

Aloha Mr. Brower,

I just returned from a work trip and unfortunately missed this opportunity to testify about the many problems we are dealing with in regards to transient property managers. I manage 25 vacation rentals on Kauai and this task takes 100% of my attention with 2 assistants and a Broker. I have also been an owner @ Waipouli Beach Resort on Kauai where the new style of condo hotel has emerged. With the power of technology, keyless door entry systems, internet marketing and smart phone systems our industry has been prey to a new kind of pirate! Marketing and sales can be done from anywhere though our guests need a managing agent ON ISLAND that is held to a standard that would properly represent our industry of ALOHA!

These rouge managers can be as small as an owner who is helping 2 or three owners to large operations out of Utah that are drawn by commissions and not motivated to follow the sale with hosting the guest while on island. Small or large the story always seems to be the same ... "We have a cleaner that manages for us!" To shed light on the challenges that I face.. Our company has an office filled with computers phones, cribs, highchairs, air beds, amenities and more. We have a full time staff that will answer our 1-877-Go-Kauai # 24/7 (on the first few rings!). We have 4 maintenance people & we use Hawaii Care and Cleaning to clean our rooms. HCC is an army of uniformed professionals that bring proper employment practices, insurances and quality to the table. In February I will have over 90 arrivals with a few hundred guests and I am the keeper of their Hawaiian experience!!

Being born and raised on Kauai I take a very personal approach to the vacation experience that we provide. From honeymoons to desperately needed family vacations I see myself and other vacation rental professionals as the ambassadors of ALOHA, while also being a marketing leg for millions of future guests. Here are just a few horrible realities of the transient manager...

- Guest arrives on honey moon on a late Kauai flight to Waipouli Beach Resort. They have not been registered and security is not allowed to give emergency entry. They have a phone # that no one will answer with a message service that is full. They resort to crying and sleeping on couch in the Lobby of our new 200 million dollar resort on what was supposed to be THE NIGHT. Security finally call me knowing we answer @ 1AM and we get them in an ocean front suite for the night. It takes me 2 weeks to retrieve our cleaning cost for this stay (no rental revenue!) and the only thanks we get is from the honeymooners.
- Guest lets the door shut behind her on the 4th floor with her toddler on the other side, all of the sliding glass doors are open & her phone with the door code is locked on the other side. She runs to a common area phone to call her property manager / house cleaner & owner of suite in Colorado to find that the last option is the fire department! We always answer and have emergency entry codes available 24/7..
- An owner who is renting the room while living on the mainland takes a booking for 5 nights in the high season and realizes that they rented the suite for a low amount. 2 weeks before arrival the owner gets a top dollar 2 week offer that they decide to take. They call the guest with one week notice and tell them that the room has maintenance issues and they have been cancelled. We get a frantic call from a family of 4 who have air tickets, a car rented and nowhere to stay with one week to figure it out. We are booked solid and can only help to find them a place. They arrive to a less desirable one bedroom with a sleeper sofa that is so bad that one family member is hospitalized for back pain. When one owner resorts to going it alone they often times will regret a reservation and cancel this last minute.. this is a very bad trend that we continue to catch owners doing as there supposed management is not taking care of the guest they are simply cleaning up after

departure. Rooms control and the ability to move or upgrade guests is key to a successful vacation rental operation. I hosted these guests for a cocktail at our luxury resort and they unfortunately went to the room they had booked months before to find a family in it! They will not be coming back to Hawaii and this event has been shared with nearly everyone in their community.

- A company called Luxury Kauai based out of Utah starts their own Vacation Rental Company due to owner ties from developing a Poipu Property. Due to their expertise in online marketing they win a large amount of Luxury rentals at Waipouli Beach Resort and the Regency in Poipu. I begin to get calls from owner wanting my help as they have not received their owner checks for 3 to 4 months!!! Call it comingling, a lapse of reasoning or simply theft Mike Tellus is still conducting business on Kauai! What good are the rules if there is no penalty for stealing money from the sacred trust account!

Just to name a few.. I hope our industry stops allowing unorganized, un-licensed and transient manager pirates to ruin our world of ALOHA. When you book with Kauai Exclusive Management you will not be alone on an island and you will have a host with ALOHA. I have no problem with owner participating in the sales and marketing end of things, though without management and a 24/7 ON ISLAND point of contact... Our guests will arrive to a potential disaster! I do have owners who work to get their own bookings and I discount my commission to 15% to send the contract, charge the damage insurance, do a pre arrival inspection, cover the 3% merchant fee, be the 24/7 point of contact, e-mail the arrival instructions, give the guest a welcome call and be prepared for any problem solving during the visit. You can read about us on Trip Advisor as each property we manage has an account. If we drop the ball ... we give three balls back!

