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MEMORANDUM

DATE: October 6, 2023

TO: Council Administrative Services

FROM: Esther Kia'āina – Vice Chair *Ek*

SUBJECT: Travel Report for the Hawai'i State Association of Counties (HSAC)
2023 Annual Conference

Attached you will find my travel report for the 2023 Hawai'i State Association of Counties Conference held in Koala, Kaua'i from September 21 to September 22.

We attended the Hawai'i State Association Counties (HSAC) annual conference from Wednesday September 20 to Saturday September 23, 2023. We attended multiple meetings, networking events, general sessions, workshops, and informal meetings with other HSAC members, representatives of other counties, and representatives of the National Association of Counties (NACo).

The **Hawai'i State Association of Counties** is a government sector lobbying association and is represented by the legislative bodies and mayors of Kaua'i, Maui, Hawai'i, and Honolulu counties. Its purpose is to coordinate county programs through cooperation of the legislative bodies; creation of more practical and efficient county legislation, administration and procedures; to be a single source of information available to the Governor, the state Legislature and other officials. HSAC is the Hawai'i chapter of the National Association of Counties.

The official events we attended included the following:

- Golf Tournament Fundraiser
- Welcome Reception
- Networking Breakfast
- Welcoming and Opening Ceremonies with Lieutenant Governor Sylvia Luke and HSAC President Bernard Carvalho
- Legislative Lunch Forum with Senate President Ron Kouchi and House Speaker Scott Saiki
- HSAC Executive Committee Meeting
- Real Property Tax Reform Panel
- Readiness & Environmental Protection Integration Program Panel
- Affordable Housing Panel
- Closing Dinner

The following is a summary of highlights from both through formal and informal meetings at HSAC:

National Association of Counties

NACo leadership, including NACo President Mary Jo McGuire, First Vice President James Gore, and CEO/Executive Director Matthew Chase, attended the 2023 HSAC, and we were able to learn more about the value of NACo as a resource for legislative and policy ideas and a collaborator for change on federal laws. Apparent during HSAC is that being a part of NACo, is particularly valuable for addressing issues of disaster relief, affordable housing, funding for county priorities, as well as taking advantage of the NACo relationship with the Department of Defense Readiness & Environmental Protection Integration Program.

While Hawai'i's counties are clearly distinct in geography, population, and needs, from counties on the continental United States, we are dealing with similar issues across the country, including, in particular, challenges related to emergency preparedness and disaster relief, as well as housing affordability. There are opportunities to learn from the resilience and leadership of NACo representatives who have worked with communities and constituents on many issues, including recovery and rebuilding after natural disasters, such as the Sonoma wildfires.

The NACo contingency that attended this year's HSAC have particular experience that is invaluable to Hawai'i counties as we continue to look at ways to support economic recovery after the wildfires. NACo First Vice President, James Gore, a Supervisor in Sonoma County, California, shared his work helping to secure historical regional, state, and federal funding for emergency preparedness and infrastructure investments after the recent Sonoma wildfires. Additionally, NACo Executive Director Matthew Chase previously worked very closely with the U.S. Economic Development Administration, and his background and experience is invaluable to understanding funding opportunities to support economic recovery. As an example, the EDA's Economic Adjustment Assistance program has been made available for communities long-term disaster recovery in the past, and can be used for market and environmental studies, planning and construction grants, and capitalizing or recapitalizing revolving loan funds which is available to small businesses and state and local governments. These revolving loan funds can be used to finance water, wastewater, infrastructure, disaster recovery and community development activities, and are available to businesses that cannot access traditional bank financing and to government entities for public infrastructure. Finally, as a direct result of the conversations that took place at HSAC, the California State Association of Counties (also a member of NACo), which includes many counties that have undergone disasters and devastation in their own communities, stood up a peer-to-peer network intended to supplement existing resources and aid in Maui's recovery. They have sent HSAC a list of contacts from the various counties with experience in disaster and emergency management who have volunteered to answer questions,

provide suggestions, and offer advice in the next days, weeks, and months to come. (Exhibit).

