu Way Ewa Beach, HI 96706	12-29-11
Ida Yoshida		860 Halekauwila St., #1103 Hon., HI 96813	12-29-11
Violet Subiaga		3137 Kaunaoa St. Hon. HI 96815	12-30-11
M. Kimberly Lowe		990 Ala Namala St. #37C Honolulu, HI 96818	12/30/11
Joanna Alexander		1519 Nuuanu Ave Unit 55 Honolulu HI 96817	12/31/11
Vesired Wong		1069 Spencer St. 101 Honolulu, HI 96822	12/31/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Sung Woon Yang		1009 Kapiolani Blvd #3005	12/22/11
Daphne Duncan		47-670 Waiehua Pl Kaneohe, HI 96744	12/22/11
Laura Peterson		4250 Sierra Dr Honolulu HI 96816	12/22/2011
Melissa Johnson		95-1089 Paemoku Pl. Mililani HI 96789	12/22/11
David Registe		935 Olokele Ave #B Honolulu HI 96816	12/23/2011
Chris Winn	Chris Winn	3081C Paty Dr Hono HI 96822	12/23/2011
SHARLENE BRUNELL	Sharlene Brunell	2333 Kapiolani Hon. HI 96826	12/23/11
Joyce M. Ogawa	Joyce M. Ogawa	94-056 Hikupalemo St. Mililani, HI 96789	12/23/11
Sharon Schneider	Sharon Schneider	5042 Maunalani Cir. Honolulu, HI 96816	12/23/11
Thomas Gnorelli	T Gnorelli MD	1511 Ehupuna Pl. Honolulu Hi 96821	12/23/11

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Leona Anthony		1039 Wainiha Hon 96825	12/13/11
BISMARCK MURAOKA	Bismarck Muraoka	1526 Lehoiho St	12-13-11
Mary Muraoka	Mary Muraoka	1526 Lehoiho St	12/16/11
Brooke Sakamoto	Brooke Sakamoto	3210B Lower Road Honolulu, HI 96822	12/17/11
Greg Sakamoto		3210B Lower Road Honolulu, HI 96822	12/17/11
Tyanna Sakamoto		2038 Nakookoo St #303 Honolulu, HI 96822	12/17/11
Kristy Kaneshiro		2445 Unulau Pl. Honolulu HI 96819	12/21/11
Grant Niimi		818 S. King St #1702 Honolulu, HI 96813	12/22/2011
Michelle Phillips	Michelle S. Phillips	1020 Mauna Wili Loop Kailua, HI 96734	12/22/2011
Shayne Nakamura		91-1151 Namakoa St. Kapolei, HI 96707	12/22/11

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Donald R McDonald	[illegible]	59-640 Kawoa Pl. P.O. Box 1246 Haleiwa, HI 96712	12/27/11
Ron Solis	[illegible]	2148 Komo Mai Drive Pearl City, HI 96817	12/28/11
Julian Gillian	[illegible]	7018 Hawaii Kai Dr Honolulu, HI 96825	12/29/11
Eleanor Mateo	Eleanor A. Mateo	1053 Wilikina Dr Hon. HI 96818	12/29/11
AVERY J. TSUI	[illegible]	98-312 KAONOHI ST #2 AIEA, HI 96701	12/29/11
Joy K. Tsui	[illegible]	98-312 Kaonohi Ct. #2 Aiea, HI 96701	12/29/11
Jean Y. Iida	Jean Y. Iida	1554 Liholiho St. #205 HON., HI. 96822	12/29/11
Michelle L. Brown	[illegible]	1868 Kahakai Dr. 102 Honolulu, HI. 96814	12/29/11
Erin L. Britos	[illegible]	1920 Hunnewell St. 96822	12/30/11
RICHARD T. SUBIAGA	Richard T. Subiaga	3137 KAUNAOA ST. HON. HI 96815	12/30/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
MICHAEL NASSIR	[illegible]	1642 SAINT LOUIS DR. HONOLULU, HI 96816	1/5/2012

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Lichung Ming	[illegible]	500 University Ave. #908 Honolulu, HI 96826	1/5/12

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Carole Toomey	Carole Toomey	1646 Paula Dr Honolulu, HI 96816	12/27/11
Rowena Toomey	Rowena Toomey	1646 Paula Dr. Honolulu, HI 96816	12/27/11
Angie Ocampo	Ocampo	1122 Kinau St Honolulu, HI 96814	12/28/11
Diane Sakimoto	Diane Sakimoto	3443 Hayden St Honolulu, HI 96815	12/28/11
Irene Sakimoto	Irene Sakimoto	3443 Hayden St. Honolulu, HI 96815	12-28-11
Laverne Fukuda	Laverne Fukuda	3213 Pinao St. Hon, HI 96822	12/28/11
Angelia Perez	Angelia Perez	2537 Pauoa Rd. Hon. HI 96813	1/3/12
Peter T. Gampon		PO Box 235034 Honolulu, HI 96823	3 Jan 12
Nalani Pahukula		1524 Akaakoa Pl. Kailua HI 96734	1/5/12
Jeremiah Pahukula, Jr.		1524 Akaakoa Pl. Kailua HI 96734	1/5/12

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Margaret T.H. Tokita	Margaret T.H. Tokita	1336 Kuualii Home Rd. Hon. Hi 96825	12/13/11
ALLYN BROMLEY-BARON	Allyn Bromley	2207 Mohala Way Honolulu, HI 96825	12-13-11
BRIAN BARON	[illegible]	2207 Mohala Way HNL HI 96822	12-13-11
Gordon Mark	[illegible]	1610 KANUNU ST #1102 Hon. HI 96814	13 Dec '11
Pauline C.N. Ho	Pauline C.N. Ho	1134 Kinau St. #306 Hon. HI 96814	Dec. 20, 2011
Paul Kaneshiro	Paul Kaneshiro	1044 Green St #5 HONOLULU, HI 96822	12/21/11
PAT MASTERS	Patricia Germain	2721 A Punahoua St. Honolulu, HI 96822	12/21/11
Tom Humphreys	Tom [illegible]	2139 Chamberlain St. Honolulu HI 96822	12/23/11
MILTON BLOOMBAUM	Milton Bloombaum	1515 Nuuanu Ave., APT. 2056 Honolulu, HI 96817	12-27-11
Laurel M BLOOMBAUM	Laurel M Bloombaum	1515 Nuuanu Ave #2056 Honolulu, HI 96817	12-27-11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
KAREN Y. W. KOMATSU	Karen Y. Komatsu	2412 Coyne St. Hon. Hi. 96826	12/16/2011
Irene K. Takata	Irene K. Takata	1535 Akaakoa Pl. Kailua, HI 96734	12/30/2011
Ronald C Brown	Ronald C Brown	2652 Ferdinand Ave Honolulu, HI 96822	12/30/11
Brian Lee Fortune	[illegible]	2131 Algaroba St 1 Honolulu HI 96826	

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Lynette M. Funiko	[illegible]	24 Hakumele Place Honolulu HI 96817	12/31/2011
John W. DeWilbiss	John W. DeWilbiss	1835 St. Louis Dr. Honolulu 96816	Jan 4/2012
Susan Bimson	Susan Bimson	1835 St. Louis Dr. Honolulu, 96816	Jan 4/2012

Please Sign !!

