

DAVID Y. IGE
GOVERNOR



LAUREL A. JOHNSTON
ACTING DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

RECEIVED
Date & Time
Feb 12, 2018, 9:36 am

WRITTEN ONLY
TESTIMONY BY LAUREL A. JOHNSTON
ACTING DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON TOURISM
ON
HOUSE BILL NO. 2605

**February 13, 2018
9:00 a.m.
Room 429**

RELATING TO TRANSIENT ACCOMMODATIONS

House Bill No. 2605 provides that a county shall be eligible to receive \$1 million from the State for the purpose of enforcing all applicable laws and ordinances relating to transient accommodations, provided that no funds shall be released to a county until it has satisfactorily complied with specified conditions. This measure also appropriates \$4 million from transient accommodations tax (TAT) revenues.

The Department of Budget and Finance (B&F) offers the following comments. This bill requires that the Governor instruct the Director of Finance to review whether a county's compliance with the specified conditions is satisfactory within 10 days of receiving written notification from the mayor of a county. B&F does not have the expertise to determine if a county's efforts to fulfill the specified conditions are "satisfactory" and to specify actions that a county must take to achieve "satisfactory" compliance, if necessary.

Alternatively, B&F could confirm if a county has taken action in regard to the specified conditions without making a determination of "satisfactory" compliance. We

are also concerned that there is no deadline for a county to submit their written notification; thus, B&F may not have sufficient time to conduct a review prior to the funds lapsing should a county submit their notification late in the fiscal year.

With regard to the \$4 million appropriation, TAT revenues can be allocated, not appropriated. As such, we suggest that Section 2 of the bill be amended to replace references to "appropriated" with "allocated" and "appropriation" with "allocation." The practice of directly allocating tax revenues, however, is a continued concern because the Executive Branch has no ability to withhold such allocations during periods of economic downturn.

Thank you for your consideration of our comments.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-NINTH LEGISLATURE, 2018**

RECEIVED
Date & Time
Feb 13, 2018, 8:14 am

ON THE FOLLOWING MEASURE:

H.B. NO. 2605, RELATING TO TRANSIENT ACCOMMODATIONS.

BEFORE THE:

HOUSE COMMITTEE ON TOURISM

DATE: Tuesday, February 13, 2018 **TIME:** 9:00 a.m.

LOCATION: State Capitol, Room 429

TESTIFIER(S): Russell A. Suzuki, Acting Attorney General, or
Randall S. Nishiyama, Deputy Attorney General

Chair Onishi and Members of the Committee:

The Department of the Attorney General provides the following comments regarding this bill.

This bill provides for fiscal year 2018-2019 that a county shall be eligible to receive \$1,000,000 from the State for the purpose of enforcing all applicable laws and ordinances relating to transit accommodations provided that no funds shall be released to a county until it has satisfactorily complied with the specified conditions. This bill also makes an appropriation of transient accommodations tax ("TAT") revenues to the counties.

We note that the bill could be read in two ways.

First, if the \$4,000,000 allocation to the counties comes out of section 237D-6.5(b)'s "excess revenues" which are deposited into the general fund, then such moneys would be subject to appropriation. Consequently, the wording of section 2 of the bill is correct.

Second, however, if the \$4,000,000 allocation to the counties is meant to come out of the TAT revenues before section 237D-6.5(b)(4)'s \$103,000,000 allocation to the counties, then such moneys would be distributed by allocation and not by appropriation. If this is the intent of bill, then we suggest that section 2 of the bill be amended as follows to provide for the allocation of such moneys:

"SECTION 2. There is [~~appropriated~~] allocated out of the revenues collected under chapter 237D, Hawaii Revised Statutes, prior to any distribution to the counties under section 237D-6.5, Hawaii Revised Statutes, the sum of \$4,000,000 or so much thereof as may be necessary for fiscal year 2018-2019 for the counties of Honolulu, Maui, Hawaii, and Kauai to enforce all applicable laws and ordinances relating to transient accommodations as established in this Act; provided that no respective county shall receive more than \$1,000,000 from this [~~appropriation~~] allocation.

The sum [~~appropriated~~] allocated shall be expended by the respective counties for the purposes of this Act.

~~[Any unexpended balance of any appropriation made by this Act as of the close of business on June 30, 2019, shall lapse into the general fund.]~~

We respectfully ask the Committee to consider these comments.

