'19NOV25 AM 8:44 CITY CLERK

LOCAL #1 HI. IUBAC

International Union of Bricklayers and Allied Craftworkers Local #1 of Hawaii

2251 North School Street, Honolulu, HI 96819
Phone: (808) 841-8822 ● Fax: (808) 777-3456

November 20, 2019

Ray Kamikawa, Chair
Scott Higashi, Vice Chair
Oahu Real Property Tax Advisory Commission
530 South King Street, Room 202
Honolulu, Hawaii 96813

Statement of IUBAC Local #1 of Hawaii in opposition
to Credits and Exemptions Committee Item 3.L

Dear Chair Kamikawa, Vice Chair Higashi, and Members:

The International Union of Bricklayers and Allied Craftworkers Local #1 of Hawaii is a 501(c)(5) labor organization whose purpose is to support our members and retirees throughout the State, all of whom are highly-skilled Hawaii residents in the bricklaying, tile setting, marble mason, cement mason, or pointer-caulker trade. Our apprenticeship program is operated as a separate 501(c)(5) labor organization, whose goal is to provide high quality skills and safety instruction to train new apprentices and to hone the skills of our journeymen. We also jointly participate in the Masons & Plasterers Fraternal Organization, another 501(c)(5) labor organization which is dedicated specifically to activities which benefit the health and wellbeing of our members and retirees.

We write to respectfully oppose the proposal in Item 3.L which would revise ROH Section 8-10.10 to prevent all nonprofits other than 501(c)(3) organizations from availing themselves of the current real property tax exemption for nonprofits.

As a 501(c)(5) tax exempt labor organization, we are restricted by federal law to collecting modest dues from our members in order to carry out our mission. Without the real property tax exemption provided in ROH Section 8-10.10, we would be required to increase our dues in order to continue our programs on behalf of our members, the training on behalf of our apprentices, and fraternal programs on behalf of our retirees.

We note with concern that the proposal would also increase real property taxes on over two dozen other classifications of 501(c) nonprofit organizations, including veterans' organizations, other fraternal beneficiary societies, teachers' retirement fund groups, and more. Collectively, these groups provide invaluable services on behalf of the people of the City and County of Honolulu, and these groups should not be burdened by additional property taxes which will detract from their community-minded missions.

We therefore respectfully urge the Commission to reject the proposal in Item 3.L to revise ROH Section 8-10.10 to exclude all nonprofits other than 501(c)(3) organizations.

Mahalo nui loa for the opportunity to provide these comments.

MISC. COM. 777
RPTAC

832 South Hotel Street
Honolulu, HI 96813
808-531-3711 / Kristopher.kono@alohapacific.com

Testimony to the Oahu Real Property Tax Advisory Commission

November 19, 2019

To: Ray Kamikawa, Chair
Scott Higashi, Vice-Chair
Members of the Commission

Re: Tax Status of Hawaii's Credit Unions

My name is Kristopher Kono and I am testifying on behalf of Aloha Pacific Federal Credit Union (APFCU) and its 57,000 members in opposition to the proposal to increase property taxes on credit unions.

Over the years, we have seen repeated efforts to undermine credit unions through taxation and regulation under the guise of fairness. Credit unions did not cause the Great Depression nor the Financial Crisis of 2007. During difficult times, we continued to offer more on savings; held the line on fees and offered lower rates on loans when there was no one else providing affordable options.

However, we are slowly killing the credit union industry in Hawaii. Ten years ago, we had 89 credit unions, now only 52 remain. APFCU alone merged four Hawaii credit unions in the past three years including the City's own Bus and Handy Van credit union. It's been a death by a thousand cuts. This proposal will only increase the pressure by reducing the amount of capital a credit union has to operate.

Unlike a bank that can issue stock, a credit union is dependent on its retained earnings to secure member accounts and protect against losses. Additional taxes will impede our ability to provide services to those who need it.

The arguments that credit unions' field of membership is no longer relevant giving them an unfair advantage; that they are not serving those of modest means; and they take properties previously occupied by tax-paying entities to justify increasing taxes are simply not accurate.

Field of Membership & Unfair Advantage:

To be comparable with a bank, any credit union would be able to open anyone's account without restriction as to their association and have no limit on the amount or type of business loan they can issue.

However, Federal law prohibits this. No credit union has that capability. Each is limited by either employment or geographic area. APFCU has over 2,300 groups, but less than 100 have more than 100 eligible members.

It's true that credit union membership in Hawaii has grown, but credit unions only have 20% market share in Hawaii. While this is up 3-5 percentage points over 17 years, it's hardly a massive switch indicative of unfair competition.

12/31/2000	Assets	Shares / Deposits
CU	4,104,126,744	3,525,977,325
Banks & S&L	24,056,200,000	17,076,300,000
CU%	**14.6%**	**17.1%**
12/31/2018	**Assets**	**Shares / Deposits**
CU	11,161,324,522	9,783,958,886
Banks & S&L	44,990,000,000	38,413,000,000
CU%	**19.9%**	**20.3%**
CU Change	**5.3%**	**3.2%**
Sources - DBEDT Data Book 2001 & 2018		

The question should be why did the banks lose market share? Unlike credit unions, banks seek to maximize shareholder value, most of whom don't even live in Hawaii. This is a conscious choice to provide less value to the average person while focusing on wealthier business clients that generate higher revenues at less cost.

This explains why Hawaii Banks have a significantly higher Return on Assets, 1.29% vs. 0.81% (Callahan Peer-to-Peer Hawaii Banks & Credit Unions $500+ million, 2019-Q2). While there is nothing wrong with that, we just need to recognize that we are pursuing different objectives. Credit unions focus on giving back to help their members achieve financial security.

Serving those of Modest Means:

The working people of Hawaii represent the majority of the population, but not necessarily the majority of its wealth. Almost 100% of credit union share deposits and loans come from working class individuals and retirees, not business owners, corporations or foreign interests. The average member comes to the credit union because of service, value and financial education they can’t get elsewhere.

Credit union membership growth shows we are reaching more resents (59%), but with overall assets and deposit market share at 20%, this seems to indicate that the 59% are people of more modest means.

Year	CU Membership	Residents	% Reach
2000	612,249	1,211,537	51%
2018	838,873	1,420,491	59%
Growth / Year	**2.18%**	**1.01%**	

Sources: DBEDT Data Book – Credit Union Members Dec 31; Resident Population Growth 07/07/2018 & Census 04/01/2000

At APFCU, business accounts represent less than 3.0% of our total share deposits and the average member has $13,671 in savings with us. Unless we now consider this rich, it is safe to say that the average person has, is and will remain our primary focus.

Taking Unoccupied Space & Taxes:

Credit unions pay a lot more in taxes and fees than most realize. Last year (2018), APFCU paid over $407,643 in property taxes alone which was 7.22% of our net income adjusted for a one-time accounting gain ($7.46 per member). This does not include the excise tax for the rail project and other city fees we incur.

When a credit union occupies commercial space, it does not take away revenue from the city. It invests money in renovating a vacant space which ultimately results in a higher value for everyone.

Conclusion:

Raising property taxes on credit unions may give the city a few dollars in the short-term, but it will cost the community much more long term. The higher costs will be passed on to the people which will further reduce competition. Ultimately, it will result in higher prices and fewer options for Honolulu’s residents leaving a handful of financial institutions to control the market for financial services.

The decision to increase taxes on credit unions should be the role they serve a in our community and the legacy we wish the leave behind. Both the Federal Government and the State of Hawaii recognize the need for credit unions and provide tax relief. I believe the City and County of Honolulu has and should continue to do so.

Therefore, we are asking for your consideration of not raising real property taxes on credit unions. Thank you.