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Helen Turano		P.O. Box 300326 Kaaawa, HI 96730	

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
DAVID JAMESON	David Jameson	1030 AOLOA PL. #307B KAILUA 96734	JAN 4 2012

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Sharon K. Stahl	Sharon K Stahl	249 Uilamoa St Kailua	16 Dec 11
Paul Weiman	Paul Weiman	1098 Kumukumi St Hon HI 96825	20 Dec 11
Ron Brown	Ron Brown	2749 Hipawai Pl Hon, HI, 96822	—"—
CHRIS KADOOKA	Chris Kadooka	2827 Dole St Hon. HI 96817	1/3/11
GORDON TSUJI	[illegible]	94-387 Hokuili Pl. Mililani, HI 96789	1/3/12
Brenden Hollman	[illegible]	1259A Center St Hon HI 96816	1/4/12

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
W R STAGES		47-417 AHUIMANU RD KANEOHE HI 96744	1-5-12
DENNY ROY	Denny Roy	2499 KAPIOLANI BLVD., NO. 1009 HONOLULU, HI 96826	JAN. 5 '12
Jan Wong		433 KEONIANA ST Hon Hi 96815	1/5/12

UNIVERSITY OF HAWAI'I
FEDERAL CREDIT UNION

JOIN US IN TAKING ACTION

Petition to Oppose the Elimination of the Real Property Tax Exemption

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Merritt Hee	[illegible]	1334 9th Avenue	12/28/11
MICHAEL GIPAYA	[illegible]	617 N. Kuakini #202 Honolulu, HI.	12/28/11
Nina Nicole Santos	[illegible]	1072 Ilima Dr Honolulu HI 96817	12/28/11
Lauren Uyeda	[illegible]	1424 Whitney St. #103 Hon 96822	12/28/11
[illegible]	[illegible]	1128-17 Alewa Dr. Honolulu HI 96817	12/28/11
Linnel Yamashita	[illegible]	608E-1 North Kuakini St. HNL, HI 96817	28 December 2011
ROBERT CAMILLERI	[illegible]	350 SUMNER ST. HONOLULU, HI 96817	12/29/11
Wayde Nakamoto	[illegible]	2754 Kuilei St. 1803 Honolulu, HI 96826	12/30/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Carl Polley	Carl	1711 East-West Rd. Hon HI 96848	12/27/2011
Suzanne Garrett	Suzanne Garrett	2023 Lime St. #J Honolulu HI 96826	12/29/2011
Summerlyn Moe	Summerlyn Moe	92-1350 Panana St. #512 Kapolei, HI 96707	12/31/11
Tanovasa Moe	Tanovasa Moe	92-1350 Panana St. #512 Kapolei, HI 96707	12/31/11
Seiko A. Naumu	Seiko A. Naumu	98-268 Ulalo ST, #N-1 Aiea, HI 96701	12/31/11
BRADLEY T. HIRANO	[illegible]	2450 FERDINAND AVE HONOLULU HI 96822	1/4/12
Dora R. Tavare ~~Dora R. Tavare~~	Dora R. Tavare	2916 Date St #11F Hon. HI 96816-1817	1/5/12
RUTH Y. HSU	[illegible]	47401 Waihee Rd Kaneohe, HI 96744	1/5/12

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Julie Iezzi		2340 Kuahea St Honolulu 96816	1-5-11
HERBERT T. ISHIDA		98-1158 KAONOHI ST AIEA, HI 96701	1/5/12
MARIA G. SALVADOR		1807 N. SCHOOL ST. Hon. HI. 96819	1-05-12
Dick M. Tsuda		1686 Ala Amoana St. Honolulu, HI 96819	1/5/12
Floris Sakamoto		381 Kaumakani St Hon 96825	1/5/12
Clinton Nonaka		2833-B Henry St. Honolulu HI 96817	1/5/12
Tonia H. Tom		44-722 Maiwani St Kaneohe, HI 96734	1/5/12
Tomoko Iwai		46-081 Kanoliki St 3563 Kaneohe HI 96744	1/5/12
EMMA CAGAOAN		92-474 Akaula St Kapolei HI 96707	1/5/12
David Christopher		6710 Hawaii Kai #808 Honolulu HI 96825	1/5/12

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Hatsami Maretzki	[illegible]	2900 A Puuhonua St	12/23
Andrew Johnson	[illegible]	44-563 Kaneohe Bay Dr	1/3/12
Aleli Starosta	[illegible]	1607 [illegible] 96816	1/3/12
Rhonda Fears	[illegible]	1633 Kaiwai [illegible]	
Kathleen R. Clarke	[illegible]	P.O. Box 463, Waianae 96791	1/4/12
COLLEEN ALLEN	[illegible]	P.O. Box 240731, Hon. 96824	1/4/12
PATSY KANO	[illegible]	3343 Oakanu PL	1/4/12
GARY P Romero	[illegible]	1481 Akeke PL Kailua, HI	1/4/12
Annie Moriyama	[illegible]	1004 Luna'ai Pl Kailua HI 96734	"
WARREN KAWAOKA	[illegible]	1816-A-10TH AVE. Honolulu, Hawaii 96816	1/4/12

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Cheryl Mendez		2050 Nuuanu Ave #203 Honolulu HI 96817	12/29/11
Joelle Kamiya		91-2002 Kaioli St #5201 Ewa Beach, HI 96706	12/29/11
Cara Kawano		859 Akumu St. Kailua, HI 96734	12/29/11
Pamela Ingram	Pamela Ingram	670 PROSPECT ST #703 HON- HI. 96813	12/29/11
Gail M Slawson		3016 Libert St Hon, HI 96816	12/29/11
Helen Tricas		3211 Beaumont Woods PL Honolulu, HI 96822	12/29/11
James Bell		1285 Kamehameha St Honolulu, HI 96816	12/29/11
David B. Sanders		184 Poliahale Place Honolulu, HI 96825	12/29/11
Karl Kawauchi		824 Kinau St Apt 409 Honolulu, HI	12/29/11
John Erickson		241 Kaha St. Kailua, HI 96734	12/29/11

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Roberta J. Hee	Roberta J Hee	1226 Alexander St #1504 Honolulu, HI 96826	12-27-11
SODY M. MUNSAKA	Munsaka	926 Punahana St APT 1 HNL HI 96826	12-29-11
Dale S. Yoneda	Dale S Yoneda	1173 Nahoku Pl. Hon HI 96825	12-29-11
John M. Toguchi	[illegible]	47-198B Hui Akepa Pl Kaneohe 96744	12/29/11
Susan F. Omori	Susan F Omori	3002 Woolsey Pl. Honolulu, HI 96822	12/29/11
Debbie L. Victor	[illegible]	2860 Waialae Ave. #203 Honolulu, HI 96826	12-29-11
Clayton Aki	[illegible]	92-13C Kolea Pl. Kapolei HI 96707	12-29-11
Shelby Ozaki	[illegible]	2542 Date St. #604 Honolulu, HI 96826	12/29/11
Alan Okamura	Alan Okamura	2100 Date St 603 Hon 96826	12/29/11
Lois Nagahara	Lois Nagahara	4300 Waialae Ave #B101 Honolulu 96816	12/29/11

