



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
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Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
**SENATE COMMITTEES ON ECONOMIC DEVELOPMENT, TOURISM, AND
TECHNOLOGY**
AND
PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS

Friday, February 10, 2017
1:35 P.M.
State Capitol, Room 414

in consideration of
SB704
RELATING TO VACATION RENTALS

Chairs Wakai and Nishihara, Vice Chair Taniguchi and Wakai, and Members of the Committees. The Department of Business, Economic Development & Tourism (DBEDT) **supports** SB704, which establishes an online vacation rental working group to develop effective data collection methods that can assist state and county governments in monitoring the impact that short-term vacation rentals have on tax collections, housing stock, and the State's brand as a vacation destination.

Currently, there are more than 40 websites that facilitate short-term rentals ranging from single rooms in private homes to entire villas. Based on tallies from the top four websites (VRBO, FlipKey, Airbnb, and ClearStay), the Hawaii Tourism Authority (HTA) reported 27,177 individually advertised units for visitor use in Hawaii in 2015, a 22.2% increase from 2014. In contrast, total visitor unit growth was only 4.6% for the same year.

There are other studies that exist in the state regarding the number of Airbnb units listed in Hawaii; for example, Ricky Cassiday reported 8,134 Airbnb units in Hawaii.

A task force could develop a standardized methodology for data collection so that all researchers could follow consistent methodology for comparison across studies.

The data would also be useful in understanding the supply and demand of individual vacation units in Hawaii.

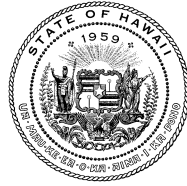
The data would be helpful to policy- and decision-makers in identifying the role of the online vacation rental units in Hawaii's housing, tourism, and taxation.

As a concluding point, since HTA has extensive experience in collecting visitor inventory data, DBEDT recommends that HTA host the task force.

Thank you for the opportunity to provide testimony.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
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MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Glenn Wakai, Chair
and Members of the Senate Committee on Economic Development, Tourism, and
Technology

The Honorable Clarence K. Nishihara, Chair
and Members of the Senate Committee on Public Safety, Intergovernmental, and
Military Affairs

Date: Friday, February 10, 2017
Time: 1:35 P.M.
Place: Conference Room 414, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 704, Relating to Vacation Rentals

The Department of Taxation (Department) provides the following comments on S.B. 704 for your consideration.

S.B. 704 establishes an online vacation rental working group that will be administratively attached to the Department of Business, Economic Development, and Tourism. The purpose of the working group is to develop effective data collection methods that can assist state and county governments in monitoring the impact that short-term rentals have on tax collections, housing stock, and the State's brand as a vacation destination. Members of the working group include the Director of Taxation, or the Director's designee, and representatives from other State agencies, the counties, the hotel industry, the short-term rental industry, and the public. This bill takes effect on July 1, 2017, and requires the working group to submit a report to the legislature no later than 20 days prior to the start of the 2018 regular session.

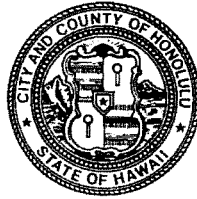
The Department will be able to comply with this bill and participate in the working group.

Thank you for the opportunity to provide comments.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
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KIRK CALDWELL
MAYOR



KATHY K. SOKUGAWA
ACTING DIRECTOR

TIMOTHY F. T. HIJ
ACTING DEPUTY DIRECTOR

February 10, 2017

The Honorable Glenn Wakai, Chair
and Members of the Committee on Economic
Development, Tourism and Technology
The Honorable Clarence K. Nishihara, Chair
and Members of the Committee on Public Safety,
Intergovernmental, and Military Affairs
Hawaii State Senate
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chairs Wakai and Nishihara, and Committee Members:

Subject: Senate Bill No. 704
Relating to Vacation Rentals

The Department of Planning and Permitting (DPP) **supports** Senate Bill No. 704, which would establish an online vacation rental working group to develop effective data collection methods that can assist State and county governments in monitoring the impact that short-term vacation rentals have on tax collections, housing stock and the state's brand as a vacation destination.

