Walt Disney Parks and Resorts

January 31, 2011

TO: House Committee on Tourism
Representative Tom Brower, Chair
Representative James Tokioka, Vice Chair

FROM: Todd K. Apo
Director of Public Affairs

DATE: Monday, January 31, 2011
Conference Room 312
9:15 a.m.

RE: **HB 809 RELATINGTO THE TRANSIENT ACCOMMODATIONS TAX**
HB 1163 TRLATING TO TIMESHARES

Chair Brower and Members of the Committee:

I am the Director of Public Affairs for Disney Vacation Club in Hawaii. Disney Vacation Club is the vacation ownership business unit of The Walt Disney Company. Disney Vacation Club currently operates 10 vacation ownership resorts in Florida, South Carolina and California; and, as you probably know, we are currently developing our newest vacation ownership resort right here in Hawai`i – Aulani, *Disney Vacation Club*® Villas, Ko Olina, Hawai`i.

Hawaii's timeshare industry currently accounts for thirteen percent of the State's lodging inventory with 10,000 timeshare units (460 of which will be located at Aulani). Timeshare has maintained consistent occupancy rates, even during the current tough economic times. In 2009, timeshare occupancy averaged approximately 91%, almost 25% higher than hotels. This has made the timeshare industry a vital partner and a stable component of the tourism industry in Hawai`i.

Our Aulani resort is a perfect example of the importance of the timeshare industry to Hawai`i. According to a recent economic impact study we commissioned, our Aulani resort will have a significant impact on the Hawai`i economy. Construction will generate $634 million in economic activity (including direct spending on goods and services, as well as jobs and corresponding indirect and induced impacts on the local and regional economies); $59 million in one-time tax revenues for Honolulu County and the State of Hawai`i; and 4,800 construction and construction related jobs. In addition, when our Aulani resort opens this autumn, it is expected to generate more than $271 million per year for the local economy, $33 million in annual tax revenues for Honolulu County and the State of Hawai`i and about 2,400 direct and indirect jobs. This significant investment by Disney in the State of Hawai`i was recently recognized by District Council 50 of the International Union of Painters and Allied Trades, or IUPAT, AFL-CIO, CLC, stating on the District Council's website (http://www.dc50.org/dc-50-news/2011/01/thank-goodness-for-disney/): "*A huge "Mahalo" to Disney for its foresight, belief and global ingenuity by creating a first class resort in Hawaii. Because of the Aulani resort, many of our signatory contractors . . . continue to work during this down economy! Again, thank goodness for Disney!*" Carl Bonham, Executive Director of the University of Hawai`i Economic Research Organization and Associate Professor of Economics at the University of Hawai`i at Mānoa, called Aulani "*a bright spot*" explaining that Hawai`i is "*already experiencing benefits from the creation of new construction jobs*" and that the completed resort "*will be* *an important addition to the O`ahu visitor industry.*" In addition, we recently hosted a very successful and well received job fair for 800 (of the eventual 1,200) job openings at the Resort. Disney has made a huge commitment to the vitality and longevity of the tourism industry and, specifically, the timeshare industry, in Hawai`i.

Disney Vacation Club opposes HB 809 and HB 1163. HB 809 would increase the transient accommodations tax (TAT) rate for timeshare units from 7.25% to 9.25% from July 1, 2010, to June 30, 2015. HB 1163 would increase the base maintenance fee calculation from 50% to 150%. The combined effect of both of these bills would be a nearly 300% increase in the TAT payable by timeshare owners. While there is a sunset provision for the 2% TAT increase, there is no sunset provision for the increase in the maintenance fee calculation.

Hawai`i is the only state to assess TAT on timeshare owners, already putting Hawai`i at a competitive disadvantage. These extraordinary increases to that tax will have a significant chilling effect on new timeshare projects in Hawai`i, the result of which could be the loss of future economic impacts (and future tax revenues) similar to the economic boost and tax revenues to be generated from our Aulani resort.