HAWAII STATE
FEDERAL CREDIT UNION

November 20, 2019

Oahu Real Property Tax Advisory Commission
Ray Kamikawa, Chair
Scott Higashi, Vice-Chair
Members of the Commission

Re: Tax Status of Hawaii's Credit Unions

Chair Kamikawa, Vice-Chair Higashi, & Members of the Commission:

As the President of Hawaii State Federal Credit Union I represent our 112,787 members. Most of these members reside on Oahu, and a recent analysis shows that more than 50% of our members are low to moderate income.

According to Aloha United Way in their ALICE report nearly 50% of Hawaii households are living paycheck to paycheck. Hawaii's credit unions provide critical financial services to these households that are not being served by local banks.

Hawaii State FCU, like all credit unions is a non-profit financial cooperative, owned by our members. All Hawaii State FCU profits are returned to our members in the form of dividends, lower fees and loan rates, or re-invested in credit union services. In 2018, Hawaii State FCU provided our members more than $12.2 million in savings.

In addition to serving our members directly, credit unions like Hawaii State FCU play a role in keeping market rates and fees competitive. Having worked for two of Hawaii's largest banks, including setting rates at both institutions, I know first hand that credit unions have a moderating influence on bank deposit rates and loan pricing. We keep the market competitive.

Eliminating the real property tax exemption will cause local credit unions to fail. Loss of credit unions in our market will reduce competition and give Hawaii's 6 commerciXal banks oligopoly pricing power.

Credit Unions serve a public need, offering basic financial services to individuals and small businesses with limited options. Therefore we oppose reducing the real property tax exemption of credit unions.

Respectfully,

Andrew Rosen
President
Hawaii State Federal Credit Union

Testimony to the Oahu Real Property Tax Advisory Commission
Thursday, November 21, 2019
1:30 pm, Honolulu Hale

RE: Change to ROH Section 8-10.10 Revised Definition of Charitable Non-Profit Organization.

Mr. Ray Kamikawa, Chair, Mr. Scott Higashi, Vice Chair, and members of the Commission:

My name is Gladys Quinto-Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii. We build the communities we all call home.

BIA-Hawaii is **strongly opposed** to the proposal to re-write Honolulu's revised ordinances to exclude all non-profits, except for 501(c)3 organizations, from real property tax exemptions and levy a minimum $1,000 annual real property tax on all other non-profit organizations such as the Chambers of Commerce, trade associations, credit unions, labor unions and so many other advocacy and membership organizations that are doing good work in our communities.

We understand the desire to find new sources of revenue to keep up with the increased costs of running any operation in the State of Hawaii. However, while non-profit organizations must make adjustments to their budgets and operations to stay viable and relevant, perhaps the focus should be on how the City and County of Honolulu itself can more effectively and efficiently use its existing resources to reduce costs rather than moving to increase revenue through higher taxes.

Take, for example, the recently completed audit of the Department of Planning and Permitting (DPP) which highlight gross inefficiencies in the Department's operations, processess, and procedures, which came to light in how they have not effectively managed buildig permits and inspections of large detached dwelling units (Council Committee No. 377, Report No. 19-03, November 2019).

More specifically:

- The department does not effectively use information from its operations to support its regulatory needs.
- The department did not assess the risks of the complaints received and the violations that it issued concerning large detached dwellings.
- The department inconsistently applies existing controls on large detached dwellings projects creating unwarranted authorization and difficulties in administration and enforcement.
- The department does not effectively or efficiently manage its overdue violations leading to lack of accountability for violators and limited deterrent effect.

As taxpayers, everyone realizes that overall costs increase over time due to higher wages, taxes, utilities, materials, etc. In such cases, many would view a modest tax increase acceptable.

This is not the situation for the City and County of Honolulu. Given the findings in the audit, any reasonable person would first look at improvements to the internal deparmental operations to insure the intended outcomes are being handled in an effective and efficient manner. We would presume that the situation identified at DPP also applies to other departments and agencies within the City.

We would suggest that prior to any discussion of increasing taxes, a thorough examination or audit of existing departments and agencies in the City and County of Honolulu to determine if funds are being used efficiently and effectively in achieving quantitative outcomes or results. Tax payers deserve this information and the City should be accountable. Increasing taxes without conducting an audit would be irresponsible.

We are in **strong opposition** to any changes to existing definition of charitable non-profit organizations. We appreciate the opportunity to provide comments on this matter.

tel. 808-629-7501
fax. 808-629-7701
94-487 Akoki St. , Ste 213
Waipahu, HI 96797
www.biahawaii.org
info@biahawaii.org

Chamber of Commerce HAWAII
The Voice of Business

Testimony to the City & County of Honolulu Real Property Tax Advisory Commission
Thursday, November 21, 2019 at 1:30 PM
Council Committee Meeting Room, Honolulu Hale

RE: PROPOSAL BY THE CREDITS AND EXEMPTIONS COMMITTEE TO REDEFINE ROH SEC. 8-10.10

Chair Kamikawa and Members of the Commission:

The Chamber of Commerce Hawaii ("The Chamber") opposes the Credits and Exemptions Committee's proposal to redefine charitable non-profit organizations, which would change the definition of which non-profit organizations qualify for real property tax exemptions.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

ROH Section 8-10.10(a) currently states that organizations who use property "actually and exclusively used for nonprofit purposes" may qualify for a real property tax exemption. Any change in definition must preserve the language that all non-profit organizations can qualify for this exemption.

As a 501(c)(6) organization, the Chamber performs work that benefits the community. Chamber programs have contributed $3.5 million to health-related initiatives since 1985; lead efforts to improve education and workforce development; bring together stakeholders to solve systemic challenges such as homeless; and create an environment where small businesses can thrive. Our non-profit allies perform similar work toward a greater good. As non-profit organizations, we perform this work on tight budgets with minimal staff to ensure that the largest amount of contributions are put toward our programs and benefit our members. Redefining Section 8-10.10 would impact non-profits' ability to continue this work.

We were encouraged to hear that the Credits and Exemptions Subcommittee does not support spitting ROH Section 8-10.10 and urge the full Commission to adopt the Subcommittee recommendation as it considers changes to real property tax code. Thank you for the opportunity to testify on this matter.

733 Bishop Street, Suite 1200 • Honolulu, Hawaii 96813 • Phone: (808) 545-4300 • Facsimile: (808) 545-4369

Aloha Mr. Young;

Please kindly accept the attached written testimony.

For: OAHU REAL PROPERTY TAX ADVISORY COMMISSION
Meeting Date: Nov 21, 2019
Agenda Item: 2 (2)

Ed Jones
292-7512
honolulu@paradseip.com

Aloha Commissioners;

OPPOSED Bill 55 (2019)

A review of the testimony submitted so far shows that the only support for Bill 55 is coming from the resort industry who may have an interest in monopoly on STRs. When there is little or no support for a measure, it is time to stop the legislative process and listen to the people.

It is my strong recommendation that any report in support of increased property taxes be tabled until an appropriate date after February 1, 2021. This is to allow time to find alternative funding sources from the state and federal governments. In the short term, 5 million dollars can easily be cut from city spending. I can make recommendations for cuts if needed. It is a simple process to look at those new development projects where the support from the community has eroded so far that large law enforcement expenditures are needed to respond to the opposition.

Property tax increases are best discussed and considered within the context of the 2020 election cycle.

This Bill impacts more than the 808 NUCs because the State HRS Section 521-22 (Landlord Tenant) is superior to the provisions of Bill 89 including "The 30-day Rule". I am sure that the tourist information collected by the state from incoming passengers shows that most visits are less than 30 days.

To be successful the body needs to make projections on the number of units STR rented under the HRS Sec 521. The mayor (at signing) projected based on density that more than 1700 would be allowed under Bill 89. Consider that the total will be greater than 2000 units after BnB provisions go into effect on October 1, 2020.

"The landlord and tenant may agree in writing to ANY PERIOD as the term of the rental agreement. In the absence of such agreement, the tenancy shall be month to month or, in the case of boarders, week to week."

A rental contract is a rental contract even if it is executed through a vacation rental platform.