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MARGARET SAWYER	Margaret Sawyer	2130 Charles St	12/22/11
Henry Mena	Henry Mena	94-056 Nawaakoa St Waipahu HI 96797	12/22/11
Sylvia Wheeler	[illegible]	1103 Kamokila Apt 101 Hon. HI 96826	12/30/11
Wendy Oh Young	[illegible]	Hon HI 96826 2261 Date St A4	12/31/11
KAREN HOWELL	Karen Howell	2437 PARKER PL HONOLULU, HI 96822	12/31/11
Siri Solheim	[illegible]	519 Ulukanu St Kailua, 96734	12/31/11
CHRIS CHOI	[illegible]	1717 ALA WAI BLVD #2508 HONOLULU, HI 96815	12/31/11
Breanne Aiu	Breanne Aiu	2133 Malino PL Honolulu, HI 96817	12-31-11
Dennis A.V. Daquip	D.A.V. Daquip	2418 Kula Kolea Dr. Honolulu, HI 96819	12-31-11
Junel Wright	[illegible]	3719 Likini St. Hon, HI 96818	12-31-11

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RONELLE SAKO		1450 YOUNG ST. HON. 96814	12/29/11
PATRICK H. CHUNG		837 ALOMIKU ST. HONOLULU, HI 96821	12/31/11
ANN K. REIMERS	Ann K Reimers	1142 MOKAPU BLVD. KAILUA HAWAII 96734	12/31/11
Ruth Kobayashi		1069 MAKAIWA ST Honolulu HI 96816	12/31/11
Nadine Cunningham		2369 Aoepio St Pearl City HI 96782	12/31/11
Richard Nakahara		3343 Hoolulu St Hon HI 96815	12/31/11
Sandie Shemts		821 Punchbowl St Hon HI 96813	12/31/11
Walington Yee		PO Box 61301 Honolulu, HI 96839	12-31-11
Richard Sullivan		P.O. BOX 37040 Honolulu HI 96837	12-31-11
Scott Rigg		1630 MAIKI ST. C-205 Honolulu HI 96822	12/31/11

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ELIZABETH K. TAM	Elizabeth K. Tam	609 Anakea St	12/22/2011
Christopher R. Kelsey	Christopher R. Kelsey	3776 Kumulani Pl.	12-22-11
Deborah Mary K. Kelsey	Deborah Mary K. Kelsey	3776 Kumulani Place	12/22/11
Darlene M. Haranaka	Darlene M. Haranaka	1042-B 8th Ave.	12/22/11
Michelle Grandalen	Michelle Grandalen	1819 Paula Dr.	12/24/11
Annabelle Takahashi	Annabelle Takahashi	825 Coolidge St	12/29/11
Sara Nunes-Alabata	[illegible]	3915 Curtine Dr.	12/29/11
Melissa Higgins	Melissa Higgins	24 Hialoa, Apt 42 Honolulu, HI 96817	12/31/11
NICHOLAS BECKMAN	[illegible]	24 HIALOA ST., APT 42 HONOLULU, HI 96817	12/31/11
Anna Pung	Anna Pung	2751 Pu'uhonua St. Hon., HI 96822	12/31/11

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Angela Sy		1255 Nuuanu 1 Honolulu 96817	12/22/11
Kathryn Whitman		2044 Pacific Heights Rd. Honolulu, HI 96813	12/22/11
JONATHAN CHEE		98-501 KOAHIKA LOOP A1707 AIEA, HI 96701	12/22/11
DONALD I. UACHIDA		626 CORAL ST. #611 96813	12/23/11
Adam LeBlanc		2650 A E. Manoa Rd Honolulu, 96822	12/24/11
Lauraine K. Yonemura		1939 Citron St #2 Honolulu, HI 96826	12/24/11
Blue Kaaneke		2726 Lanilua Rd HI 96813	12/27/11
Nicholet I. Sammy		98-1038 Moanalua Rd Apt 1505 Aiea, HI 96701-4613	12/31/11
Jane Moon		2724 Kalaoaloha Ln. #2103 Hon, HI 96826	12/31/11
Grace Lo		1612 Kanaki St Hon HI 96816	12/31/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Stephen M. Masutani		1061C Kaokoko St Honolulu, HI 96825	12/22/11
RANDALL YAMADA		94-216 MEKI PL. WAIPAHU, HI. 96797	12/22/11
BRAD CHOW		915 8th Ave Hono, HI 96816	12/22/11
Harry Davis		2223 Seaview Ave Hon HI 96822	12/22/11
KAREN SHIROMA		45-745 ANOI RD. KANEOHE, HI 96744	12/22/11
Clarence Lum		91-1040 Opuku St. KAPOLEI, HI 96707	12/22/11
Edd Komoda		1001 Kaweloka St. Pearl city, HI 96782	12/22/11
Kulamanu Kala Goodhue		91-439 Papipi Dr. Ewa Beach 96706	12/22/11
KANG WU		1433 KEWALO ST. PH10 Honolulu, HI 96822	12/22/11
Kori Hara		95-1121 Kelakela St. Mililani HI 96789	12/23/11

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Gary Rivers	Gary R.	1909 A KIEKIE PL. WAHIAWA HI 96786	12/22/11
Larry Liebowitz	Larry Liebowitz	3220 Chinkiani Corvallis OR	12/27/11
Christine Matsuura	[illegible]	96410 Kauka Lp #31-E Aiea, Hawaii 96701	12/22/11
Nelson Ganeko	Nelson S. Ganeko	91-1171 Hamana St. Ewa Beach, HI 96706	12-23-11
HECTOR VALENZUELA	Héctor Valenzuela	94-1070 ANANIA CR 107 MILILANI 96789	12-22-11
Eomailani Kukahiko	Eomailani Kukahiko	2640 Dole St. E3E6 Honolulu, HI 96822	"
Thomas H. Kawabata	Thomas H. Kawabata	2407 Holeneio PL HNL, HI 96816	12/22/11
KEITH LORENZ	Keith Lorenz	2558 Peter Ct Hon HI 96816	12/22/11
Merry Cris Ho	Merry Cris Ho	309 Auwaiolimu St. Hon. HI 96813	12/22/11
Julie Maeda	Julie I. Maeda	2050 Nuuanu Ave. #102 Honolulu, HI 96817	12/22/11

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Bianca Martin	[illegible]	431 Nanakeoli Kailua, HI 96734	12/16/11
I. M. Gappe	[illegible]	91-1029 Ka'oe St. Ewa Beach, HI 96706	12/16/11
Ronald J Park	[illegible]	1717 Moff Smith Dr #2412 Hon, HI 96822-2225	12/16/2011
Ann M. Castelfranco	Ann M. Castelfranco	3823 Anuhea Street Honolulu HI 96816	12/20/2011
Nicholas T. Metivier	[illegible]	3647 Ainakea St. Hon HI 96816	12/21/2011
Nancy Partika	Nancy P. Partika	3245 Carlos Long St. Hon. HI. 96816	12/21/2011
Suzanne Tey	[illegible]	3747A Waialae Ave Hon. 96816	12/21/2011
Sheila S. Panergo	Sheila S Panergo	1575 Hualanea St Pearl City - HI 96782	12/22/11
Clare Kawada	Clare Kawada	608 Lawelawe St Honolulu, HI 96821	12/22/11
TERI WONG	Teri Wong	905 15TH AVE HON HI 96816	12/22/11