Timeshare owners in Hawai`i have made a long-term commitment to Hawai`i by purchasing and owning real property in Hawai`i. These owners and their guests are dependable, consistent, and stable visitors who bring substantial tax dollars to Hawai`i and continue to come even during economic downturns. They pay a yearly maintenance fee including real property taxes, GET and other fees. No other owner of real property in Hawai`i is required to pay an occupancy tax to stay in real property that they already own.

In addition, because their accommodations are already paid for, timeshare owners typically spend more dollars during their vacation than other tourists. However, their vacation dollars are limited like all other tourists. If they have to pay 300% more in TAT tax during their visit, they will inevitably reduce their spending in Hawai`i on other things like restaurants, recreation, and souvenirs. This extreme increase in TAT tax will have the unintended consequence of reducing the dollars per person spent in Hawai`i by timeshare owners.

In 2009 timeshare owners paid over $40 million in taxes to the state through the GET and TAT. In addition to paying the TAT when an owner occupies his unit, the full TAT is paid when the unit is rented out.

As drafted, this bill will unfairly impact a very specific portion of Hawai`i property owners who choose to visit Hawai`i on a regular basis and contribute significantly to Hawai`i's economy.

We believe this legislation is detrimental to timeshare owners as well as Hawai`i's tourism industry, which will only exacerbate the existing disincentive to invest in and visit Hawai`i. We respectfully ask you to hold this measure.

Thank you for allowing me to present testimony on this important matter.

Aloha,

Todd Apo
Director of Public Affairs - Hawaii

SOLEIL MANAGEMENT
CONSOLIDATED RESORTS MANAGEMENT

January 31, 2011

TO: House Committee on Tourism
Representative Tom Brower, Chair
Representative James Tokioka, Vice Chair

FROM: Richard L. Rodriguez
President
Consolidated Resorts Management

DATE: Monday, January 31, 2011

RE: **HB 809 RELATINGTO THE TRANSIENT ACCOMMODATIONS TAX**
HB 1163 TRLATING TO TIMESHARES

Chair Brower and Members of the Committee:

Consolidated Resorts Management manages eight timeshare resorts in Hawaii, representing 527 unit and over 28,000 timeshare owners. Timeshare has maintained consistent occupancy rates, even during the current tough economic period. In 2010, the average occupancy rate for all our timeshare units in Hawaii was approximately 92%, well above the average hotel occupancy. Timeshare is a vital partner and a stable component of Hawaii's visitor industry.

We strongly oppose HB 809 and HB 1163 because our experience has confirmed that these bills will result in more owners wanting to give up their Hawaii timeshares, thus resulting in lower tax revenues to the state. HB 809 proposes to increase the transient accommodations tax (TAT) rate for timeshare units **when used by owners** from July 1, 2010, to June 30, 2015, by adding 2 percent points from the current 7.25% rate to 9.25%. In addition, HB 1163 also increases the base maintenance fee calculation from 50% to 150% resulting in a nearly 400% increase in the TAT.

I would like to clarify the following:

First, when timeshare units are rented on a transient basis by non-Owners or used for marketing purposes by developers, they are already taxed and **pay the exact same TAT rates as hotel units.**

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Second, our timeshare owners are Hawaii property owners who have made a long-term commitment to Hawaii by owning Hawaii real estate. They and their guests are dependable, consistent, and stable visitors who bring substantial tax dollars to Hawaii and continue to come even during economic downturns (as demonstrated by the 92% occupancy rate in 2011). They pay a yearly maintenance fee including real property taxes, GET and other fees. No other owner of real property in Hawaii is required to pay an occupancy tax to stay in real property that they already own. In fact, Hawaii is the only state to assess the TAT on timeshare owners in the United States.

As drafted, this bill will unfairly impact a very specific portion of Hawaii property owners who choose to visit our state on an annual basis and contribute to Hawaii's economy.

For the foregoing reasons, we believe this legislation is detrimental to our timeshare owners. Instead of creating disincentives to spend discretionary dollars in Hawaii, let's look for ways to help and strengthen this very important segment of our visitor industry. We respectfully ask you to hold this measure.

Thank you for allowing me to present testimony on this important matter.