CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII 96813-3077

COMMITTEE ON BUDGET

Voting Members:
Joey Manahan, Chair
Brandon J.C. Elefante, Vice Chair
Ikaika Anderson
Kymberly Marcos Pine

MINUTES

REGULAR MEETING
WEDNESDAY, FEBRUARY 8, 2017

COUNCIL COMMITTEE MEETING ROOM
2ND FLOOR, HONOLULU HALE
HONOLULU, HAWAII 96813

Note: *A copy of the video of the full proceedings of this meeting may be requested by calling the City Clerk's Office at 768-5822.*

CALL TO ORDER

The regular meeting of the Committee on Budget was called to order by Committee Chair Joey Manahan at 9:09 a.m. Voting Members Anderson, Elefante and Pine were present at the meeting.

STAFF PRESENT

Dinna Schweiring, Legislative Analyst to Committee Chair Manahan
Catherine Pligavko, Analyst, Office of Council Services
Lloyd Yoshioka, Attorney, Office of Council Services
Geoffrey Kam, Deputy Corporation Counsel, Department of the Corporation Counsel, assigned to the Committee
Pearlene Otto, Council Committee Aide, Office of the City Clerk

ORDER OF BUSINESS

APPROVAL OF MINUTES

The minutes of the Committee on Budget meeting held on January 11, 2017 were approved as circulated.

AYES: ANDERSON, ELEFANTE, PINE, MANAHAN – 4.
NOES: None.

FOR ACTION

1. BILL 3 (2017) – COMMITTEE REPORT 61

TRANSPORTATION SURCHARGE. Amending the ordinances pertaining to the county surcharge on general excise and use taxes.

Administration/Others

Krishniah N. Murthy, Interim Executive Director and CEO, Honolulu Authority for Rapid Transportation (HART)
Michael McGrane, Planner VII, HART
Gary Kurokawa, Deputy Director, Department of Budget and Fiscal Services
Geoffrey Kam, Deputy Corporation Counsel, Department of the Corporation Counsel (COR)
Lisa Hirahara, Deputy Corporation Counsel, COR

Interim Executive Director and CEO Murthy stated that the HART supported the measure.

A discussion ensued between the Committee and the Administration regarding the General Excise Tax (GET) surcharge, the $4.815 billion cap, cost saving measures, and other pertinent issues.

Committee Member Anderson noted that the State Legislature expressed grave concerns over the unauthorized use of GET surcharge monies for purposes other than those outlined in Bill 23 (2015) (Ordinance 16-1).

The following individual testified:

Natalie Iwasa (M-483) (comments)

In response to questions raised by Committee Member Anderson, Ms. Iwasa stated her opposition to the unauthorized use of the surcharge monies; however, she supported a change for more consistency. Additionally, she noted that having a cap is important and that the HART's expenditures must be closely monitored.

Further discussion ensued between the Committee and the Corporation Counsel regarding the allowable expenditures authorized in Bill 23 (2015). Deputy Corporation Counsel Hirahara stated that Americans with Disabilities Act expenses and capital costs were clearly authorized by the statute, and that affordable housing was listed as one of the potential uses. However, she would further research the Bill and provide a more concise explanation via email to the Committee.

The HART Administration reported that the sections remaining to go out for bid are the Airport Center and guideway stations; the Pearl Highlands Transit Center and parking garage; and the City Center projects.

Committee Member Anderson explained his reasons for co-introducing the measure and spoke in support of moving the measure forward.

Committee Members Elefante and Pine also spoke in support of the measure and thanked both the Committee Chair and Committee Member Anderson for their efforts.

Committee Chair Manahan recommended that the Bill be amended to a CD1 to ensure compliance with the Hawaii Revised Statutes and consistency with Ordinance 16-1 [Bill 23 (2015), CD2, FD1], relating to the transportation surcharge.

Bill 3 (2017) amended to CD1 and reported out for passage on second reading and scheduling of a public hearing.

AYES: ANDERSON, ELEFANTE, PINE, MANAHAN – 4.
NOES: None.

CD1 TO BILL 3 (2017) (Submitted by Councilmember Manahan) – The CD1 (OCS2017-0130/2/10/2017 11:36 AM) makes the following amendments:

(Please note the references to the sections are to the section numbers in the CD1 version of the Bill.)

A. Changes the reference in Section 4 from a repeal of Section 4 in Ordinance 16-1 to a repeal of Section 3 in Ordinance 16-1.

B. Amends Section 5 so that the amendments in the Section are set forth in Ramseyer format to show the changes made to the language in ROH Chapter 6, Article 60, as enacted in Section 4 of Ordinance 16-1.

C. Amends the language in Sections 2, 3 and 5 so that all of the requirements for the annual report are in one subsection.

D. Changes the language in Section 7 to read as follows: The repeal in SECTION 3 of this ordinance takes effect on December 31, 2022. SECTION 5 of this ordinance takes effect on January 1, 2023. The other Sections of this ordinance take effect upon approval.