We agree with this Bill's intent of tracking and monitoring the number of housing units that are being used for short-term vacation rentals because of their impact on tax collection and available stock of affordable housing units. A report by the Hawaii Tourism Authority in 2014 showed that there were more than 4,400 units advertised on these online sites and we believe there may be hundreds, if not thousands, more that are operating illegally. The DPP is charged with enforcing the county's transient vacation rental law, and we are finding it increasingly difficult to keep up with the number of illegal vacation rentals on the island.

We welcome the opportunity to collaborate with the State on this important issue.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink that reads "Kathy Sokugawa".

Kathy Sokugawa
Acting Director

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 1:46 PM
To: ETT Testimony
Cc: sue.leeloy@hawaiicounty.gov
Subject: *Submitted testimony for SB704 on Feb 10, 2017 13:35PM*

SB704

Submitted on: 2/6/2017

Testimony for ETT/PSM on Feb 10, 2017 13:35PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Council Woman Sue Lee Loy	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND TECHNOLOGY

Senator Glenn Wakai, Chair; Senator Brian T. Taniguchi, Vice Chair

COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS

Senator Clarence K. Nishihara, Chair; Senator Glenn Wakai, Vice Chair

Friday, February 10, 2017 1:35pm

Conference Room 414 State Capitol

Testimony on behalf of Airbnb re: [SB704](#) - Support Intent With Suggested Amendments

Dear Members of the Committee:

I am writing to provide comments on SB704, which would establish an online vacation rental working group to look at the impact of the industry on the state. As we have stated publicly and before the Legislature at various times, we welcome the opportunity to engage local and state leaders on ways to work together on clear, fair, and enforceable short term rentals rules that embrace innovation in this key sector of Hawaii's number one industry - tourism - while also protecting neighborhoods and long-term housing. *While we support the intent of SB704, the bill, as drafted, addresses only data sharing, while failing to address regulatory best practices that reflect an evolving industry, updating permitting in a manner that facilitates compliance, and protecting the economic benefits that short term rentals provide to Hawaii.* We request that the purpose of the working group be expanded to include:

1. The working group's primary task should go beyond data collection. The way we live, work, and travel is changing and there will be more people in more places using Airbnb and other similar platforms tomorrow than there are today. Local governments need new rules for home sharing to reflect changing technology and economic trends. We want to keep working with governments to craft rules that work. In Hawaii, there is a patchwork of varying laws across the four counties. Honolulu City and County has neither updated its short term rental laws nor issued new permits for nearly 30 years, while Hawaii County does not place any limitations on short term rentals. Meanwhile, Maui County allows this activity in condos in hotel zones without permit and in certain other buildings, depending on the use and year constructed, or with a permit. All face compliance and enforcement challenges. We would urge that the committee's mandate also include a review of regulatory best practices, to identify fair, clear, and enforceable laws that have been proven to work well in other cities and counties, as well as to look at positive ways that local governments and platforms can work together to increase compliance.
2. The working group includes two representatives from rental platforms. We'd respectfully ask that the legislation specifically include the participation of the three largest industry participants. Airbnb is a minority market participant in Hawaii, but is unique amongst the

platforms in having volunteered to pay the hotel tax and has a global track record of working with cities, counties, and states to craft common sense short term rental regulations.

We also request that the findings acknowledge some of the economic benefits of short term rentals:

1. Homesharing is a longstanding industry in Hawaii that generates significant economic revenue for the state. In 2015, Airbnb spending by guests generated more than \$350M in economic activity in Hawaii;
2. Hawaii residents who hosted guests on Airbnb earned more than \$9,000, the equivalent of a 12% raise to the median household income;
3. Hawaii residents booked more than 110,000 trips on Airbnb to visit other locations, including more than 11,000 trips between the islands;
4. Despite Airbnb's growth, Hawaii hotels have continued to have record growth, clearly demonstrating that Airbnb and the hotel industry can successfully coexist.

Additionally, we would respectfully ask that the findings note the following with respect to the hotel tax:

1. Airbnb is the first, and only, homesharing and vacation rental platform to seek an agreement with the state to voluntarily collect and remit hotel taxes to the state and sponsored a bill last year that was vetoed by the Governor preventing the company from collecting and remitting taxes;
2. Airbnb again has engaged the state to adopt legislation that would allow the company to collect and remit hotel taxes to the state;
3. Airbnb has already reach agreements with more than 220 jurisdictions around the world to collect and remit hotel taxes which have already generated hundreds of millions of dollars in new revenue for local jurisdictions.