LATE



RECEIVED
Date & Time
Feb 13, 2018, 8:13 am

HB2605
RELATING TO TRANSIENT ACCOMMODATIONS
House Committee on Tourism

February 13, 2018

9:00 a.m.

Room 429

The Office of Hawaiian Affairs (OHA) offers the following **COMMENTS** on HB2605, which seeks to provide funding for county enforcement of regulations relating to transient vacation rentals. Given the impact of illegal transient vacation rentals on housing opportunities for Native Hawaiians and other Hawai'i residents, and the difficulties that the counties have thus far encountered in addressing the proliferation of such unlawful land uses, OHA respectfully suggests that county enforcement may require additional statutory changes, such as the regulatory framework proposed in SB2963 SD1.

As home prices, rental prices, and homelessness continue to increase, and as O'ahu anticipates additional population growth and an associated demand for more housing over the next decade,¹ land-use planning that ensures housing affordability and availability is more critical now than ever before. As the legislature recognizes, Hawai'i is in the midst of an affordable housing crisis: recent research indicates a need for 65,000 more housing units by 2025, with half of this demand for units at or below 60% of the Area Median Income (AMI);² only 11 percent of this demand is for housing units at or above 140% AMI, or for units that do not meet the State's current definition of "affordable housing."³ **With 48% of households in the State already unable to afford basic household necessities including housing, food, transportation, health care, and child care,⁴ the lack of affordable housing and rising housing costs require bold and aggressive policies that meaningfully prioritize the housing needs of local residents.**

Native Hawaiians are particularly disadvantaged by land uses that contribute to our residential housing challenges, including increased rental housing costs and shortages in our rental housing supply. Native Hawaiians are less likely to own a home and, therefore, disproportionately rely on the rental housing market.⁵ Native Hawaiian

¹See SMS, HAWAII' I HOUSING PLANNING STUDY, at 34 (2016), available at https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf

² See *id.*

³ See *id.* at 34.

⁴ ALOHA UNITED WAY, ALICE: A STUDY OF FINANCIAL HARDSHIP IN HAWAII' I (2017)

⁵ See OFFICE OF HAWAIIAN AFFAIRS, NATIVE HAWAIIAN HOMEOWNERSHIP HO'OKAHUA WAIWAI FACT SHEET

VOL.2016, No. 1, page 3, available at

<https://19of32x2yl33s8o4xza0gf14-wpengine.netdna-ssl.com/wp-content/uploads/NH-Homeownership-Fact-Sheet-2016.pdf>

This figure includes 8,329 DHHL residential lease "owner-occupied" property units. DHHL ANNUAL REPORT 2014, at 47, available at

<http://dhhl.hawaii.gov/wpcontent/uploads/2011/11/DHHL-Annual-Report-2014-Web.pdf>. For non-DHHL

households are also much more likely to be “doubled up,” with multi-generational or unrelated individuals living together in single households,⁶ and Native Hawaiian households are more than three times more likely have a “hidden homeless” family member than all state households.⁷ Accordingly, increases in rental housing costs and shortages in affordable residential rental opportunities may have a particularly high impact on the housing and financial security of the Native Hawaiian community.

Unfortunately, the unaddressed proliferation of illegal vacation rentals may exacerbate the rise in rental housing costs beyond what Honolulu residents and Native Hawaiians are able to afford, and has directly removed much-needed housing units from the residential rental market. The 2016 Hawai‘i Housing Planning Study estimates that there are now 28,397 non-commercial vacation rentals, located in nearly all communities in Hawai‘i;⁸ much if not a majority of these rentals are likely illegal. Not surprisingly, the proliferation of such units, which generate nearly 3.5 times more income than the average long-term residential rental,⁹ has correlated with substantially increased housing costs throughout the islands: over the past several years, Honolulu in particular saw the highest rates of increase in average monthly rent and average daily rent; during this time, the number of vacation rentals increased by 34% per year.¹⁰ In addition to raising the costs of available residential rental units, the proliferation of illegal vacation rentals also represents a direct loss of housing units from the long-term residential rental market.¹¹

Clearly, allowing the continued illegal use of housing units for vacation rentals will only exacerbate our housing crisis. Without more meaningful regulatory and enforcement mechanisms, there is nothing to stop the negative impacts of illegal vacation rentals on housing opportunities for Native Hawaiians and other local residents. In contrast, each and every illegal vacation rental unit that is returned to long-term residential use is one more unit that can help meet our existing housing demand.¹² **Accordingly, OHA has advocated for legislation that will improve regulatory and enforcement approaches that can**

properties, the Native Hawaiian homeownership rate is therefore 41.2%, 15.5 percentage points below the statewide rate.