To be clear, I am opposed to the activity of foreign real estate investors who target our communities. Systematic economic activity designed target a group to move away from their homeland is a violation of international law. We must protect ourselves from this greed!

Attached is my email exchanged with Councilwoman Kimberly Pine. I appreciate her response. My proposal was never considered. On the day of the reading for final passage, testimony was taken from 100-200 residents, there was a short break, no substantive discussion, and then the vote 9-0. It is time to seriously consider exemptions for the most vulnerable.

Taxes paid today by residents are federal income, state income, and GE tax. Hosts are burdened with $1000-$2000 annual fees that have no relationship to the cost of the permit. This has the affect being a sales quota minimum. Hosts must achieve this amount to break even. The city council is our representation, not our sales managers!

It is unconscionable that any property tax increase is being considered. Additional costs will further drive our kupuna long-time residents from the island.

Consideration for definition of a “Mom and Pop” Hosted Bed and Breakfast Operation

The objective is to protect kupuna and disabled who are supplementing limited incomes so that may maintain and remain in their homes.

1. is owner occupied and the owner is on the premises during all the quiet hours of each STR
2. is the host’s primary residence.
3. is compliant with the premise related provisions of Bill 89. (# of People, off street parking etc.)
4. is occasional, (for example - yielding less than $20,000 GET form GE-49 gross property rental income. At $150/night, this is around 1/3 utilization)
5. the portion of the property assessment used for exclusive short-term rental purposes less than $500,000. (Apportionment example 3000 SQ FT total interior space. Two 10*10 rooms hallway, bath exclusive STR use of 300 SQ FT. 10% STR Exclusive Use. If assessment is $1,000,001 then host should be exempt $100,000). These are the same apportionment rules that the IRS uses for home office business deduction.
6. the owner engaged in rental business activity is more than sixty years old or is handicapped. A handicapped host is someone who has an approved state form N172.
7. a long-time resident of more than 20 years. Consideration should be made for time away from the Hawai’i for schooling, military service, or public service.
8. may be of lower quality than a pristine modern hotel room and still be inviting to those visiting the island. Visitors value the experience of aloha and enjoy a lower price.

Mom and Pop operations, a few hundred units should be exempt from the lottery, sales quota annual fees and property tax reclassifications. These are the hosts most capable of spreading aloha as stated in the preamble of Bill 89.

Upon review of many hours of Bill 89 testimony I was not able to find examples of Mom and Pop operations that were determined to have negative impact on family-oriented communities.

As we get older it becomes harder to support long-term renters. The housing crisis has caused an affordability gap. Collections have become difficult. A greater percentage of prospects are not able to afford a security deposit. They default. Vacation Rental Platforms solve these problems because payment is up-front. We also now have families who visit from afar on a non-revenue basis. It is easier to take space out of inventory for improvements.

It is important to have the flexibility to accept reservations off a vacation rental platform in a burst, several reservations in a 30-day period. This is how the available technology is used.

I object to the name of the classification “Bed and Breakfast Home”. It implies mom and pop operation. If you mean an entire dwelling that is not owner occupied, then the classification should be called “Vacation Rental Unit”.

A classification should be added called “vacant”. A vacant property is one that is not owner-occupied, an investment property. A vacant property has no long-term rent income disclosed on previous year GE G-49. Our mayor wants this. He understands that he would be a legal pioneer in this issue. This is clearly a negative force affecting the housing crisis.

Mahalo for your bravery in being willing to discuss this in open forums with the purpose of collecting as much feedback as possible.

Respectfully Submitted,

Ed Jones
292-7512
honolulu@paradiseip.com

OAHU REAL PROPERTY TAX ADVISORY COMMISSION
THURSDAY NOVEMBER 21, 2019
COUNCIL COMMITTE MEETING ROOM
1:30 pm
RE; ROH 8-10.35: Central Kakaako Industrial Zone
I OPPOSE THE RECOMMENDATION OF THE SUB COMMITTEE
DUe to some substatial health issues, I am unable to appear in person but I am very willing to answer any questions/concerns this committe may have regarding the concerns on the sub committee. Feel free to contact me.
I believe this recommendation is premature as the staus of the rail completion is very uncertain. In fact this exemption may expire before the "date of substantial completion of the Central Kakaako station of the Honolulu Area Rapid Transit system,"

I also disagree with the rationaale that" the exemption fails from an equity perspective". Central Kakaako is very unique from the broad term "kakaako" used in the sub committee ratioane. Central Kakkako is filled with issues such as "special design district", private road issues, lack of infrustructue, total neglect by the City due to private roads, unreasonable assessed values due to developments, setback requirements on properties, and a host of many more obstacles that affect Central Kakaako.

The ORPTAC should consider such a proposal later in the future and monitor the progress of the Central Kakaako station. Delays in completion of sections of the Rail have been prominent, so any "GUESS" as to the "accelerated" date for ordinance 16-21 may very likely be inaccurate based on pass and current projections.

Thank You in advance for you consideration,
Frank Young
902 kawaiahao street
K&Y Auto Service/Waynes Auto Electric
email gildafrank@msn.com
cell:753-5767
phone 593-2842

ps. I am currently under care by Dr.Geral Soon, DR. Maeda optomaalagist, Dr. Lai Retna cosultants HI, DR. LIu nurolagist, and aquiring Dr. Teramoto endocronolagist.

Hawaii Credit Union League
Your Partner For Success
Unite for Good
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 Advisory Commission

November 21, 2019

To: Ray Kamikawa, Chair
Scott Higashi, Vice-Chair
Members of the Commission

Re: Tax Status of Hawaii's Credit Unions

My name is Dennis Tanimoto, testifying on behalf of Hawaii Credit Union League, the trade association for credit unions in Hawaii. I previously submitted written testimony to the Commission for its November 7, 2019 meeting, which is incorporated herein by reference.

At the November 7 meeting, questions by Commissioners focused on several topics of concern. Please allow me to address each of those topics.

- A Commissioner questioned the liberalization of field of membership rules, intimating that credit unions can serve virtually anyone. All Hawaii credit unions are federally chartered under the Federal Credit Union Act of 1934. As such, each credit union's field of membership is limited to a well-defined local community, or occupational common bond, or associational common bond, or multiple common bonds of occupation and/or association.

- A Commissioner questioned the extent to which credit unions serve persons of modest means. Credit unions are not limited exclusively to serving persons of modest means. In fact, as financial cooperatives, credit unions comply with the seven cooperative principles. The first of those principles is voluntary and open membership – without discrimination based on gender, social, racial, political, or religious factors.

- A Commissioner questioned whether nonprofit credit unions offer products and services that for-profit banks do not offer. Actually, the opposite is true. The array of products and services a credit union can offer, pursuant to rules and regulations of the National Credit Union Administration, is much narrower than that of banks, pursuant to the Federal Deposit Insurance Corporation.

- A Commissioner questioned whether nonprofit credit unions that purchase or lease real property formerly occupied by for-profit entities deny the City & County of Honolulu of real property tax revenues. While this is generally true, the same thing happens if the property is purchased or leased by a nonprofit church, school, hospital, or other tax exempt nonprofit corporation. Why should nonprofit credit unions be treated differently?

As I mentioned in my oral testimony on November 7, and was confirmed by Mayor Kirk Caldwell's Chief of Staff Gary Kurokawa, the minimum real property tax for credit unions was more than tripled from $300 per property per year to $1,000 per property per year just four years ago. This is already more than other exempt nonprofit organizations.

In light of the foregoing, credit unions are truly deserving of their nonprofit tax exempt status. Your concurrence is respectfully solicited.

