

JAN 20 2017

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## A BILL FOR AN ACT

RELATING TO VACATION RENTALS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the increase in  
2 popularity of online vacation rental platforms means that some  
3 visitors to Hawaii are turning to alternative lodging options,  
4 such as short-term vacation rentals, as part of their  
5 accommodations to the State. As a result, online vacation  
6 rental platforms are disrupting the State's tourism industry and  
7 economy, as the owners and operators of some of these short-term  
8 vacation rentals are not paying transient accommodations taxes  
9 or general excise taxes, resulting in a loss of state revenue.  
10 Counties are also losing revenue when an owner of a vacation  
11 rental receives "home owners" discounts on property taxes paid  
12 for a residential home that is used for commercial purposes  
13 without a commercial property rate. Furthermore, some  
14 properties that are being leased out as vacation rentals are  
15 properties that could have been added to the stock of affordable  
16 housing available for lease or sale to Hawaii's residents,  
17 thereby ameliorating the State's affordable housing crisis.



1 From a consumer protection perspective, visitors who stay in  
2 vacation rentals may not be getting what is advertised, as some  
3 vacation rentals are falsely advertised and even unsafe for  
4 group occupancy. Unsafe stays and unfavorable reviews or  
5 references of such stays can be detrimental to Hawaii's  
6 reputation as an elite tourist destination.

7 The legislature further finds that the regulation of short-  
8 term vacation rentals has been contentious not only in Hawaii,  
9 but other places as well. For example, the city of San  
10 Francisco recently passed legislation that subjects hosting  
11 platforms, including online vacation rental platforms, to  
12 criminal penalties and fines if they provide a booking service  
13 for residential units to be used for tourist or transient use  
14 without registering with the appropriate government entity. As  
15 a result, there is currently pending litigation between online  
16 vacation rental platforms and the city of San Francisco in  
17 federal court.

18 Because online vacation rental platforms affect state and  
19 county interests in many ways, it is critical that data  
20 collection on this industry be accurate, timely, and  
21 informative. The collection of the transient accommodations tax



1 and general excise tax is the responsibility of the State, but  
2 the counties receive a large portion of the transient  
3 accommodations tax and the city and county of Honolulu  
4 additionally receives most of the surcharge on the general  
5 excise tax for a rail transit system. The State has a vested  
6 interest in effectively and independently monitoring whether  
7 persons engaging in online short-term vacation rentals are  
8 paying taxes owed. Additionally, the State and counties share  
9 an interest in identifying and tracking the number of housing  
10 units that are dedicated to short-term vacation rentals and  
11 calculating the projected short- and long-term impacts that  
12 these rentals have on existing housing for Hawaii residents.  
13 Lastly, better data collection on online short-term vacation  
14 rentals will better ensure adherence to laws and codes that  
15 protect the safety of occupants and help perpetuate Hawaii's  
16 brand as a high-quality and safe vacation destination.

17 The purpose of this Act is to establish an online vacation  
18 rental working group to develop effective data collection  
19 methods that can assist state and county governments in  
20 monitoring the impact that short-term vacation rentals have on



1 tax collections, housing stock, and the State's brand as a  
2 vacation destination.

3 SECTION 2. (a) There is established an online vacation  
4 rental working group that shall be administratively attached to  
5 the department of business, economic development, and tourism.

6 (b) The online vacation rental working group shall consist  
7 of the following members:

8 (1) The director of taxation, or the director's designee;

9 (2) The director of commerce and consumer affairs, or the  
10 director's designee;

11 (3) The attorney general, or the attorney general's  
12 designee;

13 (4) The president and chief executive officer of the  
14 Hawaii tourism authority, or the president and chief  
15 executive officer's designee;

16 (5) A representative of the Hawaii hotel and lodging  
17 industry to be selected by the Hawaii Lodging and  
18 Tourism Association;

19 (6) A representative of Unite Here, Local 5;



- 1           (7) Two representatives from businesses that operate
- 2                   short-term rental internet platforms, to be selected
- 3                   by the governor;
- 4           (8) Two individuals who operate currently licensed short-
- 5                   term vacation rentals in good standing in residential
- 6                   communities in the State, to be selected by the
- 7                   governor;
- 8           (9) Two members of publicly elected community
- 9                   organizations, such as neighborhood boards, who are
- 10                  from communities with a higher-than-average number of
- 11                  vacation rentals listed online, to be selected by the
- 12                  governor;
- 13           (10) One representative from each respective county, to be
- 14                  appointed by its respective county mayor;
- 15           (11) One individual to be appointed by the senate
- 16                  president; and
- 17           (12) One individual to be appointed by the speaker of the
- 18                  house of representatives.
- 19           (c) The online vacation rental working group may call upon
- 20                  various state and county government entities to assist with
- 21                  gathering information and drafting of its report, including the



1 department of business, economic development, and tourism's  
2 research and economic analysis division; housing officers at  
3 state and county levels; and planning officials at state and  
4 county levels.

5 (d) The online vacation rental working group shall:

6 (1) Develop effective data collection, including:

7 (A) Establishing a means by which counties and state  
8 government can monitor the number of units being  
9 offered as part-time and full-time vacation  
10 rentals and the number of multi-unit operators  
11 versus in-home operators;

12 (B) Projecting growth and locations of vacation  
13 rental markets by region; and

14 (C) Identifying impacts, if any, on local and  
15 regional real estate markets, long-term rental  
16 housing availability and rate of rents, and  
17 property tax rates; and

18 (2) Create effective proposals in which government-  
19 subsidized rental housing and long-term leasehold  
20 housing can be assured to remain in long-term rental  
21 or eligible rental use for a mandatory time period.



1 (e) The members of the online vacation rental working  
2 group shall select the chairperson of the working group from  
3 among themselves. Members of the online vacation rental working  
4 group shall serve without compensation for their service on the  
5 working group but may be reimbursed for reasonable expenses,  
6 including travel expenses, incurred for serving on the working  
7 group.

8 (f) The online vacation rental working group shall submit  
9 a report of its findings, recommendations, and proposed  
10 legislation to the legislature no later than twenty days prior  
11 to the convening of the regular session of 2018, and shall be  
12 dissolved on June 30, 2018.

13 SECTION 3. There is appropriated out of the general  
14 revenues of the State of Hawaii the sum of \$ or so  
15 much thereof as may be necessary for fiscal year 2017-2018 and  
16 the same sum or so much thereof as may be necessary for fiscal  
17 year 2018-2019 for the online vacation rental working group to  
18 perform its duties pursuant to this Act.

19 The sums appropriated shall be expended by the department  
20 of business, economic development, and tourism for the purposes  
21 of this Act.



1 SECTION 4. This Act shall take effect on July 1, 2017.

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INTRODUCED BY:

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**Report Title:**

Online Vacation Rental Working Group; Establish; Data Collection; Appropriation

**Description:**

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. Appropriates funds for the working group to perform its duties.

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