Thank you for your consideration of these requests and we look forward to working with you.



Matt Middlebrook
Public Policy Manager



PROMOTION OF ECONOMIC DEVELOPMENT THROUGH THE VISITOR INDUSTRY

WHEREAS, communities throughout the United States rely on local hotel taxes to promote travel and tourism and support the local visitors industry; and

WHEREAS, local hotel taxes often fund convention and visitors bureaus, convention centers, sports arenas and sports teams; and

WHEREAS, local hotel taxes often support local cultural programs including music, film, gaming, visual arts, dance and more; and

WHEREAS, short-term rental of homes can often be subject to hotel taxes; and

WHEREAS, short-term rental of homes can provide a flexible housing stock that allows family travelers spending longer periods of time in a community a safe accommodation while contributing to the local economy; and

WHEREAS, short-term rental of homes can provide homeowners an opportunity to hold property as an investment, for a better sales market, or for future planning; and

WHEREAS, fair regulation of short-term rentals ensures greater compliance and greater receipt of local hotel taxes; and

WHEREAS, regulations of short-term rentals that establish a reliable way for a municipality to identify and contact the short-term rental owner, make the tax collection and remittance obligation clear and treat the short-term rental owner the same as long-term rental owners can achieve the highest level of compliance; and

WHEREAS, onerous regulations of short-term rentals can drive the industry underground, thus evading local regulations and local hotel taxes;

NOW, THEREFORE, BE IT RESOLVED, that the U.S. Conference of Mayors urges support for economic development opportunities through the visitors industry by encouraging regulations of the short-term rental industry that (1) establish a reliable way for the municipality to identify and contact the short-term rental owner; (2) make the tax collection and remittance obligations clear to the short-term rental owner; and (3) treat short-term rental tenants the same as long-term rental tenants. Regulations that accomplish all three can achieve a high level of compliance, and are highly effective.

RESOLUTION ADOPTED JUNE 2012



The Senate
The Twenty-Ninth Legislature
Regular Session of 2017

To: Sen. Glenn Wakai, Chair Sen. Brian T. Taniguchi, Vice Chair
 Sen. Clarence K. Nishihara, Chair Sen. Glenn Wakai, Vice Chair

Date: February 10, 2017

Time: 1:35 p.m.

Place: Conference Room 414
 Hawaii State Capitol

RE: Senate Bill 704, Relating to Vacation Rentals

Chairs Wakai and Nishihara and Members of the Committees:

Rental By Owner Awareness Association (RBOAA) is a Hawaii non-profit corporation founded in 2011, representing over 1000 members. Our mission is to provide Hawaii vacation rental property owners with information to help them comply with the applicable State and County regulations, support the Hawaii economy by offering visitors choice in accommodation, and to advocate for the rights of Hawaii vacation property owners. RBOAA members provide transient vacation rentals in full compliance with existing tax and county regulations. RBOAA fully supports enforcement of existing regulations.

RBOAA SUPPORTS SB704.

RBOAA would like to nominate a member of the working group under item **8** - *Two individuals who operate currently licensed short term vacation rentals in good standing in residential communities in the State, to be selected by the governor;*

Please contact the undersigned for a list of potential RBOAA nominees for consideration.

Thank you for the opportunity to testify on this measure.

Sincerely,

Neal Halstead
President, Rentals by Owner Awareness Association
president@rboaa.org

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 8, 2017 8:09 PM
To: ETT Testimony
Cc: cherimichel99@gmail.com
Subject: Submitted testimony for SB704 on Feb 10, 2017 13:35PM

SB704

Submitted on: 2/8/2017

Testimony for ETT/PSM on Feb 10, 2017 13:35PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Cheri Michel	Individual	Support	No

Comments: I support SB704 Island guests who stay in vacation rentals prefer that mode of travel and would go elsewhere if it is not offered. These vacation rentals increase State revenues: Airlines, rental cars, small businesses, cleaners, repairs, homeowners.

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I support SB704 with comments

I commend the idea behind this bill because with all the discussion about vacation rentals, it's time we get the facts and make our decision about vacation rentals according to these facts and not the most vocal and angry opponents. We have heard a lot about fake news recently, and all we seem to hear about vacation rentals by the media is the negative and lies about their negative impact on the State. What about all the income to the airlines, rental cars, small businesses, homeowners, repair people, cleaners....? What about the tax income for the State and income for local homeowners when these people come here instead of another location where they could also stay in a B&B? Many people complaining about B&B's in our state choose to stay in B&B's when they travel.