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Roy Takekawa	Roy Y Takekawa	1082 Maunawili Rd Kailua, HI 96734	12/15/11
Jo Ann T. Espinueva	[illegible]	98-611 Kilinoe St #1E-1 Aiea, HI 96701	12/16/11
CELIA M. SMITH	[illegible]	46-025 Kureki Pl. Kaneohe HI 96744	12/16/11
Nancy Chang	Nancy Chang	1201 Wilder Ave Hono HI 96822	12/16
DAVID HALLSTEIN	[illegible]	99-1321 Aiea Heights Dr Aiea, HI 96701	12/16/11
ROZALIA LACZKO	Dr Rozália Laczko	94-1512 Lanikuhana Ave #612 Mililani HI 96789	12/16/11
RODNEY YIM	[illegible]	1584 Kanaloa Dr Kailua, HI 96734	12/16/11
C.N. Lee	[illegible]	2637 Kuilei St Hon. HI 96826	12/19/11
Elena Clarizia	[illegible]	2581 Alaula Way, Apt. A Honolulu HI 96822	12/19/11
NANCY Eckmann	Nancy J Eckmann	1290 Aupaakoe St Kailua, HI 96734	12/19/11

UNIVERSITY OF HAWAI'I
FEDERAL CREDIT UNION

JOIN US IN TAKING ACTION

Petition to Oppose the Elimination of the Real Property Tax Exemption

To: The Members of the Honolulu City Council

We, the undersigned, as duly registered voters of the City and County of Honolulu with full knowledge of the content of this petition, **respectfully oppose the elimination of the real property tax exemption** as proposed by the Real Property Tax Advisory Commission.

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Kim Kinard		4084 Round Top Dr	12-22-11
Ruth Matsunaga		3383 Pawaina St.	12-22-11
SHAWN ANDREWS		94-1172C MELE INOA PL	5-10-84
JULIAN MCCRANY		1487 KIIKAIA PL. #42	12-22-11
Nuela Mead		3091 Puhala Rise	12-27-11
Roxanne Tunon		99-566 Kaulainahee Pl.	12/28/11
Richard Merrell		91-1012 Awanalei place	1/3/12
Janet M Becker	Janet M Becker	1928 Komaia Drive	1/3/12
NGUYEN V. HUE		1138 Hassing St. #302	1/3/12
Dave Au		1622 Puanarala St.	1/3/12

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June Y. Melemai	June Y. Melemai	1819 Paula Dr.	12/24/11
JOSEPH TUMPAP		2722 KAHOALOHA LN #1154 Honolulu 96821	12/24/11
Robyn Yee		1717 Mott-Smith Dr. Hon. HI 96822	12/24/11
MARK UYEHARA		2065 So. King St #3A HON, HI 96826	12/24/11
Eugene Alexander		1551 Noe St. Hon, HI 96819	12/24/11
Adam Tanare Jr.		155 N Beretania St. Honolulu, HI 96817	12/24/11
Wendy M. Kim		98-1250 Neki St Aiea, HI 96701	12/24/11
Daniel Vann		66-270 Waialua Beach Rd Waialua, HI 96712	12/24/11
Temujin Greywolf		842 KAMAKA LN #204 Hon HI 96817	12/24/11
Lani C. Neill		1624 Dole St #402 Honolulu, HI 96822	12/24/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Haidan Wang		6710 Hawaii Kai Dr. #1104 Hon. HI 96825	12/21/11
Kenneth Chee	K Chee	2217 Sea View Ave Hon. HI 96822	12/22/11
Sylvia K. Hirasu		3127 Huelani Dr Honolulu, HI 96822	12/22/11
Helen F. Takeuchi	Helen F. Takeuchi	2413 Kanealii Ave. Hon. HI 96813	12/22/11
Evaline K. Sanborn	Evaline K. Sanborn	1446 Gregory St. Hon. HI 96813	12/23/11
Julianne MW Kroeker	Julianne Walsh Kroeker	3437 Winam Ave. Honolulu, HI 96815	12/23/11
DAVID W. BABINEAU		508 A WYLLIE ST HONOLULU HI 96817	12/23/11
Charlotte K. Needham	Charlotte K Needham	2348 Maunalaha Rd Honolulu, HI 96822	12/23/11
Faapisa M. Soli	Faapisa M. Soli	1234 Alexander St. #301 Honolulu, HI 96826	12/24/11
Kathleen Ogata		4710 Likini St Hon 96818	12/24/11

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Shanna Clinton	Shanna Clinton	1386 Saint Louis Dr Honolulu, HI	12/20/11
MICHAEL MENDEZ	Michael Mendez	1712 POKI ST HONOLULU, HI 96822	12/20/11
Mark Wright	Mark Wright	47-430 Hui Aukuu Pl, Kaneohe 96744	12/20/11
JAMES O KAHUE	James Kahue	3845 Sierra DR. Honolulu HI 96816	12/20/11
Bryan Cook	[illegible]	910 Kahili St. Kailua, HI 96734	12/20/11
SCOTT OSHIRO	[illegible]	47-096 HAELE PL. KANEOHE, HI 96744	12/22/11
Kris Cambra	[illegible]	1131 E. Kumukumu St Honolulu, HI 96825	12/22/11
Lori A. Kalia	[illegible]	414 A Auwai St 96734 Kailua, HI	12/22/11
LISA DAVIDSON	[illegible]	3110 Winam Ave Honolulu HI	12/22/11
Shana Uyehara	Shana Uyehara	855 Makahiki way #307 Hon, HI 96826	12-22-11

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CAROLYN TAKABUKI	Carolyn Takabuki	3672 Lilinoe Place Honolulu HI 96816	12-21-11
GLEN TAKABUKI	[illegible]	3672 LILINOE PL HON HI 96816	12/21/11
Irene Akemoto	Irene Akemoto	833 W. Liliuokalani St #302 96826	12-21-11
STEPHEN O'HARROW	[illegible]	431 Nahua #404 Hon. HI 96815	12-21-11
GLEN EPSTEIN	[illegible]	731 AMANA ST HONO. HI 96814	12-21-11
Kathy Shiraishi	Kathy Shiraishi	128 Kaelelo'i Pl. Honolulu, 96821	12-21-11
JULIA C. KWAN	[illegible]	1054 GREEN ST. #308 Hono. HI 96822	12-21-11
WILLIAM YANG	[illegible]	3215 Ala Ilima St #PH12B HON. HI 96818	12-22-11
Donald K. Char	Donald K. Char	5658 Halepa Pl. Hon HI 96821	12/22/11
DeWolfe Miller	[illegible]	2499 Kapiolani 96826	12/22/11

