



OAHU REAL PROPERTY TAX ADVISORY COMMISSION
CITY AND COUNTY OF HONOLULU
530 South King Street, Room 202
Honolulu, Hawaii 96813

MINUTES OF THE COMMISSION'S FIRST MEETING:
JULY 20, 2017

Members Present: Shannon Alivado
Clayton Chun
Leonard K.P. Leong
Mark K. Murakami
Nathan Okubo
Dennis Oshiro

Members Absent: Scott Higashi

Others Present: Council Chair Ron Menor
Budget Committee Chair Joey Manahan
Corinne Gallardo-Mata, Executive Assistant to Chair Menor
Todd Swisher, Commission Aide
Steven Takara, Real Property Assessment Division Administrator (BFS)
Keith Yamashita, Real Property Appraisal Officer (BFS)

1. CALL TO ORDER

The meeting was called to order at 10:30 a.m. by Council Chair Ron Menor.

2. WELCOME BY COUNCIL CHAIR RON MENOR

Chair Menor welcomed the commissioners and thanked them for their willingness to serve. Chair Menor underscored the importance to the City of the real property tax and told the commissioners they could expect to receive input from the City Council, City Administration, and the public. He encouraged commissioners to strike a balance between fairness and the need for revenue.

3. INTRODUCTION OF MEMBERS AND SUPPORT STAFF

Chair Menor introduced Councilmember Joey Manahan, Chair of the Budget Committee, which will review the Commission's recommendations. Budget Chair Manahan welcomed the Commissioners and thanked them for their willingness to serve. He informed commissioners that the Budget Committee is presently reviewing several real property tax exemption bills as a consequence of public demand for tax relief. He then noted the challenge of providing this relief amid a growing City operating budget. He encouraged the commissioners to look at exemptions for fairness and relevance. He also referred to how Hawaii's property tax rate compares to other

states, as well as the reality of rising assessments and an ongoing housing crisis. He closed by saying he looked forward to the work the Commission would produce.

Chair Menor introduced Todd Swisher of the Office of Council Services, who will be assisting the Commission. The Chair's Executive Assistant, Corinne Gallardo-Mata, will serve as a point of contact for his office. Chair Menor then asked the commissioners to introduce themselves and to provide a brief summary of their respective professional backgrounds. The commissioners obliged and expressed their gratitude for the opportunity to serve.

4. **REVIEW OF COUNCIL RESOLUTION 17-112, REESTABLISHING THE OAHU REAL PROPERTY TAX ADVISORY COMMISSION**

Chair Menor led a review of Resolution 17-112, Reestablishing the Oahu Real Property Tax Advisory Commission. He referred to the first paragraph on the second page of the resolution, which states, "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." He asked commissioners to note the December 1 deadline for submission of written recommendations to the Council.

Chair Menor urged the Commission to review the *Report of the Real Property Tax Advisory Commission 2014*, as well as the chart summarizing Council action on the report's recommendations. He felt this would provide a good starting point for the current Commission.

5. **ELECTION OF COMMISSION CHAIR AND VICE-CHAIR**

After being nominated by Commissioner Alivado, Commissioner Oshiro was unanimously elected Chair. After being nominated by Commissioner Chun, with a second by Commissioner Leong, Nathan Okubo was unanimously elected Vice-chair. Council Chair Ron Menor then turned the meeting over to newly-elected Commission Chair Dennis Oshiro.

6. **PRESENTATION BY DEPARTMENT OF BUDGET AND FISCAL SERVICES**

Commission Chair Oshiro briefly noted that Resolution 17-112 requires the Commission to accept public testimony on all agenda items and that future meeting agendas would include a designated space for that purpose. He stated that individuals would be given the opportunity to speak at the current meeting following a presentation by the Department of Budget and Fiscal Services. Written testimony for future meetings may be submitted to Todd Swisher, who will provide his email on upcoming agendas and who will duly forward any testimony to the Commission.

Steven Takara, Administrator of the Real Property Assessment Division, gave an informational presentation on the City's real property tax system, with support from Keith Yamashita, Real Property Appraisal Officer. (This presentation, and an accompanying "wish list" of recommendations from the Real Property Assessment Division can be found on DocuShare as Departmental Communication No. 551 (2017).) The presentation offered an overview of the activities of the Department, valuations, exemptions, dedications, and credits. In response to a question from Budget Chair Manahan, Mr. Takara clarified that the dates on the real property tax timeline are all set by ordinance. In response to a question from Chair Oshiro, Mr. Takara stated that most dedications automatically renew after the end of the specified period, with options to

cancel out in the final year. The exception is the agricultural dedication, which, per a question from Commissioner Alivado, is not renewed automatically because agricultural production is more dynamic.

In 2017-2018 exemptions and dedications reduced assessed values by \$29 billion and decreased real property tax revenue by approximately \$134 million. Exemptions for non-taxable land (e.g. government, utilities) are not included in the calculation of foregone revenue. In 2017-2018, tax credits totaling \$3.7 million were granted to applicants.

The presentation concluded with a summary of recent and pending real property tax legislation at the City and State levels. By the Department's estimate, there are ten real property tax-related bills before the Council. During the 2017 session of the State Legislature, two major bills related to a surcharge on residential investment property and visitor accommodations progressed but did not pass. The Department, joined by its counterparts in the other counties, opposed these measures due to concerns about intergovernmental equity and the consequences for county bond ratings. A resolution (HCR169) convening an economic development and tax reform working group to consider the economic outcome of transferring the authority to tax real property back to the State likewise did not pass.

Mr. Takara noted that the State Department of Business, Economic Development and Tourism (DBEDT) released a report, titled *An Analysis of Real Property Tax in Hawaii*, in March 2017, which considered the potential of these proposals. Mr. Takara suggested the Commission may want to review the report. In May 2017, the State Department of Commerce and Consumer Affairs requested permission to use mailing information in conjunction with real property data maintained by the real property office of each of the counties. Mr. Takara suggested DCCA may be trying to get a sense of the number of investors and out-of-state owners. The City's Real Property Assessment Division has asked to hear the results of that survey. Mr. Takara noted, in closing, that no Constitutional Convention has been held since 1978 and that tax authority would likely be raised as a topic if one were to take place.

Chair Oshiro thanked the Department for being a resource to the Commission. He then asked if there was anyone wishing to give public testimony at the meeting. No testimony was offered.

7. SCHEDULING OF NEXT MEETING

The proposed schedule of meetings was approved, subject to changes. The next meeting will be Thursday, August 10, 2017 at 10:30 a.m. Meetings for the remainder of the term are on Thursday at 10:30 a.m. in the Council Meeting Room on the following days:

September 14, 2017

October 12, 2017

November 9, 2017

November 30, 2017

8. **ADJOURNMENT**

There being no further business, Commissioner Murakami moved to adjourn the meeting and Commissioner Chun seconded the motion. Hearing no objections from the six Commissioners present, Chair Oshiro adjourned the meeting at 11:10 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Todd Swisher". The signature is written in a cursive style with a prominent loop at the end.

Todd Swisher
Commission Aide