Please protect the quality of this industry from pirates and thieves who lurk overseas! When the individual owner who simply can't afford Outrigger @ 45% commission finds that I can help @ 15% and they can continue their marketing and sales journey.. they will be happy to raise and the quality of the guest experience.

Mahalo Joshua

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Luxury Vacation Rentals in Kauai, Hawaii

Aloha Chairman Brower,

My sincere apologies in being late with this testimony. As Dan Monk has explained there is a serious problem happening in the vacation rental business. It is getting worse and worse by the day.

The internet is making it much easier for off Island owners to setup their rentals as Vacation Rentals by Owner. They don't work with professional management companies who issue 1099's to the State at year end and the guests monies are not held in trust accounts as required by State law. Guests send their monies directly to the owners on the mainland. There is no way to know if they are paying their excise and transient taxes or their income tax at year end.

As an example 5 years ago there were only a hand full of VRBO owners at the Whaler on Kaanapali Beach now there are over 100! Click this link to see the Whaler VRBO Owners This is happening all across the State. I have talked to property managers on Oahu, Kauai and the Big Island everyone is loosing business as more and more owners start to self manage their properties. Who ends up paying to support these Off Shore owners properties – the people of Hawaii! Sounds outrageous but its happening in every vacation rental property in the State!

These owners who don't have the management companies overhead (no management fees or taxes) are able to cut their prices and take the business away from the management companies. The remaining management company owners become unhappy with their returns, sign up on VRBO themselves to boost their occupancies and the wheel keeps spinning. Management companies lower their rates to compete, the VRBO owners lower their rates and the income and taxes on the income keeps spiraling downwards. As this spiral continues many management companies will go out of business. If we don't grab the bull by the horns now, in another five years the majority of vacation rental properties in the Islands will be self managed by Off Shore owners and the State will have no way to verify their income or taxes.

This is real our company has lost over 30 properties in the past 3 years. I am in the trenches dealing with this daily it's a very real issue for us and a huge loss for the State

Please help plug the leak - support: HB 1707

Greatly appreciate your consideration and support.

Mahalo,

Mark

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Aloha Chair Tom Brower, Vice Chair Tokioka and Members of the Tourism Committee,

I oppose Bill HB 1707:

1. In April 5, 2007 similar complaints were made and the taxation board at a hearing said they had completed an audit and they found the majority of short term rental owners are paying their taxes. I faxed a copy of the hearing testimony to your office.

2. In approximately the last 8 months, RICO has been receiving complaints and names of real estate agents and booking agents on Oahu who in fact are working with off island rental owners. The complaint is real estate agents are representing non-permitted short term rental therefore they are disobeying the law.

The booking agents on the other hand are being told they do not have a real estate license to represent short-term rentals. Both are being fined as much as \$5,000. **How is this bill going to work with these people as long as Oahu leaders do not reach a balance and pass legislation with reasonable rules and permitting?**

3. I would like to emphasize one of the requirements of our members is that they register with the State taxation board and that they pay both GET and TAT taxes. This bill is also not necessary. Under the transient accommodations tax law owners, proprietors, lessee and otherwise are required to pay transient accommodations tax. There are laws in place with penalties.

4. When I read the testimonies for this Bill I recognize many who oppose this Bill are looking at it as a vehicle to close down ALL non-permitted short-term rentals. I also read a lot of assumptions about how much money is being lost. It is very troubling to see this Bill being motivated without documented facts.

Mahalo,

Angie Larson

President

Hawaiian Vacation Rental Owners Association

Kailua, HI 96734

LATE TESTIMONY

TOU COMMITTEE HEARING JANUARY 30, 2012 HB 1707

-----Original Message-----

From: Potatomon [mailto:potatomon@aol.com]

Sent: Tuesday, January 31, 2012 9:08 PM

To: TOUtestimony

Subject: testing

I oppose. Less government in controlling the market is much better than enacting laws that are oppressive to providing income during a recession and a service to the public.

thank you.

homeowner (registered tax payer)

Testimony for TOU 2/6/2012 11:05:00 AM HB1707

Conference room: 312

Testifier position: Support

Testifier will be present: No

Submitted by: Bruce Howe

Organization: CAI/LAC

E-mail: bruceh@hmcmt.com

Submitted on: 2/3/2012

Comments:

We support this bill, but would request that the agent be required to be on the ISLAND where the property is located in order to assure ease of contact and the physical presence to deal with any problems that may arise.