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Arlene Cutler	[illegible]	353 Opihikao Pl Hon HI 96825	12/21/11
Elmer Yuen	[illegible]	1728 ALENCASTER 96816	12/21/11
Byron Cantha	[illegible]	1220-C 10th Ave Hon HI 96816	12/21/11
Stephen Yoshida	[illegible]	2627C Nakoko St Hnl HI 96826	12/21/11
Loria Wong	[illegible]	3756 Mariposa Hon. HI. 96816	12/21/11
Kaui Hookano	[illegible]	2249 Kapahu St. Hon HI 96813	12/21/11
Margorie N Smith	Margorie N Smith	594-B Hakaione St Honolulu, HI 96825	12/21/11
Anthony Coda	[illegible]	2228 Jennie St Honolulu, HI 96819	12/21/11
Charlotte Higa	Charlotte A. Higa	2977 Ala Ilima St. #608 Honolulu, HI 96818	12/21/20
Eun Jae Chung	[illegible]	115 S. St #404 Hon. HI. 96813	12/21/11

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michiko mann		2452 Tusitala #1104	12-21-11
Shizo Uemoto		2141-C Atherton Rd 96822	12/21/11
Cynthia Vinluan	Cynthia M. Vinluan	91-1036 Makahani Kapolei, HI 96707	12/21/11
Baltigai Vinluan	Baltigai Vinluan	91-1036 Makahani St Kapolei, HI 96707	12/21/11
Rebecca A Cuellar Hau	Rebecca A Cuellar Hau	2131 Pili Iani Pl Hon HI 96822	12/21/11
Susan K Keliikuloa	Susan K Keliikuloa	5044 Kilauea Ave Honolulu, HI 96816	12/21/11
JACK FAIRCHILD	Jack Fairchild	94-1440 WELINA LP APT D WAIPAHU 96797	12/21/11
Angela Rodke	Angela Rodke	2845 Waialae Ave #218 Honolulu, HI 96826	12/21/11
Jonathan Osorio		2575 Jasmine St Honolulu 96816	12/21/2011
Joee Maldis		600 Queen ST #3407 Hon-HI 96813	12/21/11

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ARNOLD MATSUSHIMA	Arnold Matsushima	7237 Aipo Place Hon., HI 96825	12/17/11
PAULA SUMIMOTO-MATSUSHIMA	[illegible]	7237 Aipo Place Hon., HI 96825	12/17/11
May Momi Cazimero	[illegible]	222 Kawaikui Pl. Honolulu HI 96821	12-20-11
Betty F. TAMAOKA	Betty F. Tamaoka	3411 Edna St Hon 96815	12-20-11
GORDON K FRANCISCO	[illegible]	3252 KEAHI ST Hon. 96822	12-20-11
Junko Tatsugami	[illegible]	1631 S. BERETANIA Hon. HI. 96826	12-20-11
Janne Boyne	Janne Boyne	2013 Kakela Drive Honolulu, Hi 96822	12-20-11
Jonathan Boyne	[illegible]	2013 Kakela Drive Honolulu, HI 96822	12-20-11
Al Sunn	[illegible]	1541 A Wilhelmina Rd Hon. Hi 96816	12/21/11
Jennifer Asato	Jennifer Asato	837 17th Ave Honolulu HI 96816	12/21/11

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Rosemary Sumajit	[illegible]	PO Box 26444 806 Amuki St Honolulu, Hi 96825	12/17/11
Garnett Smith	[illegible]	358 D Kaelepulu Dr Ka. Iua, HI 96734	12/19/11
Christine Kawamura	Christine Kawamura	3323 Kaunaoa St Honolulu, HI 96815	12-19-11
RUTH MABANGLO	[illegible]	1133 Waimanu # 250 J HON 96814	12-19-2011
Ted L. Murph	[illegible]	47-014 Kaneohe HI 96744	12/19/2011
Lesley Jank	[illegible]	3432 E. Manoa Rd Honolulu HI 96822	Dec 19 2011
Sharlene Suenagakim	Sharlene Suenagakim	268 San Antonio Ave Hon HI 96813	12/20/11
Naleen N Andrade	[illegible]	60 N Beretania #1102 Honolulu, HI 96817	12/20/11
Linda Iha	Linda Iha	500 University Hon HI 96826	12/20/11
Hans Wilhelm	[illegible]	1906 Keeaumoku St Honolulu HI 96817	12/20/11

Please sign! ☺

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Rodney K. Horio	Rodney K. Horio	365 Kapaloala Pl. Hon., HI. 96813	12/20/11
DAME IMOSE	[illegible]	37 COELHO WAY HON 96817	12/20/11
EDWIN M. HAYASHI	[illegible]	3314 MOOREAU AVE HON, HI 96816	12/20/11
Jerry M Osborne	Jerry M Osborne	2015 Wilder Apt-1C Hon-Hi 96822	12/20/11
Cynthia Yamada	[illegible]	45552 Aiokani St Kaneohe 96744	12/20/11
Wayne M. Miyaji	Wayne M. Miyaji	2046 Makanani Dr. 96817	12.20.11
Pakieli Kaufusi	[illegible]	41-648A Mekia, Waimanalo 96795	12.20.11
Lisa Yogi	[illegible]	2512C Waolani	12-20-11
Eric Mar	E Mar	1042 Makaiwa St Honolulu HI	12/20/11
William Worthington	[illegible]	1919 Young St. Apt. 111	12/20/2011

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Linda Rose-Debold	[illegible]	5372D Manawai St Honolulu, HI	12/15/2011
James C Deputy	[illegible]	965 Akumu ST Kailua 96734	12/15/11
Diane Wright-Duffey	[illegible]	469 Keopua St Honolulu 96813	12/15/11
JUDY C CRAWFORD	[illegible]	P.O. Box 4504 Honolulu, HI 96812	12/15/11
WYLAN MARQUEZ	[illegible]	P.O. Box 273 KAPA'AU, HI 96755	12/15/11
MARVIN FAIGLE	[illegible]	2721 DANIENNE ST.	12/15/11
Sharon Wakatuji	[illegible]	2252 Aulii St	12/15/11
Rodney Yasunaga	[illegible]	3330-B Kanoa Rd.	12/15/2011
Tonancin Salgado	[illegible]	444 Ilimano St. Kailua HI 96734	12/15/11
PHYLLIS TAKEMOTO	[illegible]	1918 WAIOLA ST HON HI 96826	12/15/11

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Alan Bolosan Campo	[illegible]	1820 Ashford Street Honolulu Hawaii 96819	15 Decem December 2011
Jeffoire L. Jones	[illegible]	224 Kuuhali St Kailua HI 96734	12/15/11
Christina A. Nelson	[illegible]	95-066 Hokuwa St. #116 Mililani, Hi. 96789	12/15
Clayton Y Gushiku	[illegible]	94-619 Kumepolo Pl Waipahu, HI 96797	12/15/11
Alan Yamamoto	[illegible]	1369 Onion St. Kailua. HI 96734	12/15/11
Shirley Alvarado	Shirley alvarado	3815 Mariposa St, Honolulu, HI 96816	12/15/11
Jenny Chanhpheng	[illegible]	2021 Waiola St. #F Honolulu, HI 96826	12/16/11
STANLEY LORRIER	[illegible]	311 Aoloma St Hon, HI 96821	12/16/11
Audrey Lum	[illegible]	3456 Kanaina Ave Hon HI 96815	12/16/11
Donna Lynch	[illegible]	2575 Kohio Ave #703 Honolulu HI 96815	12/19/11