You say "online vacation rental platforms are disrupting the State's tourism industry and economy, as the owners and operators of some of these short-term vacation rentals are not paying transient accommodations taxes or general excise taxes, resulting in a loss of state revenue." If this is the case, it is most likely because the City and County has refused to grant licenses to these vacation rentals to make them legal, and so they go underground. There is no way to know how much in taxes the State is losing. The best way to stem the loss is to make vacation rentals legal or require online vacation rental platforms to collect the GE and TA taxes and rail surcharge and pass it directly on to the State.

You say "counties are also losing revenue when an owner of a vacation rental received "home owner's" discounts on property taxes paid for a residential home that is used for commercial purposes without a commercial property rate. If you think a homeowner living in his/her home renting a room or ohana unit to pay the rent should now be paying commercial property tax rates, this deserves very careful review. What about a homeowner renting to a long-term renter? Should they be paying a commercial property rate? What's the difference?

You go on to say "furthermore, some properties that are being leased out as vacation rentals are properties that could have been added to the stock of affordable housing available for lease or sale to Hawaii's residents, thereby ameliorating the State's affordable housing crisis." Many owners rent out rooms which have been vacated by children going off to school or the mainland, and they would not be interested in long term renters. This gives them flexibility and the ability to make extra income on a temporary basis. You'd have to survey the owners to know, and nobody wants to speak up for fear of being shut down, so you only hear the other side.

You say from a consumer protection perspective, visitors who stay in vacation rentals may not be getting what is advertised, and that is precisely why it is important that they be regulated. Judging from the growth in this sector, I'd say they are quite happy.

My point regarding the above issues is that you are starting the fact-finding group with the mindset that vacation rentals are a negative to the State. They should be innocent until proven guilty with real facts and figures and interviews with affected parties.

You have more than 15 parties to participate in this working group but nobody who actually has a vacation rental who is trying to get a license. (I know, they are illegal, and should not have a voice at the table.) You do have two individuals who currently legally operate vacation rentals to be elected by the governor, but most of them do not want more competition, so where is the incentive for them to work with the State in favor of licensing more? Also, as we know, the neighborhood boards in theory are publicly elected, but most people are just rubber stamped to run again and again because nobody wants to have the job, and the Kailua neighborhood board has a long-standing desire to abolish every last vacation rental in their district, and they already have been disproportionately outspoken. It's time for new voices.

Therefore, in theory I support this bill to get a working committee in place to study vacation rentals but it should be mindful of the perverse negativity already surrounding this issue and look at it with new, discriminating eyes.

Lois Crozer

Kailua

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 9:48 PM
To: ETT Testimony
Cc: jamesjtz@aol.com
Subject: *Submitted testimony for SB704 on Feb 10, 2017 13:35PM*

SB704

Submitted on: 2/6/2017

Testimony for ETT/PSM on Feb 10, 2017 13:35PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
James Gauer	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 5:00 PM
To: ETT Testimony
Cc: malikoestate@hawaii.rr.com
Subject: Submitted testimony for SB704 on Feb 10, 2017 13:35PM

SB704

Submitted on: 2/6/2017

Testimony for ETT/PSM on Feb 10, 2017 13:35PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
sydney smith	Individual	Support	No

Comments: This is a good idea. As a licensed vacation rental operator on my farm near Makawao on Maui, I see the benefit to my community and the employment I provide to many local people. But I find the misinformation about this industry is rampant. I took two houses on my farm that were empty for decades due to terrible experiences with destructive renters and got my vacation rental license. It took me 2 full years. I now provide employment to 5 people. I provide customers to local businesses and my neighbors, who are all located far away, have no impact whatsoever. Hopefully this Working Group could add some clarity to a largely misunderstood business. As a member of an Agriculture Working Group here on Maui, I know they work. Support.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 3:44 PM
To: ETT Testimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB704 on Feb 10, 2017 13:35PM*

SB704

Submitted on: 2/6/2017

Testimony for ETT/PSM on Feb 10, 2017 13:35PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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