⁶ 24.8% of Native Hawaiian households, compared to 9.6% of state households include more than two generations or unrelated individuals. SMS, *supra* note 1, at 70.

⁷ 14.1% of Native Hawaiian households, compared to 4.2% of state households have a hidden homeless family member. *Id.*

⁸ There are an estimated 45,075 total vacation rental units measured by the study. The study estimates that at least 37% of these rentals are ‘commercial’ rentals, or resort condominium and condominium hotel properties which are legally permitted commercial operations. As such, the study estimates that 28,397 units are non-commercial, i.e. unlawful, transient vacation rentals. SMS, *supra* note 1, at 58.

⁹ SMS, *supra* note 1, at 55.

¹⁰ Honolulu’s average monthly rent growth rate was 26.1%, and the six-year growth rate of average daily rental rate was 47%. SMS, THE IMPACT OF VACATION RENTAL UNITS IN HAWAI‘I, 2016, at 8, available at <http://www.hawaiitourismauthority.org/default/assets/File/Housing%20and%20Tourism%20113016.pdf>

¹¹ The Hawai‘i Tourism Authority’s 2016 study found that vacation rentals increased by 34% per year between 2005 and 2015. Further investigation found that between 2011 and 2014, units held for seasonal use and not available for long term rent increased by 12%. See *id.* at 3.

¹² See generally SMS, *supra* note 1.

systemically curb and reverse the impact that illegal vacation rentals continue to have on residential housing opportunities in Hawai'i.

In light of the above, OHA respectfully recommends that the Committee consider and support the robust enforcement framework proposed in other measures, such as SB2963 SD1. This measure includes mandatory compliance monitoring and reporting requirements for transient vacation rental brokers who wish to act as tax collection agents on behalf of rental operators; the requirement that brokers remove listings for illegal vacation rentals; and the disgorgement of profits derived from illegal vacation rental activity, along with additional strict penalties for noncompliance by both brokers and operators. **Such provisions will appropriately hold those most responsible for our transient vacation rental problem directly accountable for their actions, and subject them to strict penalties that reflect the magnitude of our growing housing crisis.**

As a final note, research shows that vacation rental activity in the State generally is not likely to provide meaningful and long-term economic benefits to Hawai'i or its residents, including Native Hawaiians. Data has shown that **70% of properties listed as vacation rentals in Hawai'i are owned by out-of-state property owners** who do **not** reside in the islands.¹³ Native Hawaiians in particular are less likely to benefit directly from a transient vacation rental operation; with Native Hawaiian homeownership rates lower than the state average, they are less likely to own second or additional homes that could be rented as vacation units.¹⁴ As previously mentioned, Native Hawaiians also often live in overcrowded households, without the extra rooms needed to operate an owner-occupied vacation rental. As such, while some Hawai'i residents may be able to earn extra income from the use of a property as a vacation rental, vacation rental operations primarily benefit nonresident property owners and real estate speculators – who may also seek to buy out any vacation rentals operated by local residents, now and in the future.

In addition, other jurisdictions have found that any economic benefits gained from permitted short-term vacation rental operations are far outweighed by the larger social and economic costs of removing long term rentals from the housing market. **For example, an economic analysis by the City of San Francisco found a negative economic impact of \$300,000 for each housing unit used as a vacation rental, exceeding any economic benefits from visitor spending, hotel tax, and associated revenues.**¹⁵ Again, the short-term benefits of vacation rental units to some property owners, including non-resident property owners and corporate vacation rental operators, are likely to be substantially outweighed by the fiscal impacts on Honolulu and its residents from increased housing

¹³ Notably, the Hawai'i Tourism Authority report found that 45,075 total properties are available for short term vacation rentals, with between 21,295 and 23,002 as non-commercial vacation rental units advertised in 2016. 70% of these properties are offered by out-of-state property owners. SMS, *supra* note 10, at 5-6.

¹⁴ For non-DHHL properties, the Native Hawaiian homeownership rate is 41.2%, 15.5 percentage points below the statewide rate. See *supra* note 5.