Hearing from other county leaders on how they are addressing other issues created an opportunity to understand what kinds of policies, programs, and projects may be worth spending more time looking into and/or implementing. The NACo staff and leadership are great resources to help us understand the allocation, access, and eligibility criteria for federal funding, as they have staff that are experts on components of key federal measures and are in regular contact with the assigned federal coordinators.

Finally, it appears that there is an opportunity to further diversity and equity initiatives within the NACo organization itself and in its advocacy, to ensure racial diversity, including in particular representation of underrepresented Asian and Pacific Islanders. We had good discussions with the current NACo President Mary Jo McGuire about the possibility of establishing a NACo advisory caucus on Native Hawaiian, Pacific Islander, and Asian representation, which would build upon the immediate past president Denise Winfrey's commitments to promote Resiliency, Inclusion, Solvency, and Empowerment, and to uplift examples of how counties are enhancing its resiliency for the future, promoting community inclusion, helping residents establish solvency through economic mobility opportunities, and empowering county leaders with educational resources and tools for informed decision-making.

Real Property Tax

City and County of Honolulu Council Members have been wrestling with ideas to modify and/or overhaul the City and County of Honolulu's Property Tax code to allocate tax burdens in a way that is equitable and fair, support housing stability and addresses housing shortages for local families, and provide tax relief to those that need it the most, all the while ensuring the City can continue to meet its fiscal obligations and growing demand for City services.

After over a year of discussion, the Council recently approved updating the City's real property tax homeowner exemptions and the income eligibility threshold for the real property tax credit. The City Council also recently approved providing a one-time \$350 tax credit for homeowners who live in their home, and lowering the tax rate for the first \$1 million in value for residential properties classified as Residential A, the latter that was aimed at providing tax relief to Residential A homeowners with properties valued at less than \$1.5 million. The adjusted rates will assist homeowners that saw their properties reclassified from Residential to Residential A due to the rise in properties with an assessed value over \$1 million. This includes homeowners who rent their residential properties.

Those measures were primarily targeted at providing immediate relief and to account for inflation and increased cost of living, however, Honolulu Council Members have continued to advocate for adjustments to the property tax code that would

- Amend existing real property tax exemptions, dedications, credits, compromises, and the minimum tax;
- Increase transparency on valuations and provide notice to homeowners of assessments;
- Revise existing residential classifications and tiers;
- Incentivize property owners to provide long-term rentals;
- Disincentivize vacant residential property to meet the substantial demand for housing for our local families; and
- Restructure and/or overhaul the existing property tax structure into one that is more equitable and fair, and ultimately more progressive.

The HSAC panel, moderated by Maui's Finance Director and Executive Assistant to the Mayor of Kaua'i, included the Real Property Tax Managers/Administrators of all four counties. Robust discussion took place on all counties' real property tax structures, including a focus on each counties' residential tax structures.

The panel discussed assessment caps, which limits the amount of a value increase that residential properties can be assessed--two other counties currently implement an assessment cap. Honolulu council members have been interested in the utility of an assessment cap to address constituents' concerns and there are two bills in front of the Honolulu City Council that would result in an assessment cap.

The panel members also discussed the Truth in Taxation concept, where in the case of Hawai'i County, the county sets a maximum tax base that it will collect from property taxes, and increases to the base and property tax collections require certain steps, approvals, and public notice. Other jurisdictions that have similar Truth in Taxation laws include Minnesota, Utah, Tennessee, Texas, and Kansas.

The panel also discussed how it handles short-term rentals, including how the rates for short-term rentals, which are rentals in residential units, compare with other residential classifications. All counties appear to handle short-term rentals differently, including in particular the way bed and breakfasts are taxed.

Of note, however, the counties main source of real property tax income varied widely; while more than half of Honolulu's property tax collections comes from residential properties, two of the other counties collect the majority of its taxes from resorts and

non-residents (second homes and/or vacant residential properties). For those counties, their property tax collections are not as financially impacted by relief to residential property owners.

2024 State Legislative Session

Senate President Ron Kouchi, House Speaker Scott Saiki, and Representatives Dee Morikawa and Luke Evslin were on hand at this year's HSAC to discuss issues related to the upcoming 2024 Hawai'i State legislative session, which impacts all of Hawai'i, including the counties.