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William Samari	W. J. Sam	1914 University Ave #211 Honolulu 96822	12.15.11
Meghan Matsumoto	[illegible]	47-506 Waipuapi Kaneohe HI 96744	12/15/11
Lloyd J. Hatsu	Lloyd J. Hatsu	1316 Kalahiki St Honolulu HI 96821	12/15/11
Melodie S. Wynne	Melodie S. Wynne	474 Kuliouou Rd Honolulu, HI 96821	12/15/11
Heidi Abenoja	[illegible]	1423A Victoria St. Apt. HI 96827	12/15/11
Rob Citung	[illegible]	1636 Kanaloi St Honol HI 96816	12-15-11
Neil Reimer	Neil Reimer	318 Elelupe Rd Honolulu, HI 96821	12/15/11
Ryan Yoshioka	[illegible]	1173 Kahoku Pl Honolulu HI 96825	12/15/11
Eric Collier	[illegible]	1130 Wilder Ave Apt 402 Hono, HI 96822	12/16/11
Ben Vine	[illegible]	3253 Kalua Pl Honolulu, HI, 96822	12/16/11

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Christopher A. Luke		3234A Pahoa Ave. Honolulu HI 96816	12/15/11
Cliff Lau		1425 Liliha St Honolulu, HI 96817	12/15/11
Karen Y. Murakami	Karen Y. Murakami	1816-A S. King St., #104 Honolulu, HI 96826	12/15/11
Christopher Gray Wolff		1822 Young St Hon HI 96826	12/15/11
ALAN H. FUJISE		1304 Hanokaiula Hon HI 96825	12/15/11
Ave Eddie Agae	Ave Eddie Agae	94-1049 Oli Pl, G6 Waipio-Waipahu 96797	12/15/11
Kirk Hottendorf		2-1216 Laniloa Rd Hon. HI 96813	12/15/11
Lauren Koizumi	Lauren Koizumi	2875 Komaia Place Hon. HI 96822	12/15/11
Taryn Fukuji		1313 Ala Amoana St Hon. HI 96819	12/15/11
Nick Frey		402 Iolani Ave Apt 301 Hon, HI 96813	12/15/11

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The issue of the real property tax exemption is important because the elimination of the exemption adds an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners, charitable organizations and credit unions with special financial needs or that benefit the community in which they live or operate. The retention of the current tax status will provide relief to deserving island residents and allow credit unions, as consumer-owned, democratically controlled, volunteer-run cooperatives, to continue to offer financial services to our members.

Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Roxanne T. Wright	Roxanne T. Wright	P.O. Box 237 Waimanalo, HI 96795	12/15/11
Rogers Liddle	[illegible]	1221 Victoria St #301 Hon HI 96814	12/15/11
Yi Chieh Wu	[illegible]	1206 Alexander St. Honolulu HI 96826	12/15/11
Haroldine N. Nanes	Haroldine N. Nanes	1591 Kapuaa St. #1201 Honolulu HI 96814	12/15/11
ELAINE K. USUI	Elaine K. Usui	1717 Nott-Smith Dr. #1204 Hon., HI 96822	12/15/11
Brandy Foster Heckman	Brandy Foster Heckman	90 UHFCU 2019 S. King St Hon, HI 96826	12/15/11
Leanne Hirata	Leanne M. Hirata	909 Coolidge St #404 Hon HI 96826	2/15/11
Laurie M. Martin	Laurie M. Martin	2501 Coyne St #206 Honolulu, HI 96826	2/15/11
Evelina Seidl	B. P. Seidl	1565 St. Louis Dr. Honolulu, HI 96816	12/15/11
Harriet K. Yamamoto	[illegible]	1136 Kam IV Rd Hon HI 96819-5620	12/15/11

UNIVERSITY OF HAWAI'I
FEDERAL CREDIT UNION

JOIN US IN TAKING ACTION

Petition to Oppose the Elimination of the Real Property Tax Exemption

To: The Members of the Honolulu City Council

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Michael D'Andrea	Michael D'Andrea	47-185 Iu Iu St. Kaneohe HI 96744	12/15/11
Diane Tokuda	Diane Tokuda	95-105I Lalai St. Mililani HI 96789	12/15/11
VIRGINIA BENNETT	Virginia Bennett	1201 Wilder Ave #1704	12/15/11
KAYLEN HIRAYAMA	Kaylen Hirayama	1573 KALELANI PL PC 96782	12-15-11
Martin Bayron	Martin P. Bayron	565 QUINN LANE #405 Honolulu, HI 96813	12-15-11
Judith Miller	Judith Miller	544 Oneawa Kailua HI 96734	12/15/11
Alsace Finau	[illegible]	91-151 Hainipo St. Ewa Beach HI 96706	12/15/11
Karly Kunieda	Karly Kunieda	94-402 Alapin St. Waipahu HI 96797	12/15/11
Jayme Sakai	Jayme Sakai	99-394 Hakina St. Aiea, HI 96701	12/15/11
Daniel Watanabe	[illegible]	1199 Bishop St #1261 Honolulu HI 96813	12/15/11