¹⁵ See CITY OF SAN FRANCISCO, OFFICE OF THE CONTROLLER, AMENDING THE REGULATION OF SHORT-TERM RESIDENTIAL RENTALS: ECONOMIC IMPACT REPORT, May 2015, available at http://sfcontroller.org/sites/default/files/FileCenter/Documents/6458150295_economic_impact_final.pdf?documentid=6457.

costs, increased real estate speculation, and the need for more social services and housing subsidies. **Accordingly, OHA strongly believes that regulatory and enforcement mechanisms that decrease the number of illegal vacation rental units operating in Hawai'i will best benefit Native Hawaiians and all Hawai'i residents.**

Mahalo nui for the opportunity to testify on this measure.

Harry Kim
Mayor



Wil Okabe
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawai'i
Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553
KONA: 74-5044 Ane Keohokālole Hwy., Bldg C • Kailua-Kona, Hawai'i 96740
(808) 323-4444 • Fax (808) 323-4440

RECEIVED
Date & Time
Feb 12, 2018, 12:44 pm

February 12, 2018

Representative Richard H.K. Onishi, Chair
Committee on Tourism
Hawai'i State Capitol, Room 429
Honolulu, HI 96813

Dear Chair Onishi and Committee Members:

Re: HB 2605 Relating to TAT
Hearing Date: 02/13/18 – 9:00 am; House Conference Room 429

Thank you for this opportunity to testify on HB 2605, offering the counties \$1M each to enforce "all applicable laws and ordinances relating to transient accommodations."

Given our county's financial difficulties, it is hard not to support an opportunity to acquire \$1M. But whether that sum could be wisely used for the limited purpose stated might depend on how long we would have to spend the funds.

We would not receive the money until we have met the conditions set out in the bill, which could take quite a bit of time, especially for Hawai'i County. We do not have a current vacation rental permit or specific appeal process for it, so we would have to design a system that would fit the criteria; where other islands need to tweak their systems, we would have to create them and then implement. Also, we do not have a separate real property tax class for vacation rentals yet. The class cannot be created for the fiscal year 2019 - it will be in FY 2020. We may set a rate in FY2019, but it won't be effective until 2020.

In any event, assuming we can fulfill our obligations under Section 1 of HB 2605, it is unclear from the bill whether we would have to expend the money we receive by June 30, 2019, or whether that is only the lapsing date for the Governor to make payments to the counties. In either case, there would then be the question of a mechanism for determining that the funds are used for the stated purposes, how misspent funds would be recovered, what the appeal process would be, etc.

Perhaps a cleaner bill would be one that provides \$1M per county for meeting the criteria laid out, with a time frame longer than one year to accomplish the task. If and when a county meets the criteria, it would then receive the money without any restriction on how it is spent. The State will have met its main objective of getting the counties to deal with transit accommodations in the manner you deem appropriate, and the counties would have additional funds to serve their constituents.

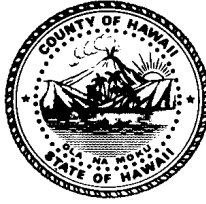
Thank you for your consideration.

Respectfully submitted,

Harry Kim
Mayor, County of Hawai'i

LATE

From the office of -
Council Member
District 3



Office: (808) 961-8396
Fax: (808) 961-8912
Email: sue.leeloy@hawaiicounty.gov

RECEIVED
Date & Time
Feb 13, 2018, 8:54 am

SUSAN L.K. LEE LOY

25 Aupuni Street, Hilo, Hawai'i 96720

The Honorable Richard H.K. Onishi, Chair
And members of the Committee on Tourism

February 13, 2018

Dear Chair Onishi and Committee Members,

I thank you for the opportunity to provide testimony, however late, in support of House Bill 2605, relating to transient vacation rentals.

Later this month, on February 20, the Hawai'i County Council will be considering in committee a bill for an ordinance to address the proliferation of short-term vacation rentals in communities around Hawai'i Island. This bill provides guidance and possibly additional transient accommodations tax revenue to address the impact of large scale short term vacation rental businesses operating in residential areas.

Again, I thank you for the opportunity to provide testimony in support of House Bill 2605, and I ask for your approval.

Aloha Piha,

A handwritten signature in black ink, appearing to read "Sue Lee Loy".