Sincerely,

Dennis K. Tanimoto
President and Chief Executive Officer

HAWAII REGIONAL COUNCIL OF CARPENTERS

November 20, 2019

Ray Kamikawa, Chair
Scott Higashi, Vice Chair
Oahu Real Property Tax Advisory Commission
530 South King Street, Room 202
Honolulu, Hawaii 96813

Statement of the Hawaii Regional Council of Carpenters
in opposition to Credits and Exemptions Committee Item 3.L

Dear Chair Kamikawa, Vice Chair Higashi, and Members:

The Hawaii Regional Council of Carpenters is a 501(c)(5) labor organization whose purpose is to support the wellbeing of our members and retirees throughout the State. Our apprenticeship fund is operated as a separate 501(c)(5) organization, whose goal is to provide high quality skills and safety instruction to train new apprentices and to hone the skills of our journeymen.

Currently, all real property owned by labor organizations under the 501(c)(5) tax exemption are exempt from real property taxes in the State of Hawaii. This exemption allows labor organizations like ours to maintain reasonable dues while fulfilling the mission of serving the collective bargaining and training needs of our members. This mission is in line with the primary goal of the City and County of Honolulu, which is enumerated in Charter Section 2-102: "City powers shall be used to serve and advance the general welfare, safety, and aspirations of its inhabitants."

In a similar way, the State of Hawaii has recognized the important role that labor organizations play in developing and maintaining a well-trained, highly-skilled local workforce. Although the State does not assess real property taxes, the State has elected to exempt amounts received by labor organizations from leased property from general excise taxes. This reflects the State's belief, long enshrined in the State Constitution, in the importance of unions to the general economic welfare of Hawaii.

We therefore respectfully urge the Commission to reject the proposal in Item 3.L to exclude all nonprofits which are not specifically organized as 501(c)(3) organizations from real property tax exemption.

Mahalo for the opportunity to provide these comments.

STATE HEADQUARTERS & BUSINESS OFFICES

OAHU: 1311 Houghtailing Street, Honolulu Hawaii 96817-2712 • Ph. (808) 847-5761 Fax (808) 440-9188
HILO OFFICE: 525 Kilauea Avenue, Room 205, Hilo, Hawaii 96720-3050 • Ph. (808) 935-8575 Fax (808) 935-8576
KONA OFFICE: 75-126 Lunapule Road, Kailua-Kona, Hawaii 96740-2106 • Ph. (808) 329-7355 Fax (808) 326-9376
MAUI OFFICE: 330 Hookahi Street, Wailuku, Maui 96793-1449 • Ph. (808) 242-6891 Fax (808) 242-5961
KAUAI OFFICE: Kuhio Medical Ctr Bldg., 3-3295 Kuhio Hwy, Suite 201, Lihue, Kauai 96766-1040 • Ph. (808) 245-8511 Fax (808) 245-8911

HawaiiUSA FEDERAL CREDIT UNION

Life matters.

November 17, 2019

Ray Kamikawa, Chair
And Members of the Oahu Real
Property Tax Commission

Re: Real Property Tax Exemption for Credit Unions

Dear Chair Kamikawa and Members of the Commission:

Thank you for the opportunity to testify regarding the real property tax exemption for credit unions. As the President & CEO of HawaiiUSA Federal Credit Union I am expressing our credit union's concern with the review of the exemption not only on our credit union, but all credit unions on Oahu and the residents on Oahu, especially our members.

Credit unions were granted the real property tax exemption because of our non-profit cooperative structure, and our mission of serving the public through offering low-cost financial products and services. While credit unions have continued to evolve since being federally chartered in 1935, it has been in recognition that times have changed and we have to change with them. Since 1935, America has become a richer and better educated country than it was when the credit union movement started, with a more diverse economy than could have been conceived of. Of course, credit unions are going to change to meet those needs, and for some credit unions this means growing larger in members and assets to meet demand.

However, since their inception, credit unions have been charged with the noble goal of helping the people of Hawaii, including those of modest means, pool together their resources to build, save and invest towards a better future. Credit unions should not be compared to non-profit charitable organizations that are not regulated by the Federal government, and do not have the burden of the related costs to comply with various laws and rules promulgated by different Federal agencies. Justification for the credit unions' real property tax exemption has remained unchanged over the years, thus we oppose repealing or reducing the real property tax exemption of credit unions.

The importance of having not-for-profit credit unions as vibrant and viable alternatives in the financial services marketplace is as significant today as it has ever been. Credit unions provide accessible and affordable basic financial services to people of all means and encourage the equitable distribution of capital across all individuals, families, communities and small businesses. Credit unions infuse financial market competition with multiple and differentiated competitive business models. They help keep financial services accessible – and affordable – for all consumers, whether they are members of a credit union or not.

The impact of credit unions on the residents of Hawaii has been calculated and documented in a Study from 2017 titled "Economic Benefits of the Credit Union Tax Exemption to Consumers, Businesses and the U.S. Economy" (summary attached). A quote from the report states: "Previous studies had demonstrated that changes to the credit union tax status in Canada and Australia led to a severe reduction in credit union presence. The resulting reduced competition for consumer financial services led to higher interest rates on consumer loans and lower interest rates on deposits for consumers in those countries. The results of the 2017 study indicate that similar impacts on consumers would be seen here in the United States should the credit union tax exemption be eliminated."

The attached Table 2 from the summary lists the benefits credit unions bring to members and to bank customers for each state. Based on data from 2006-2015, the total estimated consumer benefits for Hawaii residents were $870.6 million, including $370.6 million to bank customers for the period 2006-2015.

Our credit union has provided benefits to the community that extends beyond the economic well-being mentioned above. Our commitment to community giveback is a minimum of 2% of net income, through our HawaiiUSA Foundation and fundraising by employees for a total of $331,019 or over 3% in 2018 and $226,941 to date in 2019. We offer our Community Rooms for meetings and forums at discounted rates for non-profit groups. This community giveback would not be possible with a significant increase in real property tax. Our most recent commitment is a 3-year contribution to The Trust for Public Land (attached).

We continue to serve people of modest means thought our *"Life matters"* brand promise. Our Average Share (Savings) Balance per member is $11,572, and the Average Loan Balance is $19,697. Those averages reflect members of "modest means". Taxing credit unions will result in a direct tax to its owners, who are its members, the residents of Hawaii, not shareholders or foreign corporations. The justification for the credit union's real property tax exemption has remained unchanged over the years, thus we strongly oppose repealing the real property tax exemption of credit unions.

Respectfully,

Karl Yoneshige

Karl Yoneshige
President & CEO

KY:dkg

Attachments

HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

HGEA
AFSCME
LOCAL 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

City Council
City and County of Honolulu
Oahu Real Property Tax Advisory Commission

Testimony by
Hawaii Government Employees Association

November 21, 2019

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO raises serious concerns and opposition to Agenda item B. 3.L which seeks to segregate the real property tax exemptions between 501(c)(3) and all other non-profit organizations in Section 8-10.10 of the Revised Ordinances of Honolulu.

HGEA represents over forty thousand government employees and retirees throughout the state of Hawaii, including ocean safety officers, nurses, clerical support staff, and school principals. Labor organizations like ours, as well as private-sector unions and agricultural organizations, are federally designated as 501(c)(5) organizations. The Internal Revenue Service has established a rigorous process for non-profit organizations to qualify for tax exemptions and in order to qualify, our organization does not receive, invest or disburse funds associated with savings or investment plans. While we do participate in political campaigns, this activity is permissible and in accordance with the IRS, since it is not our organization's primary function. The vast majority of our resources are spent toward bettering the lives of our members via collectively bargaining for decent wages and ensuring that employees' rights are not violated. Unlike other non-profits, labor organizations do not have the ability to raise tax-deductible donations to fund our work nor do we receive endowment funds from wealthy benefactors. Rather, we rely on modest voluntary dues from our members.

Policy decisions like this cannot be myopically driven by the amount of tax revenue that might be generated. As a community, we must consider the diverse contributions and services that all non-profit organizations provide. Therefore, we respectfully request the Commission defer this matter.