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ROGER KAMANO		94-632 LUMIAUWA ST WAIPAHU, HI 96797	12/16/2011
CRAIG DOYLE		1911 A HUNNEWELL HNL, HI 96822	12/16/2011
Colleen Pabea	Colleen Pabea	45-164 Namoku St. Kaneohe, HI 96744	12/16/11
Gail Nakasone	Gail Nak	4207-B Huanui St Honolulu HI 96816	12/16/11
Tammy Custefore	Tammy C	1319 Mokolea Dr. Kailua, HI 96734	12-16-11
JAN MATUSESKI	Jan Matuseski	1385 Alewa Drive 96817	12/16/11
DEAN IDEME		45-465 Lolii PL Kaneohe, HI 96744	12/16/11
Jessica Taum	Jessica Taum	1587 KILOHANA ST. HON, HI 96819	12/16/11
ROBERT HARMAN		5226 LIWAI ST HON 96821	12-16-11
Pamela Chow		2600 Pualani way #601 Honolulu, HI 96815	12/16/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
DAVID H. KAZAMAS		4777 KALAWAO ST	12/16/11
KELLI MIIKE		99-375 AIEA HTS DR.	12/16/11
Debra DeRenne		2557 Henry St	12/16/11
Aaron Obayashi		1560 Kanuhu St. 96814	12/16/11
Michael Sweitzer		441 Wahiawa St. # 706 96815	12/16/11
Joshua Fisher		1995 Wilhelmina Rise Honolulu, HI 96816	12/16/11
JOAN DEBRAH		91-1500 Kaiele'ele St. Ewa Beach, HI 96706	12/16/11
WILBERT EGUCHI		6008 KAUPALENA ST. HONOLULU, HI 96821	12/16/11
Carolyn H.S. Eguchi		6008 Kaupalena St Hon HI 96821	12/16/11
Shanon Serikaku		47-433 Mahakea Rd. Kaneohe, HI 96744	12/16/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Richard Gregg	Richard Gregg	1421 Laamia St Honolulu HI 96821	12/27/11
Stan E. Lenford	[illegible]	1600 Ala Moana Blvd #3700 Honolulu HI 96815	12/28-11
Dianne Nohara-Aranita	Dianne Nohara Aranita	99-606 Alia Place Aiea HI 96701	12/27/11
Terry C.W. Leong	Terry C.W. Leong	2137 Oahu Ave. H/H 96822	12/27/11
Judy Sesa	Judy Sesa	1071 KAMANUI RD HON, HI 96825	12/27/11
Clifford Murakami	[illegible]	1290 KIKA ST. KAILUA, HI 96734	12/27/11
Lisa Okamura	Lisa K Okamura	99-524 Hokea St. Aiea, HI 96701	12/27/11
Martha Staff	Martha Staff	748 21st Ave Honolulu 96816	12/27/11
Makayla Bradford	[illegible]	1521 Artesian Way Honolulu, HI 96823	12/27/11
Shirley Ishihara	[illegible]	2544 Calif Ave Wahiawa, HI 96786	12/28/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Christian Agnes	[illegible]	7761 Waikapu Loop Honolulu, HI 96825	12/22/11
FLORITA M. ZANE	Florita M. Zane	3754 Kumulani Pl. Hon 96822	12/22/11
Min Sun Kim	[illegible]	47-695 #2 Hui Kelu St. Kaneohe 96744	12/22/11
Lana Arakaki	[illegible]	1380 Lusitana St 5H Hnlu 96813	12/22/11
Dolly Tafoi	[illegible]	3434 KALIHI ST. HONOLULU, HI 96819	12/22/11
Charlene Watanabe	C. Watanabe	3249 Lanalo Pl. HNL, HI, 96816	12-22-11
EMERSON PENA	[illegible]	736 KOKE ST HNL HI 96819	12-22-11
Dave T. Mikami	Dave T. Mikami	2045 Pamoa rd Hon, Hi 96822	12/27/11
Lynn Murakami-Akatsuka	Lynn Murakami-Akatsuka	45-606 Keeta Street Kaneohe, Hi. 96744	12/27/11
Boyd Judd	Boyd Judd	734 Kii St Honolulu, HI. 96825	12/27/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
OREN SUGITA		1044 12TH AVE HONOLULU HI 96816	12/16/2011
Kathleen L Sonoda		91-1388 Kinoiki St Kapolei HI 96707	12-16-2011
Nicholas Dragotta		2421 Tusitala St #2101 Honolulu HI, 96815	12/16/11
Liza Cleveland		2037 Akai Kailua Pearl City HI 96782	12.16.11
Frances L. Sardinha		2728 Nihi St Honolulu HI 96819	12/16/11
KIM CHAPMAN		1736 MOANI ST HON HI 96819	12/16/11
JOCELYN CHEE		3897 CLAUDINE ST HONOLULU HAWAII 96816-4833	12/16/2011
Candy N Hoohuli		89-1045 Nanakuli Ave Waianae HI 96792	12/16/2011
Daniel Yamane		2118 Makanani Dr Honolulu HI 96817	12/16/11
Jenna Nunuani		89-164 Nanakula Pl. Waianae, HI 96792	12/16/11

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Laurie Kamada		99-698 Meaala Street Aiea HI 96701	12/16/2011
Avery Tokuda		1821 Wilder Ave. Hon, HI 96701	12/16/11
Gail Asuncion	Gail Asuncion	590 Kuliouou Rd Honolulu, Hi	12/19/11
Dawn Hawada		1950-B Lusitana St. Honolulu. HI 96813	12/20/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Colleen K. Watanabe	Colleen K. Watanabe	2208 Makanani Drive Honolulu, HI 96817	12/23/11
Arthur H Watanabe	Arthur H Watanabe	2208 Makanani Dr Hon, Hi 96817	12/23/11
SAM L. WARNER	Sam L Warner	114 Rosebank Place Hon HI 96817	12/23/11
DAMIAN DAVILA	Damian Davila	501 HAHAIONE ST. APT. 5L HONOLULU, HI 96825	12/24/11
JENNIFER TOBA-DAVILA	[illegible]	501 HAHAIONE ST. #5L HONOLULU, HI 96825	12/24/11
MALIA ANA J. RIVERA	Malia Ana J. Rivera	45-704 Apuakea St. Kaneohe, HI 96744	12/27/11
Lada Wongvaracharoen	Lada Wongvaracharoen	1212 Nuuanu Ave #2708 Honolulu HI 96817	12/27/11
Emily Viglielmo	Emily Viglielmo	1120 Hassinger St #207 Hon HI 96822	12/27/11
[illegible]	[illegible]	2453 Manoa Rd Hon. HI 96822	12/29/11
K. Sugaya	[illegible]	98-521 Koaiwa Aiea HI 96701	12/27/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Morris Mishima	[illegible]	4026 Iwalani Pl Hon 96816	12/15/11
Ruth Sakai	Ruth Sakai	47-571 Ahuimanu Rd Kaneohe, HI 96744	12/14/2011
Michael T. Umebasami	Michael T. Umebasami	1764 Ala Noa Way Honolulu, HI 96819	12/14/11
Nora Matsubara	Nora Matsubara	390 D Halelua Pl Hon HI 96821	12/14/11
Elizabeth Buck	Elizabeth Buck	2508 Olapua St Honolulu, HI 96822	12/15/11
Patricia Lopez	[illegible]	1150 Puiki Pl. 96817	12/15/11
Cora Jay	[illegible]	2111 Dole St.	12/15/11
Sakaye Fujii	Sakaye Fujii	38 Hialoa St Hon. Hawaii 96817	12/15/11
Billie Nishita	Billie Nishita	747 University Ave 301 Honolulu HI 96826	12-19-11
Debra Wilson	Debra Wilson	500 Univ. Ave Hon 96826	12-20-11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
ELDON OGOSHI		1177F PAULA DR HON HI 96816	12/15/11
Robert Dunn		3554 KUMU ST	12/15/11
Elisapeta Alaimaleata		3227 Ala Ilima St #2	12/15/11
Keresema. Alaimaleata	K. Alaimaleata	3227 Ala Ilima St #2 Honolulu. HI. 96818	12/15/11
R. Kawamoto	R. Kawamoto	1720 Paula Dr. Hon. HI 96816	12/15/11
Norma Sato	Norma Sato	1812 Lime Honolulu 96826	12-16-11
Naresh Pandya	Naresh Pandya	430 Keoniana St Hon. HI 96815	12/16/11
Urvashee Pandya	Urvashee Pandya	430 Keoniana St Hon. HI 96815	12/16/11
Mark Rogustad	Mark Rogustad	1296 Kupau St Kailua HI 96734	12/16/11
Gary Garland Reed	Gary Garland Reed	523-3 Pepeekeo St. Honolulu, HI 96825	12/16/11