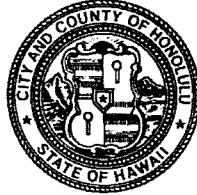
Sue Lee Loy
Council Member, District 3

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 768-8000 • FAX: (808) 768-6041
DEPT. WEB SITE: www.honolulu.dpp.org • CITY WEB SITE: www.honolulu.gov

RECEIVED
Date & Time
Feb 12, 2018, 9:38 am

KIRK CALDWELL
MAYOR



KATHY K. SOKUGAWA
ACTING DIRECTOR

TIMOTHY F. T. HIU
DEPUTY DIRECTOR

EUGENE H. TAKAHASHI
DEPUTY DIRECTOR

February 13, 2018

The Honorable Richard H. K. Onishi, Chair
and Members of the Committee on Tourism
Hawaii House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Onishi and Committee Members:

Subject: House Bill No. 2605
Relating to Transient Accommodations

The Department of Planning and Permitting (DPP) **supports with amendments** House Bill No. 2605, which offers each county \$1 million to help enforce transient accommodation regulations, if six specified actions are taken.

The City is actively bolstering its short-term rental policies and enforcement strategies. We are optimistic that existing regulations will be supplemented in the near future, which, coincidentally, will largely address these actions. However, we ask for clarification of the six actions:

Establishment of unique real property tax rate for short-term rentals. Is this expected to include bed and breakfast homes that have a live-in host, or just the "un-hosted" ones?

Establishment of an expeditious special use permit (SUP) process to collect all applicable taxes. Do the references to "special use permit" refer to the Chapter 205-6, HRS permit, or another defined permit? The SUP process is not tied to tax collection, although the City's property tax assessments already reflect any use approved under an SUP. Does the reference to "all" apply only to county taxes, or is intended to apply to state taxes as well?

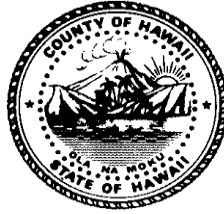
We respectfully ask that House Bill No. 2605 be amended to respond to the above questions.

Thank you for the opportunity to testify.

Very truly yours,

Handwritten signature of Kathy K. Sokugawa in black ink.
Kathy K. Sokugawa
Acting Director

Eileen O'Hara
Council Member
Council District 4



Phone: (808) 965-2712
Fax: (808) 961-8912
Email: eileen.ohara@hawaiicounty.gov

Chair: Environmental
Management Committee

Vice Chair: Planning Committee and
Agriculture, Water & Energy
Sustainability Committee

County of Hawaii
Hawaii County Council
25 Aupuni Street, Suite 1402 • Hilo, Hawaii 96720

RECEIVED
Date & Time
Feb 09, 2018, 3:06 pm

Representative Richard H.K. Onishi
Chair, Committee on Tourism
Hawaii'i State House of Representatives

February 9, 2018

Re: In Support of House Bill 2605, from Hawaii'i County Council District 4
To be heard by TOU on Tuesday, 02-13-18 9:00AM in House conference room 429

Aloha Chair Onishi and Committee Members:

I'm writing to express my support for House Bill 2605, which provides that a County shall be eligible to receive \$1,000,000 from the State for the purpose of enforcing all applicable laws and ordinances relating to transient accommodations, provided that no funds shall be released to a County until it has satisfactorily complied with specified conditions.

In Hawaii'i County, we are about to entertain legislation that would effectively meet the condition outlined in this bill, although this may be done by establishing a registry that require annual renewal instead of issuing a special use permit. Please be aware that the term 'special use permit' is defined differently in each County's code, so I recommend using the language 'approvals' as the process currently under consideration for expediently issuing approvals will be an annual registry.

Please contact me if you have any questions about my support or knowledge of the subject.

Sincerely,

Eileen O'Hara
Council Member
Council District 4

HB-2605

Submitted on: 2/9/2018 2:49:47 PM

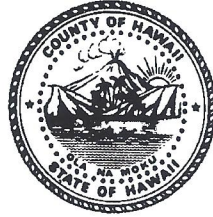
Testimony for TOU on 2/13/2018 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Robert Carroll	County of Maui	Support	No

Comments:

I support Hb 2605 for the reasons cited in testimony submitted by Maui County Council Chair Mike White.