Much of the discussion centered around impacts of the wildfires on Maui county, the state as a whole, as well as indirect impacts on other counties. Senate President Kouchi noted that as a result of depositing significant funds into the rainy day fund over the last two years, the state is well positioned to assist with Maui relief, help stand up the state's recent preschool commitments, all the while continuing to support the other counties.

Given the recent transfer of ambulatory costs from the state to the counties, the reduction of state collected TAT to the counties, past failed attempts to get the state to transfer a portion of the traffic citation collections to the counties, increasing collective bargaining costs largely impacted by state decisions, and recent projections by the Council on Revenue, there are concerns from the counties about possible policy changes that can exacerbate existing fiscal challenges of counties to meet ever growing demands and county services. Accordingly, the Senate President's assessment that all counties will continue to be supported, and that the state is well poised, fiscally, to support Maui recovery efforts was welcome. As statewide revenue projections continue to be concerning, HSAC is a critical way for the counties to collaborate to make clear that state policies impact the collective counties' bottom line, the ability of all counties to continue to provide critical and highly sought after county services, and ultimately all counties real property tax decisions.

Also relevant to this issue is the panel's discussion of new potential revenue sources for the state, from recent taxation policies on vaping and e-cigarettes (a new 70% excise tax on the wholesale price of electronic smoking products will take effect on January 1, 2024), as well as state legislative proposals to legalize recreational use of marijuana and sports betting. The state Senate passed out a bill to legalize recreational use of marijuana in the 2023 session, which stalled in the state House of Representatives, and Speaker Saiki noted his intention to look more closely at the measure, which the state Attorney General no longer opposes, over the summer. Governor Green has noted that he will sign a bill if it passes, which could result in substantial tax revenue for the state. Members of the panel also noted that they anticipate the legislature to consider legalizing online betting in Hawai'i, which is now legal in 34 states and Washington D.C.. Again, the panel noted that proponents point to the potential for increased tax revenue for the state, which could have indirect and positive impacts on the counties.

The lunch panel also discussed impacts of the wildfires on water resource management and development projects. Speaker Saiki specifically noted that post Maui wildfires, the state should be much clearer about how the public trust doctrine is honored, and how decisions about development should take into consideration availability of water. Senate President noted that numerous Senators are not happy with how the Department of Land and Natural Resources handled the reassignment of the Water Deputy, and Speaker Saiki chimed in that the community has been clear that they are unhappy and that he hopes that the Governor addresses the issue. Even outside of Maui, these sentiments are telling of the direction that some in the state legislative leadership may head concerning further protecting/uplifting of public trust principles, ensuring sufficient water in streams and supporting agriculture to mitigate fire risks. It is also telling that even priority projects, like DHHL projects that have been in the works for well over a decade, may need to rethink how they move forward, when water availability is insufficient.

Introduction to Readiness and Environmental Protection Integration (REPI) Program

Leadership from the REPI program and Office of Local Defense Community Cooperation of the U.S. Department of Defense (Kristin Thomasgard, Program Director of REPI and Susan Veazey, Program Manager of OLDC) was on hand to discuss DOD programs that involve community/county partnerships and were joined by Carlos Castillo from the Trust for Public Lands and Lena Fowler, Supervisor of the Coconino County in Arizona.

The panel discussed how the REPI program links communities, conservation, and national defense. In furtherance of DOD capabilities, the panel discussed how REPI allows the DOD to enter into strategic partnerships with state and counties and non-profit conservation organizations on mutually beneficial efforts to conserve 'āina, natural resources, and important habitats, which benefits both the community and the U.S. military. They shared that the program partnerships have permanently conserved over 1.1 million acres at 120 installations in 35 states and territories.