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Earl S. Sakaguchi	Earl S. Sakaguchi	2171A. Makanani Dr.	12/17/12
ALEX T. TERUYA	Alex Teruya	1927 CHURCH LANE	12/17/12
Sheron K. Garnett	Sheron Garnett	95-443 Kaukoe St Mililani 96789.	12/19/11
Micheline Soong	Micheline Soong	3274 Pinao St Honolulu HI 96822	12/19/11
Linda Char	Linda Char	3260 Halepa Pl. Hon, HI 96822	12/19/11
JACOB	Jacob Hun	3510 Wela St. Honolulu, Hi	12/20/11
~~Wayne Lui~~			
Laverne T. Ramsey	Laverne Ramsey	1521 Alexander St Apt 503 96822	12/20/2011
Liana Kim	Liana Kim	2411 ALA WAI BLVD. #2108 HON. HI 96815	12/20/11
CLIFFORD WONG	Clifford Wong	P.O. Box 188 HON. HI 96810	12/20/11

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Lee Peer	Lee Peer	87-691 Manua St. Waianae, HI 96792	12/21/11
C Mike Kido	C Mike Kido	3101 Nuuanu Ave Honolulu HI 96817	12/21/11
FAROUK WANG	[illegible]	94-309 Kii lani Pl Mililani, HI 96789	12/21/11
MARY DANG	[illegible]	7005 Kalaniana'ole 96825	12/21/11
Siobhan Ni Dhonnchadha	[illegible]	1717 Nott-Smith #112 Honolulu, HI 96822	12/21/11
Thomas M. Brand	[illegible]	980 Awaawaanoa Pl. UNIT A Honolulu, HI 96825	12/21/11
Clifford W Morden	[illegible]	94-333 Alula Pl Mililani HI 96789	12/22/11
Melinda Wood	[illegible]	1505 Alexander St #604 Honolulu 96822	12/22/11
Ron OKAYA	[illegible]	P.O. Box 11870 Hon HI 96828	12/22/11
KAREN Y. MURAKAMI	Karen Y. Murakami	1816A S. King St. Apt. #104 Honolulu, HI 96826	12/22/11

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Herbert T Uyehara	Herbert T Uyehara	1819C Wanola St	12/23/11
Allison Vincent	Allison Vincent	888 Aipost 96825	12/23/11
BRIAN Hedrel	Brian Hedrel	41 Ahai St Honolulu, HI 96813	12/23/11
Roy HW Tom	Roy HW Tom	1621 Dole St 608 96822	12/23/11
Shirley YH Chang	Shirley YH Chang	3020 Ala Napuaa Pl #803 Hon. HI 96818	12/23/11
Janice Fukuda	Janice Fukuda	3125 Mooheau Ave Hon HI 96816	12/23/11
Andy Carrivan	Andy Carrivan	1531 Makiki St. Honolulu, HI, 96822	12/23/11
donna G. Bair-Mundy	donna G. Bair-Mundy	965 Prospect St. #602 Honolulu, HI 96822	12/24/11
SUSAN K M GREY	Susan K M Grey	1875 KAPIOLANI BLVD HONOLULU, HI 96826	12/27/11
Roberta KM Yamashita	Roberta KM Yamashita	94-1067 Kahimoe Pl. Waipahu, HI 96797	12/27/11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
ROBERT A TORRES		41-552 INOAOLE ST WAIMANALO HI 96795	12/16/11
JULI L. KOBAYASHI		2171 ATHERTON RD HONOLULU, 96822	12/16/11
PAM NONAKA		721 MENEHUNE LN HONOLULU, HI 96826	12/16/11
Patricia D. G. Otake	Patricia D. G. Otake	3093 Pualei Cir #310 Honolulu 96815	12 Dec 11
TRICIA KADOTA		3234 PAHOA AVE HONOLULU, HI 96816	12/17/2011
MARK FRATZKE		1541 DOMINIS ST. APT 1406 HONOLULU, HI 96822	12/17/2011
Diane Sakamoto	Diane Sakamoto	98-206K Kaahumanu St Aiea HI 96701	12/19/11
JOSEPH A. CARRETTA		95-443 KAHUOLU ST MILILANI, HI 96789	12/19/11
LEILANI-GAIL MOSS		3138 Waialae Ave #115 Hono HI 96816	12/19/11
ANGELA WASHINGTON		730 Makaleka ave Honolulu, HI 96816	12/19/11

UNIVERSITY OF HAWAI'I
FEDERAL CREDIT UNION

JOIN US IN TAKING ACTION

Petition to Oppose the Elimination of the Real Property Tax Exemption

To: The Members of the Honolulu City Council

We, the undersigned, as duly registered voters of the City and County of Honolulu with full knowledge of the content of this petition, **respectfully oppose the elimination of the real property tax exemption** as proposed by the Real Property Tax Advisory Commission.

The issue of the real property tax exemption is important because the elimination of the exemption adds an undue and significant financial burden – particularly in a time of economic hardship and uncertainty – upon homeowners, charitable organizations and credit unions with special financial needs or that benefit the community in which they live or operate. The retention of the current tax status will provide relief to deserving island residents and allow credit unions, as consumer-owned, democratically controlled, volunteer-run cooperatives, to continue to offer financial services to our members.

Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Elizabeth L. Wong	Elizabeth L. Wong	1531 Akahele Pl Kailua HI 96734	12/15/11
KATHLEEN WILSON	Kathleen Wilson	2228 Auhuhu St Pearl City Hi 96782	12/15/11
Mary Ching		1033 Hulakai Dr Hon HI 96818	12/15/11
Pamela Residor	Pamela Residor	724 21st Ave Hon HI 96816	12/15/2011
Davette Healani Lopez-Fa	Davette Healani Lopez-Fa	749 Mahiai St #202 Honolulu, HI 96826	12/15/11
May Stevens		99065 Kauhale ST Aiea 96701	12/15/11
Dorothy Inouye	Dorothy Inouye	2748 Poelua St. Hon., HI 96822	12/15/11
Puanani Anderson-Fung		110 Robsebank Hon, HI 96817	12/15/2011
Anthony F. Scimone	Anthony Scimone	4312 Waianae 96792 85-175 Farrington Hwy	12/15/11
Ruby S. Anderson	Ruby Anderson	416 Kekupua St. Hon HI 96825	12-15-11

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Printed Name of Eligible Voter	Signature of Eligible Voter	Address of Eligible Voter	Date
Karen McLeod		1254 Mattock Ave. Hon. HI 96814	12/20/2011
Lisa Peer	Lisa Peer	87-691 Manuu St Waianae HI 96792	12/21/11
Kristin Bacon		1717 Mott-Smith Dr. #1112 Honolulu, HI 96822	12/21/11
Charles Hirashiki	Charles Hirashiki	2115-2 Algaroba Hon HI 96826	12/21/11
AUDREY C. TANG		1904-A Iwi Way Hon., HI 96816	12-22-11
LINDA OKATA		2602 Lowrey Ave Hon HI 96822	12/22/11
Yao Hill		2120 Fern St. Apt 203 Hon HI 96826	12/22/11
Ellen Watson	Ellen Watson	PO Box 10853 HONOLULU HI 96816 or 3285 Pinaoana 96822	12/23/11
Bruce C. Mundy	Bruce C Mundy	965 Prospect St. Apt. 602 Honolulu, HI 96822	12/24/11
Jeanine Morwan		1335 Akiahala St Kailua HI 96734	12/27/11