VALERIE T. POINDEXTER
Council Chairwoman & Presiding Officer
Council District 1



Phone: (808) 961-8828
Fax: (808) 961-8912
Email: vpoindexter@co.hawaii.hi.us

HAWAI'I COUNTY COUNCIL

County of Hawai'i
Hawai'i County Building
25 Aupuni Street, Suite 1402
Hilo, Hawai'i 96720

RECEIVED
Date & Time
Feb 12, 2018, 9:34 am

February 12, 2018

House Committee on Tourism
Richard H.K. Onishi, Chair
Beth Fukumoto, Vice Chair

Email: reponishi@Capitol.hawaii.gov
Email: repfukumoto@Capitol.hawaii.gov

Subject: Testimony Supporting HB2605, Relating to Transient Accommodations
Hearing: February 13, 2018, 9:00 a.m., Room 429

Dear Representatives:

On behalf of myself and the constituents of Council District 1 in Hāmākua, County of Hawai'i, I would like to express our support of HB2605, and submit a brief testimony as follows:

This bill provides that a county shall be eligible to receive \$1,000,000 from the State for the purpose of enforcing all applicable laws and ordinances relating to transient accommodations, provided that no funds shall be released to a county until it has satisfactorily complied with specified conditions. Makes an appropriation from TAT revenues.

I strongly support and urge the enactment of HB2605. Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script that reads "Valerie T. Poindexter".

Valerie T. Poindexter
Hawai'i County Council Chairwoman
District 1, Hāmākua

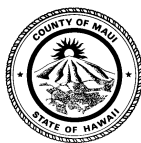
RECEIVED
Date & Time
Feb 12, 2018, 9:37 am

Council Chair
Mike White

Vice-Chair
Robert Carroll

Presiding Officer Pro Tempore
Stacy Crivello

Councilmembers
Alika Atay
Elle Cochran
Don S. Guzman
Riki Hokama
Kelly T. King
Yuki Lei K. Sugimura



COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

February 12, 2018

TO: Honorable Richard H.K. Onishi, Chair
House Committee on Tourism

FROM: Mike White
Council Chair

SUBJECT: **HEARING OF FEBRUARY 13, 2018; TESTIMONY IN SUPPORT OF HB 2605, RELATING TO TRANSIENT ACCOMODATIONS**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this bill is to allow counties to be eligible to receive \$1 million from the State for the purpose of enforcing all applicable laws and ordinances relating to transient accommodations if the county has satisfactorily complied with specified conditions.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I **support** this measure for the following reasons:

1. Illegal transient vacation rentals remain a problem for both the counties and the State. It is estimated that thousands of illegal units are operating throughout the State, with over \$100 million in general excise tax and transient accommodations tax going uncollected.
2. Regulation will only be successful if funding assistance is provided by the State to the counties, along with sufficient information on operators being shared with the counties for enforcement purposes.
3. Maui County has already made revisions to the Maui County Code in attempts to enhance enforcement. A request for proposal was also recently issued to explore more sophisticated short-term rental enforcement options. However, only through collaboration will this issue be resolved.

For the foregoing reasons, I **support** this measure.

LATE



HAWAI'I LODGING & TOURISM
ASSOCIATION

RECEIVED
Date & Time
Feb 13, 2018, 8:15 am

Testimony of

Mufi Hannemann
President & CEO
Hawai'i Lodging & Tourism Association

before the
Committee on Tourism
February 13, 2018

House Bill 2605: Relating to Transient Accommodations

Chair Onishi, Vice Chair Fukumoto, and members of the Committee on Tourism:

On behalf of the Hawai'i Lodging & Tourism Association, the state's largest private-sector visitor industry organization with nearly 700 members, thank you for the opportunity to testify regarding House Bill 2605, which authorizes a county government to receive \$1 million in transient accommodations tax revenue from the state to enforce laws and ordinances relating to transient vacation rentals, provided certain conditions are met.

The HLTA supports the intent of House Bill 2605, which would provide financial assistance to the county governments to enforce land use and zoning laws and ordinances. Our association has been a strong advocate of a comprehensive solution to the regulation of transient vacation rentals, with the goal of creating parity between the traditional brick-and-mortar hotel industry and the short-term online rental market. We are seeking transparency, openness, and accountability for both the online platforms and the individual operators, and believe this measure is a step in that direction.

