

SB541

Measure Title: RELATING TO CONDOMINIUM CONVERSIONS.

Report Title: Condominium Conversions; Condominium Hotel

Description: Requires a condominium hotel developer's public report to disclose past years' general excise taxes and transient accommodations taxes for converted condominium hotels. Requires that each condominium hotel operator file an annual report with the real estate commission.

Companion: [HB571](#)

Package: None

Current Referral: CPN, WAM

Introducer(s): RIVIERE, Chun Oakland, Inouye, Ruderman

<u>Sort by Date</u>		Status Text
1/23/2015	S	Introduced.
1/26/2015	S	Passed First Reading.
1/26/2015	S	Referred to CPN.
2/2/2015	S	Re-Referred to CPN, WAM.
2/3/2015	S	The committee(s) on CPN has scheduled a public hearing on 02-11-15 9:30AM in conference room 229.

**PRESENTATION OF THE
REAL ESTATE COMMISSION**

TO THE SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2015

Wednesday, February 11, 2015
9:30 a.m.

**TESTIMONY ON SENATE BILL NO. 541, RELATING TO CONDOMINIUM
CONVERSIONS.**

TO THE HONORABLE ROSALYN H. BAKER, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Nikki Senter and I am the Chairperson of the Hawaii Real Estate Commission ("Commission"). The Commission appreciates the opportunity to present testimony on Senate Bill No. 541, Relating to Condominium Conversions.

It appears that the intent and purpose of Senate Bill No. 541 is to assure that the appropriate tax revenues are collected on short term rentals conducted from hotels that were converted to condominium units. The Commission appreciates the intent of Senate Bill No. 541; however, it opposes certain proposals and has the following comments and questions:

- Given the Commission's limited expertise and capabilities to collect and retain general excise tax and transient accommodation tax information on hotel or condominium hotel units, the Commission respectfully considers removing that responsibility from the Commission, as proposed in this bill;
- Senate Bill No. 541 mandates the collection by the Commission of tax-related information from hotels that have converted to condominium status

but does not state what the Commission is to do with that information.

Again, the Commission respectfully asks the Committee to consider whether these functions are properly placed with the Commission;

- The title of the bill appears to embrace more than the subject of "condominium conversions." Senate Bill No. 541 includes another subject relating to the conduct of a condominium hotel operator ("CHO");
- Condominium hotels have historically been governed by Hawaii Revised Statutes ("HRS") Chapter 467, the Real Estate Licensing law; placing additional requirements and identical statutory provisions into HRS Chapter 514B, the Hawaii condominium law would cause confusion to the consumer, developers and real estate brokers conducting CHO activity and to those non-licensees conducting CHO activity via the Real Estate Branch's registration process.

Thank you for the opportunity to testify on Senate Bill No. 541.

UNITE HERE!

LOCAL 5 HAWAII

Eric Gill, Financial Secretary-Treasurer

Hernando Ramos Tan, President

Godfrey Maeshiro, Senior Vice-President

Thursday, February 5, 2015

The Honorable Rosalyn Baker, Chair
and Members
Committee on Commerce and Consumer Protection
Hawaii State Senate

TESTIMONY submitted on behalf of UNITE HERE! Local 5

Re: SB 541, Relating to Condominium Conversions

Chair Baker and members:

UNITE HERE Local 5 is a local labor organization representing 10,500 hotel, health care and food service workers employed throughout our State. We stand in strong support of SB 541 and ask for your Committee's support in advancing the measure.

SB 541 is designed to generate the data the State needs to better understand the impacts of condotel conversions on our visitor industry. This bill can also help start a conversation around the impacts of the visitor plant on our tax base, and by extension, our communities. It is our hope that the State, the Counties and other decisionmakers can take into account the information stipulated by this bill to better ensure a healthy future for the hotel industry.

Tourism accounts for nearly 22% of the State's gross domestic product, generating \$14.7 billion in visitor expenditures and over \$1 billion in tax revenue in 2014 alone. The tax generated by the industry is revenue that we – constituents and the State alike - directly benefit from.

The industry also provides 159,000 direct and indirect jobs annually. Good jobs here mean money spent here and taxes paid here - a better life here.

Fewer traditional hotel rooms means fewer good jobs. Less income tax, less transient accommodations tax, and less general excise tax mean less of a future for all of us – it makes it harder to save, to own a home, to spend money at local businesses, to fund the government services and programs we all need, and attract proper investments in tourism development.

Tourism is what we have. The investment we make as a community and as taxpayers towards tourism is substantial, but are we getting a good return on our investment?

- The State Legislature allocated \$82 million in 2014 in order to brand, market and continue to keep Hawai'i's tourism industry successful.
- Our City and State continue to approve project after project worth billions of dollars in revenue for the banks and developers.

But

- A recent HTA study estimates there are over 22,000 individual vacation units being rented out across the state. That's almost as many hotel rooms as there are in all of Waikiki (23,323).
- Non-traditional units are hard to regulate. They represent not just lost of jobs, but a loss of tax revenue as well.
- Many of those individual vacation units are in condotel buildings.

Condotels cost tax dollars

- When condotels are constructed or hotels are converted to condotels, buyers often choose not to rent out their units at all, resulting in a total loss of TAT, GET and income tax revenue to the state & city. Many owners choose not to put their units into the hotel “rental pool” and instead rent them out individually or through smaller operations.
- We estimate **the average TAT and GET lost is over \$8,000 per unit per year for every unit used as a residence instead of a rental at a condotel property.**
- We estimate that over 45% of the more than 10,000 rooms in condotel buildings statewide are not in their respective properties’ rental pools.
- At the Aqua Island Colony, for example, the State is losing over \$2 million per year because this property is a condotel instead of a hotel.

We are all vested in the ongoing success of tourism. We want to continue to help Hawai‘i reach its full potential as both a top visitor destination and the best place to continue to raise our families.

We ask for the Committee’s support in moving SB 541 forward.

Thank you.