Respectfully submitted,

Randy Perreira
Executive Director

888 MILILANI STREET, SUITE 401 HONOLULU, HAWAII 96813-2991

An Independent Licensee of the Blue Cross and Blue Shield Association

November 20, 2019

Ray Kamikawa, Chair
Scott Higashi, Vice Chair
Members of the Oahu Property Tax Advisory Commission

Dear Chair Kamikawa, Vice Chair Higashi, and Members of the Commission:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to express concerns to the proposal to split Revised Ordinances of Honolulu (ROH) Section 8-10.10 in two: 1) defining charitable organizations and 2) all other nonprofit organizations and increasing the minimum tax to $1,000. This proposal would eliminate the real property tax exemption currently afforded to mutual benefit societies such as HMSA which are organized and operating under Hawaii Revised Statutes (HRS) Chapter 432 solely as a nonprofit medical indemnity or hospital service association.

HMSA is a non-profit mutual benefit society 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 has been purchased by local businesses, employer groups and unions. 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.

As with the current ordinance, State statute similarly recognizes the merit of affording tax exemptions to medical indemnity and hospital associations and societies. HRS Section 432:1-403 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, exempt from every state, county and municipal tax, except unemployment compensation tax. 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 eliminating, or even reducing, the tax exemption for nonprofits medical indemnity or hospital service associations and societies would be counter- productive to efforts to control and reduce costs of the health care system. As such, we respectfully oppose this proposal.

Thank you for the opportunity to provide testimony on this issue.

Sincerely,

Pono Chong
Vice President, Government Relations

Analysis of Rental Property Income

Honolulu County

$'s Per Room or Unit

	Hotel		TVU		Long-Term Rental (1 Bed)	
Average Daily Rate (ADR)	$238	(1)	$160	(2)	$55	(3)
Occupancy	85%	(1)	73%	(2)	90%	(3)
Estimated Annual Revenue	$73,405	(4)	$42,457	(4)	$18,068	(4)
Estimated Annual Expenses	$60,385	(5)	$36,667	(6)	$13,475	(7)
Profit Margin	18%	(5)	14%		25%	
Net Profit Per Year Per Room	$13,020	(5)	$5,790		$4,593	
Increase in Property Taxes (to Hotel Rate)	$0		-$4,700		$0	
Profit per Room After Revised Prop Taxes	$13,020		$1,090		$4,593	

Findings

While TVU's bring in significantly more revenue than equivalent Long-Term Rental Units, the profit per room difference is only 26%. The profit per room for Hotel is 124% more than TVU's. The proposed TVU property Tax reclassification to Hotel & Resort would reduce TVU's profit by 81%.

(1) Hawai'i Hotel Performance Report through Third Quarter 2019 (data for Oahu)

(2) September 2019 Hawai'I Vacation Rental Performance Report (HTA)

(3) Rate for a One Bedroom rental unit, Urban Honolulu per RentData.org

(4) Calculated from ADR and Occupancy for 365 days

(5) Extrapolated from Profit per room from Host Hotels & Resorts, First Quarter 2019, Supplemental Financial Information

(6) Includes applicable taxes, utilities, repairs, supplies, advertising and other expense. (baseed on tax returns for One bedroom TVU)

(7) Includes insurance, property taxes, depreciation, repairs and other (based on tax returns from long-term rental properties)

Aloha Commissioners on Oahu Real Property Tax Advisory Commission;

I oppose Bill 55 in its current form. I am a NUC Owner and feel that the Bill is unfair and targets a small number of tax payers. **My property is not a hotel and should not be taxed as such.** Although it rents for fewer days on average than a long-term rental, it does not have any other similarities to a hotel. Please consider the following:

- **Economics of TVU's** - In determining property tax classification, "highest and best use" includes consideration for underlying zoning as well as profitability or financial feasibility of the property. **I've attached a Financial Analysis of Profit per Room for Hotel, TVU & Long-term Rental units**. One of the representatives from the Tax department mentioned that "TVU's make much more money than long-term rentals" in the recent Budget Committee meeting. The analysis shows that the TVU Revenue per room is more, but the **TVU Net Income or Profit per room is much more consistent with a long-term rental property.** You'll see that the proposed increase in property taxes would eat up approximately 80% of the profit of the average one bedroom TVU, thus making it unsustainable. It seems that this Bill is meant to put all TVU's out of business.

- **Hotel Definition** – Per the Real Property Assessment Rules, Chapter 130, "Hotel" is defined as: "A building or group of buildings containing lodging and/or dwelling units in which 50 percent or more of the units are lodging units. A hotel includes a lobby, clerk's desk or counter with 24-hour clerk service and facilities for registration and keeping of records relating to hotel guests in connection with a hotel operation". **TVU's do not fit this definition.**

- **Time Share Exemption** – In item (2) on Bill 55 CD2, Time Share properties are exempt from "Hotel & Resort" classification if they do not meet the Hotel definition described above. Why is this group exempted and not TVU's?

I hope you can see that TVU's are not hotels and should not be taxed as such.

I would greatly appreciate your consideration for my position. It isn't everyday that one of your largest expenses is tripled.

Mahalo,

Jill Paulin

Analysis of Rental Property Income

Honolulu County

$'s Per Room or Unit

	Hotel		TVU		Long-Term Rental (1 Bed)	
Average Daily Rate (ADR)	$238	(1)	$160	(2)	$55	(3)
Occupancy	85%	(1)	73%	(2)	90%	(3)
Estimated Annual Revenue	$73,405	(4)	$42,457	(4)	$18,068	(4)
Estimated Annual Expenses	$60,385	(5)	$36,667	(6)	$13,475	(7)
Profit Margin	18%	(5)	14%		25%	
Net Profit Per Year Per Room	$13,020	(5)	$5,790		$4,593	
Increase in Property Taxes (to Hotel Rate)	$0		-$4,700		$0	
Profit per Room After Revised Prop Taxes	$13,020		$1,090		$4,593	

Findings

While TVU's bring in significantly more revenue than equivalent Long-Term Rental Units, the profit per room difference is only 26%. The profit per room for Hotel is 124% more than TVU's. The proposed TVU property Tax reclassification to Hotel & Resort would reduce TVU's profit by 81%.

(1) Hawai'i Hotel Performance Report through Third Quarter 2019 (data for Oahu)

(2) September 2019 Hawai'I Vacation Rental Performance Report (HTA)

(3) Rate for a One Bedroom rental unit, Urban Honolulu per RentData.org

(4) Calculated from ADR and Occupancy for 365 days

(5) Extrapolated from Profit per room from Host Hotels & Resorts, First Quarter 2019, Supplemental Financial Information

(6) Includes applicable taxes, utilities, repairs, supplies, advertising and other expense. (baseed on tax returns for One bedroom TVU)

(7) Includes insurance, property taxes, depreciation, repairs and other (based on tax returns from long-term rental properties)

LiUNA!

TESTIMONY OF RYAN K. KOBAYASHI
GOVERNMENT AND COMMUNITY RELATIONS DIRECTOR
HAWAII LABORERS UNION LOCAL 368

<u>REAL PROPERTY TAX ADVISORY COMMISSION MEETING</u>

<u>NOTICE OF HEARING</u>

DATE: Thursday, November 21, 2019
TIME: 1:30 p.m.
PLACE: Council Committee Room

Aloha Chair Kamikara, Vice-Chair Higashi, Commissioners,

We **<u>SUPPORT</u>** the continuation of being included as an exemption, and **<u>oppose</u>** redefining the exemption to include only 501(c)(3) organizations. Unions contribute back to the community in various ways namely through charitable work and charitable donations.

As for the Hawaii Laborer's Union's we participate and contribute yearly to school rehabilitation as well as other very important events that give back to our community. While we cannot participate in every event, we contribute thousands of dollars annually to various charitable organizations ranging from health related organizations, to youth programs such as the YMCA and youth sports organizations. In short, unions help to make our communities a better place to live in for everyone.

Thank you for the opportunity to submit this testimony.