We also learned about Sentinel Landscapes partnerships, which Kristin Thomasgard participates in, is a coalition of federal agencies (DOD, Department of Agriculture, and Department of Interior), states, counties, and non-profit organizations, that advance sustainable land management practices around military installations and ranges by conserving natural resources, strengthening farms, ranches, and forestry economies, and promoting climate change resilience. The Partnership has designated 13 landscapes across the country, where landowners and agricultural producers are provided "priority consideration" in easements, land protection grants, and technical assistance programs within the Department of Agriculture and the Department of Interior, including programs that support sustainable management practices. Given the benefits the panel shared and the potential for a designation to increase federal funding and advance landscape scale conservation practices, it would be beneficial to look into whether there are any areas in Honolulu County that would be ideal for collaboration.

The panel also discussed the OLDCC's Installation Resilience program, which provides support to protect and enhance public health, safety, and welfare of local families living or working near active military installations from man-made or natural threats if those threats could affect the utility of the military installation. Examples of resilience factors that are considered include wildfire, storm water, water availability, wastewater, foreign investment, endangered species, flooding, etc. Given recent wildfires and flooding, as well as ongoing issues of water availability as a result of the crisis at Red Hill, which is clearly a threat to numerous military installations on O'ahu, I intend to follow up with the

panel members on what kind of assistance this program should be providing to address these issues.

Overall, these programs represent opportunities for all the counties, including the City and County of Honolulu, which bears an enormous burden of military presence, to permanently conserve land, natural resources, and important habitats near military installations, as well as support sustainable and productive land uses and water resources for surrounding communities. In 2023, the REPI program committed \$26.9 million to support projects across Hawai'i, with additional financial contributions made by other project partners. The City and County of Honolulu and the County of Kaua'i are already key REPI program partners, and in 2023 alone, the following O'ahu projects received a part of the \$26.9 million allocated to Hawai'i: Hono'uli'uli Forest Reserve, Watershed above Pearl Harbor, Wahiawā Annex Buffer Project, as well as Maunawili Project. The Maunawili project is in district 3 and was awarded \$5.6 million for watershed improvement, and protection of indigenous species and culturally significant archaeological sites within the Maunawili forest and lo'i. It will also go a long way in supporting Honolulu's food independence and agricultural economy. My office has started a dialogue with representatives in attendance about use of these funds for additional projects on O'ahu, including in Waimānalo and Kāne'ohe.

Affordable Housing

The affordable housing panel provided attendees with insight into the status of the Department of Hawaiian Home Lands expenditures of the historic \$600 million appropriated by the state to address DHHL's waitlist, Kaua'i County's current affordable housing strategy, and information from HHFDC on its existing programs and partnerships. As housing and rental prices continue to increase across Hawai'i, significantly outpacing wage growth, solutions to increase access to and supply of affordable housing is increasingly important. All across the country, sufficient housing has not been built since the great recession and the U.S. Housing and Urban Development projects that the housing supply deficit is worsening. The panel discussed their efforts to address the sharp need for affordable housing across Hawai'i.

Of note, DHHL Director Kali Watson discussed the many projects his team is working on, including the following in Honolulu County: Mill Camp, Waialua; Mā'ili Development; Kaupe'a, Kapolei; East Kapolei; 'Ewa Villages; and 'Ewa Beach. Of those projects, DHHL discussed potential production of over 1,700 units, some of which are currently underway and others, which are imminent. This is exciting news for Honolulu County, not only will successful implementation of these projects make a dent in the lengthy DHHL waitlist, but it will also address the high demand for housing in Honolulu County and potentially open up other housing units for other Honolulu families. In furtherance of the City's role in furthering the overall responsibility to support DHHL, the City recently appropriated \$20 million specifically for infrastructure to support projects near DHHL sites. Moreover, the City and DHHL may also collaborate on mutually beneficial investments into infrastructure with the \$170 million currently appropriated for housing and infrastructure in the City's CIP budget. Finally, I am interested in looking at properties the City currently owns, including properties in my district, to see whether or not a sale or exchange of certain properties may be mutually beneficial to the City and DHHL. I am hopeful that these initiatives will complement DHHL's efforts.

Kaua'i County's housing director shared some of the key elements of Kaua'i's current affordable housing development strategy, which includes the following actions by the County

- Identifying and securing of county land for development by private partners through long-term leases,
- Completing pre-development studies, including HRS Ch 343 environmental review and HRS 6E review,
- Securing all land use entitlements and installation of all off site infrastructure,
- Offering funding, often times federal funding, to subsidize private developer, and

- Prioritizing units for households on a Kaua'i County wait list, which began well over five years ago.