E. Makes miscellaneous technical and nonsubstantive amendments.

Related communication:

M-483 Natalie Iwasa

2. BILL 7 (2017) – COMMITTEE REPORT 62

REAL PROPERTY TAXATION. Amending the determination of the rates for properties in the "Residential A" real property tax classification.

Administration/Others

Gary Kurokawa, Deputy Director, Department of Budget and Fiscal Services

Deputy Director Kurokawa testified in support of the measure.

The following individuals testified:

1. Sue Ann Lee, President, Honolulu Board of Realtors (M-484) (comments)

In response to questions raised by Committee Member Anderson, Ms. Lee stated that the Honolulu Board of Realtors met with the Administration and presented their proposed recommendations.

2. Natalie Iwasa (comments)

In response to questions raised by Committee Member Anderson, Ms. Iwasa shared her recommendations to further improve the measure.

A discussion ensued between the Committee and the Deputy Director regarding the recommendations of the Honolulu Board of Realtors.

Committee Chair Manahan recommended that the Bill be amended to a CD1 to correct the $1 gap between the $999,999 in subsection (h)(1) and the $1,000,000 in subsection (h)(2) of the Bill.

Bill 7 (2017) amended to CD1 and reported out for passage on second reading and scheduling of a public hearing.

AYES: ANDERSON, ELEFANTE, PINE, MANAHAN – 4.
NOES: None.

CD1 TO BILL 7 (2017) (Submitted by Councilmember Manahan) – The CD1 (OCS2017-0140/2/10/2017 8:49 AM) makes the following amendments:

A. Amends subsection (h)(1) of the Bill to state that the residential tax rate is applied to the net taxable value of a residential A property up to $1,000.000.

B. Makes technical and nonsubstantive changes.

Related communications:

D-26 Department of Budget and Fiscal Services, submitting Bill 7 (2017).
M-484 Sue Ann Lee, Honolulu Board of Realtors

3. BILL 8 (2017) – COMMITTEE REPORT 63

REAL PROPERTY TAXATION. To include condominium units in the residential use dedication program.

Administration/Others

Gary Kurokawa, Deputy Director, Department of Budget and Fiscal Services

Deputy Director Kurokawa testified in support of the measure and provided an explanation of the Bill.

The following individual testified:

Natalie Iwasa (comments)

Bill 8 (2017) reported out for passage on second reading and scheduling of a public hearing.

AYES: ANDERSON, ELEFANTE, PINE, MANAHAN – 4.
NOES: None.

Related communication:

D-27 Department of Budget and Fiscal Services, submitting Bill 8 (2017).

4. BILL 70 (2016) – COMMITTEE REPORT 64

REAL PROPERTY TAXATION. Amending the amount of the deposit for an appeal.

Administration/Others

Gary Kurokawa, Deputy Director, Department of Budget and Fiscal Services

There was no public testimony.

Deputy Director Kurokawa testified in support of the measure.

In response to questions raised by Committee Member Pine, the Deputy Director replied that the number of appeals fluctuates each year. He indicated that 1,500 appeals were filed this year compared to the 2,500 filed last year.

Bill 70 (2016) reported out for passage on third reading.

AYES: ANDERSON, ELEFANTE, PINE, MANAHAN – 4.
NOES: None.

Related communication:

D-769 Department of Budget and Fiscal Services, submitting Bill 70 (2016).

FOR DISCUSSION ONLY

5. PROPOSED CD2 TO BILL 21 (2016), CD1

REAL PROPERTY TAX RELIEF. The proposed CD2 amends Bill 21 (2016), CD1 to replace existing language with language which ensures that property owners who receive the county tax credit for low income homeowners will pay no more than three percent of their income for their real property taxes.

Administration/Others

Gary Kurokawa, Deputy Director, Department of Budget and Fiscal Services

Committee Chair Manahan, one of the introducers of the measure, provided an explanation for the proposed CD2.

Deputy Director Kurokawa provided a brief history on the City's tax credit program and how the program relates to the Bill. He further explained how the proposed CD2 would affect the Bill and taxpayers.

A more in-depth discussion ensued between the Committee and the Deputy Director regarding the tax credit program.

Committee Member Pine noted that she filed a Disclosure of Interest Statement (Communication CC-106).

The following individual testified:

Natalie Iwasa (comments)

The Committee Chair acknowledged that a review by the Tax Review Commission of the City's tax policies and exemptions is well overdue. A recommendation would be sent to the Mayor and the Council Chair for their consideration.

Related communication:

CC-106 Councilmember Pine, filing Disclosure of Interest Statement

ADJOURNMENT

There being no further business, the meeting was adjourned at 10:25 a.m.

Respectfully submitted,

GLEN I. TAKAHASHI
City Clerk

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DATE APPROVED

March 8, 2017