LiUNA Local 368
1617 Palama Street
Honolulu, HI 96817
Phone: (808) 841-5877
Fax: (808) 847-7829
www.local368.org

Economic Benefits of the Credit Union Tax Exemption to Consumers, Businesses, and the U.S. Economy

The National Association of Federally-Insured Credit Unions (NAFCU) commissioned a study to examine *what would happen to the U.S. economy if the presence of credit unions was reduced significantly as a result of eliminating the credit union tax exemption*. The authors of the study are Robert Feinberg, Ph.D., Professor of Economics at American University; and Douglas Meade, Ph.D., Director of Research at Interindustry Economic Research Fund, Inc.

Previous studies had demonstrated that changes to the credit union tax status in Canada and Australia led to a severe reduction in credit union presence. The resulting reduced competition for consumer financial services led to higher interest rates on consumer loans and lower interest rates on deposits for consumers in those countries. The results of the 2017 study indicate that similar impacts on consumers would be seen here in the United States should the credit union tax exemption be eliminated.

Key Findings

- Removing the credit union tax exemption would actually cost the federal government $38 billion in lost income tax revenue over the next 10 years. GDP would be reduced by $142 billion, and nearly 900,000 jobs would be lost over the course of next decade as well.
- As shown in Chart 1, credit unions outperformed banks, with lower interest rates on loans and higher returns on savings and deposits.
- The direct benefits to credit union members of these better loan and deposit rates were estimated to range from $4.4 billion to $6.9 billion annually for the period 2006-2015. (Chart 2)
- A 50 percent reduction in the credit union market share would cost bank customers an estimated $6.9 billion to $15.7 billion per year in higher loan rates and lower deposit rates. (Chart 2)
- Total credit union member benefits over the 2006-2015 period were estimated to be $56.7 billion.
- Bank customers benefitted from credit unions as well (due to the competition from credit unions) by an estimated $102.2 billion over the 2006-2015 period.
- Credit union members benefitted most from lower interest rates on car loans, with $31 billion in savings from 2006-2015.
- Bank customers benefitted most from lower rates on real estate loans, saving over $40 billion during the ten-year period of the study.
- The total benefit to U.S. consumers from the presence of credit unions in financial markets was $159 billion over the ten-year period of the study, or $16 billion per year.

Chart 1: Interest rate differences, credit unions vs. banks
percent difference, 2006-2015 average

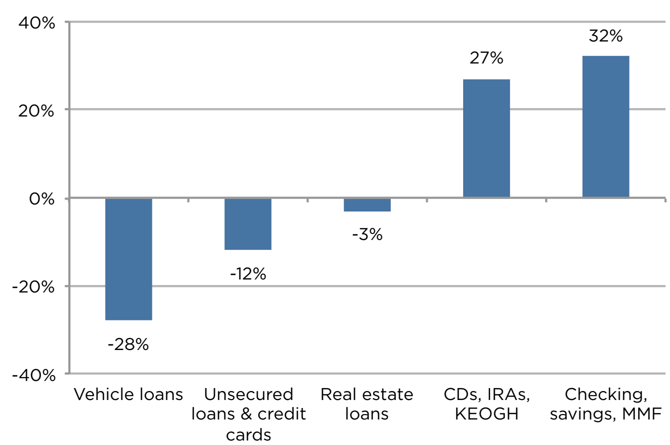

Chart 2: Credit unions & bank consumer benefits by year
2006-2015, billions $

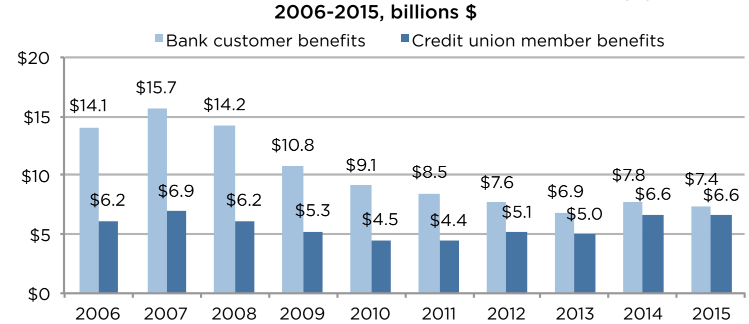

Chart 3: Credit union & bank consumer benefits by product
2006-2015 total, billions $

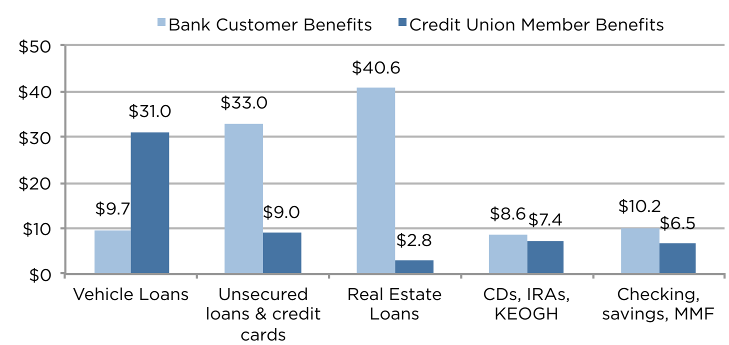

Table 1. Estimated benefits to credit union members and bank customers by state, 2006-2015

In order to examine these effects on a state-level basis, these gains were apportioned on the basis of each state's share of total credit union and bank deposits in 2015. Credit union and bank consumers from larger states received substantial gains from the presence of credit unions in their markets. The largest consumer benefits amounted to $18.8 billion in California, $16.8 billion in New York, $11.3 billion in Texas, $7.7 billion in Virginia, $7.4 billion in Florida, and $6.3 billion in Illinois.