Kaua'i County's strategy appears to focus on fronting a significant amount of the cost and much of the risk to entice developers and to ensure certain levels of affordability for their affordable housing projects. There is much to take away from this strategy, including the efficiency of counties going through review processes and mitigating impacts early on, as well as making projects shovel ready and therefore much more attractive to developers. It is a very poignant time to look at ways to reduce costs and risks, as construction materials, financing, and insurance costs have skyrocketed, making it more likely that existing state and county models used to solicit private development of government affordable housing projects may need to be adjusted to attract interest.

On the other hand, I would also note that to scale these projects to be meaningful in Honolulu County, the costs would be significant. When asked about costs, Kaua'i officials acknowledged that the strategy was pricey, and despite taking on a significant amount of the cost and risk, they still experienced challenges with getting sufficient interests in certain projects.

I was very excited to hear about Kaua'i counties use of a county waitlist, which makes it more likely that those that have been in need for the longest period of time are served first. It also increases the likelihood that local and long time residents can access these affordable units.

Additionally, similar to Honolulu County, the panel shared that Kaua'i County recently undertook issuance of their own private activity bonds. Kaua'i has the authority to issue approximately \$8 million in tax-exempt private activity bonds each year for projects, including affordable housing projects. This has increased their capacity to make funding available for projects that meet their own criteria and schedule and recently completed issuance of bonds to fund two multi-family projects on Kaua'i. This affirmed the policy decision made by Honolulu County to restart issuing its own private activity bonds.



Chair Tommy Waters, Vice Chair Kia'aina, Councilmember Dos Santos Tam, Councilmember Okimoto, Councilmember Weyer, and Councilmember Cordero at the Welcome Reception.



Councilmember Okimoto, Councilmember Cordero, and Vice Chair Kia'aina with Kaua'i Councilmember Billy Decosta, Honolulu City Council staff, and community attendees.



Vice Chair Kia'aina with Kauai Mayor Derek Kawakami, Mrs. Kawakami, and City Council staff.



Chair Tommy Waters, Vice Chair Kia'āina, Councilmember Okimoto, Councilmember Cordero, and Kaua'i Mayor Derek Kawakami at the Real Property Tax panel.



Councilmember Okimoto and Vice Chair Kia'aina with Kaua'i Councilmembers Billy Decosta, Kipukai Kual'i, and Addison Bulosan, Maui Councilmembers Keani Rawlins-Fernandez and Nohe U'u-Hodgins, Honolulu City Council staff, and community attendees.



Vice Chair Kia'aina with Kaua'i Councilmember Bernard Carvalho



Chair Tommy Waters, Vice Chair Kia'aina, Councilmember Dos Santos Tam, Councilmember Okimoto, Councilmember Weyer, and Councilmember Cordero, Senate President Kouchi, House of Representatives Speaker Saiki, and NACo CEO Matthew Chase at the Legislative Luncheon.

City Council
City and County of Honolulu


CLAIM FOR TRAVEL REIMBURSEMENT

Date: 09/27/2023

Traveler: Esther Kia'aina
 Event: 2023 HSAC Conference *Annual*
 Location: Koloa, Kauai, HI
 Dates: From Sept. 21, 2023 To Sept. 22, 2023

Description	Amount	Notes:
1. Registration Fee		
2. Airfare	40.01	Additional fare collection fee
3. Hotel		
4. Meals		
5. Ground Transportation		
6. Tips		
7. Other	72.00	Parking at HNL Airport
Other		
Other		
8. Adjustment		
TOTAL REIMBURSEMENT	72.00 112.01 <i>Kia'aina</i>	

This is to certify that the above data, based upon receipts submitted to Council Administrative Support Services via a CCLTRVL02 form, is accurate. Further, I am claiming reimbursement for expenses associated with a trip in which City business was conducted and personal funds were used to advance payment:



 Signature of Traveler

9/27/2023

 Date