While the conditions the counties must meet may seem daunting, state support for the county governments should provide an incentive to address a long-standing problem and perhaps expedite the development of a permanent solution.

Mahalo.



House Committee on Tourism
Chair Richard H.K. Onishi
Vice Chair Beth Fukumoto

RECEIVED
Date & Time
Feb 12, 2018, 9:34 am

Romy M. Cachola
Takashi Ohno
Isaac W. Choy

Justin H. Woodson
Ken Ito Gene Ward
Matthew S. LoPresti

Tuesday, February 13, 2018 9:00 am
House conference room 429

TESTIMONY ON BEHALF OF AIRBNB RE: [HB 2605](#)

Dear Chair, Vice-Chair, and members of the Committee:

Airbnb is committed to being a long-term partner with the State of Hawaii, and that is why as a company we have tried to work closely with both state and local leaders to facilitate tax collection and develop fair, common sense local rules to regulate home sharing and vacation rentals.

While enforcement is an essential part of any county legislation to regulate short-term rentals, it is our experience in operating in communities around the globe, that enforcement measures are most effective when they are adopted with thoughtful methods that encourage property owners to participate in the system, such as legitimization and registration. Simply applying stricter enforcement to outdated laws will likely not achieve the results the community and local leaders seek.

We support efforts in Hawaii at the state, and particularly at the county level, to update its laws concerning alternative accommodations in order to adapt to today's marketplace, while putting in place fair laws that will protect housing stock and neighborhood integrity. We look forward to continuing to work with elected leaders and the community throughout Hawaii to accomplish these goals.

Regards,

Matt Middlebrook
Head of Public Policy
Hawaii

9:10 A.M 2/13/18

LATE

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

RECEIVED
Date & Time
Feb 13, 2018, 11:17 am

SUBJECT: MISCELLANEOUS, County Vacation Rental Enforcement

BILL NUMBER: SB 2963; HB 2605 (Identical)

INTRODUCED BY: SB by WAKAI, ESPERO, K. KAHELE, KIDANI, Taniguchi; HB by ONISHI, CACHOLA, CULLEN, FUKUMOTO, GATES, KONG, LUKE, NAKASHIMA, OHNO, SAIKI, WARD, WOODSON, YAMASHITA, Ito, Keohokalole, Nakamura

EXECUTIVE SUMMARY: Provides that a county shall be eligible to receive \$1,000,000 from general revenues for the purpose of enforcing all applicable laws and ordinances relating to transient accommodations, provided that no funds shall be released to a county until it has satisfactorily complied with specified conditions.

SYNOPSIS: Adds an uncodified section to provide that a county may receive \$1 million to enforce laws and ordinances relating to transient accommodations, if it has:

- (1) Established a real property tax rate that applies only to:
 - (A) Transient accommodations; or
 - (B) Short-term vacation rentals occupied for a period of thirty consecutive days or less;
- (2) Developed a process to expediently issue special use permits to, and collect all applicable taxes from, qualifying properties that are proposed for use as:
 - (A) Transient accommodations; or
 - (B) Short-term vacation rentals occupied for a period of thirty consecutive days or less;
- (3) Established a registry to track compliance by, and any complaints concerning, permittees who receive special use permits pursuant to paragraph (2);
- (4) Established an expedited process for addressing alleged violations of zoning and special use permits laws and ordinances by operators of:
 - (A) Transient accommodations; or
 - (B) Short-term vacation rentals occupied for a period of thirty consecutive days or less;
- (5) Established an expedited process for addressing an appeal filed by a party that was denied a special use permit pursuant to paragraph (2); provided that a county that has not established an expedited process by December 31, 2018, shall establish a process that is functionally equivalent to the contested case hearing process described in section 91-9, HRS;
- (6) Enacted legislation that implements the conditions described in paragraphs (1) through (5); and

(7) Notified the governor in writing that it has complied with the conditions described in paragraphs (1) through (6).

EFFECTIVE DATE: July 1, 2018.

STAFF COMMENTS: Apparently, the Legislature wants the counties to focus on being proactive in enforcing its zoning and land use laws as they relate to vacation rentals.

The remedy proposed in this measure is to hold out a large carrot. If a county gets its proverbial act together and complies with the conditions in this measure, it gets a \$1 million one-time payout. Not bad for something the counties should have done anyway if they were serious about enforcing their zoning and land use laws.

Digested 2/2/2018