Millions current $	Total consumer benefits 2006-15	Bank customer benefits 2006-15	CU member benefits 2006-15	Bank customer benefits 2015	CU member benefits 2015	State pctg of bank deposits 2015	State pctg of CU deposits 2015
U.S.	**$158,896**	**$102,172**	**$56,724**	**$7,428**	**$6,587**	**100%**	**100%**
Alabama	$1,847.6	$882.3	$965.2	$64.2	$112.1	0.9%	1.7%
Alaska	$560.5	$110.8	$449.7	$8.1	$52.2	0.1%	0.8%
Arizona	$1,759.7	$1,019.2	$740.5	$74.1	$86.0	1.0%	1.3%
Arkansas	$709.3	$586.4	$122.9	$42.6	$14.3	0.6%	0.2%
California	$18,750.2	$11,204.8	$7,545.4	$814.6	$876.2	11.0%	13.3%
Colorado	$2,108.7	$1,126.3	$982.4	$81.9	$114.1	1.1%	1.7%
Connecticut	$1,637.0	$1,161.8	$475.3	$84.5	$55.2	1.1%	0.8%
Delaware	$3,430.0	$3,324.7	$105.3	$241.7	$12.2	3.3%	0.2%
Dist. of Col.	$828.2	$435.4	$392.8	$31.7	$45.6	0.4%	0.7%
Florida	$7,438.3	$4,852.9	$2,585.4	$352.8	$300.2	4.7%	4.6%
Georgia	$3,066.8	$2,058.0	$1,008.8	$149.6	$117.1	2.0%	1.8%
Hawaii	$870.6	$370.6	$500.0	$26.9	$58.1	0.4%	0.9%
Idaho	$527.0	$210.1	$316.9	$15.3	$36.8	0.2%	0.6%
Illinois	$6,292.2	$4,490.9	$1,801.4	$326.5	$209.2	4.4%	3.2%
Indiana	$2,091.7	$1,094.2	$997.4	$79.6	$115.8	1.1%	1.8%
Iowa	$1,409.3	$755.5	$653.8	$54.9	$75.9	0.7%	1.2%
Kansas	$937.4	$657.7	$279.7	$47.8	$32.5	0.6%	0.5%
Kentucky	$1,107.1	$721.1	$386.0	$52.4	$44.8	0.7%	0.7%
Louisiana	$1,440.0	$943.9	$496.0	$68.6	$57.6	0.9%	0.9%
Maine	$563.8	$240.5	$323.3	$17.5	$37.5	0.2%	0.6%
Maryland	$2,282.8	$1,265.3	$1,017.5	$92.0	$118.2	1.2%	1.8%
Massachusetts	$5,099.6	$3,584.1	$1,515.5	$260.6	$176.0	3.5%	2.7%
Michigan	$4,312.4	$1,838.5	$2,473.8	$133.7	$287.3	1.8%	4.4%
Minnesota	$3,032.5	$2,056.1	$976.4	$149.5	$113.4	2.0%	1.7%
Mississippi	$721.0	$478.3	$242.8	$34.8	$28.2	0.5%	0.4%
Missouri	$2,154.1	$1,516.4	$637.7	$110.2	$74.1	1.5%	1.1%
Montana	$431.6	$206.0	$225.6	$15.0	$26.2	0.2%	0.4%
Nebraska	$776.7	$582.7	$194.0	$42.4	$22.5	0.6%	0.3%
Nevada	$1,734.0	$1,633.5	$100.5	$118.8	$11.7	1.6%	0.2%
New Hampshire	$619.3	$301.8	$317.5	$21.9	$36.9	0.3%	0.6%
New Jersey	$3,544.9	$2,919.0	$625.8	$212.2	$72.7	2.9%	1.1%
New Mexico	$759.8	$291.0	$468.8	$21.2	$54.4	0.3%	0.8%
New York	$16,775.4	$13,361.4	$3,414.0	$971.4	$396.5	13.1%	6.0%
North Carolina	$5,739.8	$3,409.6	$2,330.2	$247.9	$270.6	3.3%	4.1%
North Dakota	$407.3	$249.6	$157.8	$18.1	$18.3	0.2%	0.3%
Ohio	$3,986.6	$2,846.9	$1,139.6	$207.0	$132.3	2.8%	2.0%
Oklahoma	$1,437.3	$801.7	$635.6	$58.3	$73.8	0.8%	1.1%
Oregon	$1,549.6	$634.3	$915.3	$46.1	$106.3	0.6%	1.6%
Pennsylvania	$5,441.8	$3,438.2	$2,003.6	$250.0	$232.7	3.4%	3.5%
Rhode Island	$514.4	$270.4	$244.0	$19.7	$28.3	0.3%	0.4%
South Carolina	$1,290.3	$724.7	$565.5	$52.7	$65.7	0.7%	1.0%
South Dakota	$4,489.9	$4,346.9	$143.0	$316.0	$16.6	4.3%	0.3%
Tennessee	$2,236.2	$1,267.8	$968.4	$92.2	$112.5	1.2%	1.7%
Texas	$11,307.7	$7,044.9	$4,262.8	$512.2	$495.0	6.9%	7.5%
Utah	$5,906.9	$4,974.4	$932.5	$361.7	$108.3	4.9%	1.6%
Vermont	$300.9	$116.7	$184.2	$8.5	$21.4	0.1%	0.3%
Virginia	$7,703.5	$2,658.8	$5,044.7	$193.3	$585.8	2.6%	8.9%
Washington	$3,411.4	$1,304.2	$2,107.2	$94.8	$244.7	1.3%	3.7%
West Virginia	$472.8	$305.7	$167.1	$22.2	$19.4	0.3%	0.3%
Wisconsin	$2,810.5	$1,353.4	$1,457.1	$98.4	$169.2	1.3%	2.6%
Wyoming	$269.8	$143.0	$126.8	$10.4	$14.7	0.1%	0.2%

Source: NCUA 5300 call report data and FDIC Summary of Deposits

The authors of the study are Robert Feinberg, Ph.D., Professor of Economics at American University; and Douglas Meade, Ph.D., Director of Research at Interindustry Economic Research Fund, Inc. For more information on the study, please contact NAFCU's Research Department at **research@nafcu.org** or visit **www.nafcu.org/cutaxexemption**.

From: Roberta Mayor [mailto:roberta.mayor@gmail.com]
Sent: Thursday, November 21, 2019 6:42 AM
To: Natalie Iwasa
Subject: Real Property Tax Exemptions for FCU's

Hello Natalie,

I understand you are a member of the O'ahu Real Property Tax Commission Board, and will be considering the real property tax exemptions currently in place for federal credit unions in Hawaii.

I serve as a volunteer board member of an O'ahu FCU (Hawaii USA FCU) and would like to state my support for the continuance of the real property tax exemption for federal credit unions on O'ahu.

As you know, FCU's are nonprofit organizations governed by a volunteer board of elected members. There is no paid corporate board nor investors or shareholders. The FCU is a cooperative of members of modest means who pool their resources to save and to support low interest loans to its members.

FCU's should not be treated the same as for profit organizations, or even with other nonprofit organizations. FCU's are heavily regulated with a great deal of federal oversight. The efforts to remain in compliance with all regulations are very costly, and the responsibility I bear as a volunteer board member to monitor and minimize the FCU's financial risk is tremendous. The FCU exists for the benefit of its shared members. Losing the real property tax exemption could increase the cost to our members, reduce the number of credit union locations that provide convenience and a personal relationship with our members, increase the interest on loans to members, and could make FCU's less competitive against large banking operations.

I urge you and the commission to maintain the real property tax exemption for FCU's in Hawaii. Thanks for considering my input.

Roberta

Aloha Chair Kamikawa and members of the 2019 ORPTAC,

Mahalo for your service to the city.

I think the City should send Bill 55 back to committee as it is wrong for the City to tax TVUs in the resort zone tax classification for these reasons:

1. TVUs are in residential or apt zones and do not have the same use rights of the Hotel zoned units e.g. participation in the Hotel pool or restaurants etc nearby and other higher commercial use. If the City changed the zoning for the TVUs to resort then this would be an appropriate action.
2. Other visitor accommodation units, legal (>=30 days) or illegal/underground, will not be taxed at this higher rate. Therefore the TVUs will be placed at a competitive disadvantage.
3. The City has yet to show it can enforce the new regulations and eliminate the underground market; it is a work in progress.

I can see that going after the legal TVUs is easy to do and tempting low hanging fruit. However the yield in revenue is limited to less than 800 units.
I suggest the City instead consider establishing a **TAU property tax classification; Transient Accommodation Units.** This would include all units renting to the visitor market for less than 180 days. By deferring action on Bill 55, the City can evaluate properly the effect of enforcement actions as well as evaluate this proposed alternative Property tax classification.

This **TAU classification** has the following benefits to the City:

- All residential visitor accommodations are treated equally and can be taxed at a rate commensurate with the relative benefit from this use.
- The number of units and hence revenue generated will be an order of magnitude (10x) higher than from a TVU class.
- Alignment of the City Taxation classification with the State of Hawaii's TAT tax classification should benefit both the City and the State in collecting taxes due.
- Reduction in the underground economy should also result in higher income and general excise tax collections, indirectly benefiting the City.
- It should make enforcement of the City's zoning easier.
- It would further encourage all visitor units to convert to long term rental use and thereby help with the housing crisis.

Mahalo for the opportunity to provide testimony to the ORPTAC on Thursday.

Aloha,
Schuyler E. "Lucky" Cole,
Manager. COLENET LLC
CEO, Team Real Estate, Inc.
808-554-8113
66-632 Kamehameha Hwy. Suite #202
Haleiwa, HI 96712

Aloha Chair Kamikawa and members of the 2019 ORPTAC,

Mahalo for your service to the city.

The 2014 ORPTAC made clear recommendations to the City on Residential A which were mostly ignored; the City did adopt a graduated rate approach several years later. Unfortunately the City retained the lack of uniformity reducing this unfair tax from $2,500 per unit to $1,000 per unit in this tax classification. Given the large number of units in Residential A this yearly amount of unfair taxation is now in the hundreds of million dollars. <u>The litigation my wife and I began in 2015 has yet to be resolved by the courts.</u> The City should take action to further reduce it's financial exposure by correcting the impact of moving into this tax classification from $1,000 to zero.

Property tax classifications are based on a property's use or zoning not on its assessed value. This is the essential flaw that the City has propagated now for over 5 years. Each of the last five years have seen thousands of units added to this property tax classification simply because the unit was now assessed at $1,000,000 or more. The tax payer did not change the use and the City did not change the zoning and suddenly the unit is in a new tax classification simply because of an increase in valuation.

Residential A is, in my opinion, unique, unfair, stupid, and will be proven in the courts to be illegal. It is a political not a property tax classification.

The simple solution is to expand residential A to include all non owner occupant units with less than 3 units.

Another approach that limits the City's exposure is to make the initial tax rate for the first million the same as the residential tax rate, currently $3.50. To be revenue neutral this would require a higher rate above 1,000,000.

These are essentially the recommendations by your counterpart ORPTAC in December of 2014.

Mahalo for the opportunity to provide testimony to the ORPTAC on Thursday.

Aloha,
Schuyler E. "Lucky" Cole,
Manager. COLENET LLC
CEO, Team Real Estate, Inc.
808-554-8113
66-632 Kamehameha Hwy. Suite #202
Haleiwa, HI 96712

To Whom It May Concern, I strongly oppose bill 55. It is targeting around 700 legal NUC holders. The budget committee exempted the 30 or so bed and breakfasts but not TVU. The tax department is sighting “highest and best use”. Does this mean long term housing should also be taxed differently? It is discriminatory taxation . And spot zoning for use.
I am legal TVU holder for 30 years. I have single family units in residential zoning . I am not a hotel or resort. I do not fit the definition by city of one. Monster homes and times shares are exempt?
Mahalo SharLyn Foo

THE TRUST FOR PUBLIC LAND

HAWAI‘I
1003 Bishop St.
Pauahi Tower, Ste. 740
Honolulu, HI 96813
T: 808.524.8694
tpl.org

October 17, 2019

Karl Yoneshige
HawaiiUSA Federal Credit Union
1226 College Walk
Honolulu, HI 96817

Aloha Karl,

Mahalo for meeting with us today – we appreciate your interest in our Parks for People - ‘A‘ala Park Pilot project. The Trust for Public Land believes that now, as cities face an increasing number of obstacles—including declining infrastructure funding, growing populations, houselessness/affordable housing, and more—urban parks can provide substantial, cost-effective solutions to a host of serious municipal challenges. Unfortunately, 31% of Honolulu residents do not live within a 10-minute walk of a park, and an even larger percentage do not live near a safe, quality park that they feel comfortable visiting. Derelict and empty parks attract vandalism and crime, which in turn hurt property values, businesses, community pride and public safety.

As hubs for social and civic engagement, quality parks transform neighborhoods into communities. ‘A‘ala Park presents an incredible opportunity to help local residents improve their quality of life, bringing TPL’s national-recognized parks expertise to bear. In its heyday, ‘A‘ala Park was a popular gathering place and included athletic fields that were heavily used by community leagues. Today, the park is rundown and associated with homelessness, crime, and drugs. We feel that should change, and we have the expertise to lead a community participatory process in which the surrounding 18,000 residents and local businesses come together to articulate a shared vision for the Park that honors its past and looks toward a shared future.

Summarized goals for this three-year program include:

- Invite deep community engagement through visioning sessions, large public workshops, small group meetings, and ongoing public outreach
- Develop community-directed design documents and raise funds for park improvements
- Liaise with the City and residents to deliver the community vision
- Build the capacity of a community group to “own” and steward the park so that it is used and maintained well after improvements are completed
- Create a model that will be brought to scale for other park improvement and public-private partnership projects in Hawai‘i

The three year program budget is 968K, and American Savings Bank has pledged 50% of the funding needed to launch the program. **We humbly request HawaiiUSA Federal Credit Union join us by committing $75K over three years to this community program**. If approved, this support would be ideally realized via three annual gifts of $25K in 2020, 2021, and 2022.

We believe that change comes through listening, learning, working with community to take action, and inspiring others. This park and community have long been neglected – it’s time for change. Reviving ‘A‘ala Park as a community asset can be the catalyst for the area’s transformation and community strengthening. Together we can create a safe, welcoming ‘A‘ala Park for the children, families, seniors, and the general public who live and work in the area.

Many thanks for your consideration,

Leslie Uptain

Leslie Uptain
Director of Philanthropy

November 20, 2019

Oahu Real Property Tax Advisory Commission
City and County of Honolulu
530 South King St., Rom 202
Honolulu, Hawaii 96813

Attn: Randall Young, Commission Aide
ryoung5@honolulu.gov

Mr. Ray Kamikawa, Chair
Mr. Scott Higashi, Vice Chair
Commissioners of the ORPTAC

Date of Meeting:	Thursday, November 21, 2019
Time of Meeting:	1:30 p.m.
Place of Meeting:	Council Committee Meeting Room

Testimony In Support of Maintaining Real Property Tax Exemptions for Labor Unions

By Dayton M. Nakanelua
State Director of the United Public Workers
AFSCME, Local 646, AFL-CIO

The UPW is the exclusive representative for approximately 14,000 public employees, which include blue-collar, non-supervisory employees in Bargaining Unit 01, and institutional, health and correctional employees in Bargaining Unit 10, in the State and four counties.

The UPW appreciates this second opportunity to submit its testimony to the Oahu Real Property Tax Advisory Committee. We wish to appeal to the ORPTAC on one important basis that labor unions, locally and nationally, are bastions and driving force of direct and indirect support in promoting, supporting and advocating needed social policies of government for the benefit of all of our people in Hawaii and the United States. Labor unions therefore, are an integral part in adding to the public good and make it possible for hundreds of non-profit and charitable organizations to exist and provide services because of laws and regulations advocated by labor unions and the thousands of labor union member voluntary support to non-profit organizations to perform their services for the benefit the public.

Labor unions have been credited with developing the middle class in the United States and elsewhere. The value unions contribute to society in living standards is immeasurable and impossible to quantify. Labor unions have and continues to foster for the public good and further the promotion of social and welfare policies directly and indirectly. Labor is active in promoting policies for education for our young and old, fighting for poverty reduction through employment, better working conditions, better wages and benefits. Labor fights for pensions, workers compensation, TDI, healthcare, health and safety, housing, childcare, Kupuna care, family stability, caring for the homeless, crime prevention and corrections.

Labor fights for equal opportunity, civil, rights and the care for our environment and land. The existence of labor unions from the very beginning of the industrial revolution was and continues to be, the improvement of the quality of life for *all our people*. Labor unions deserve to be acknowledged for the work and tremendous effort by thousands of union workers who constantly strive to improve the quality of life for our citizens in Hawaii.

The UPW respectfully requests that the ORPTAC maintain the real property tax-exempt status of the United Public Workers ASFCME Local 646, AFL-CIO within the City and County of Honolulu and including other Hawaii labor unions.

We appreciate the opportunity to submit this testimony.

I am opposed to Bill 55 because my condo is not a hotel room. I don't offer any of the amenities such as daily cleaning, concierge, front desk, etc. that a hotel offers. My rates are much less than Turtle Bay Hotel which is located near my condo at Kuilima Estates East.

Yes, I have a TVU. However, my condo is rented less than 15 days a month and many times only 7 or 8 days. To pay the same real property taxation rate as a hotel is unfair.

Perhaps the council should come up with a TVU rate a few dollars more than the current non-resident rate.

If this bill is passed, then it probably will make renting out my unit financially unfeasible. I will just use it for friends and family and then the City will use the TAT and GET revenue that I have paid for the last 20 years.

Thank you for voting no.

William R. Schoen
Owner
Unit #167, Kuilima Estates East