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March 8, 2017  
Testimony  
LU-7

Good afternoon and aloha Chair and members. My name is Lawrence Carnicelli, speaking on behalf of the REALTORS Association of Maui's 1550 licensed, professional REALTORS on item LU-7. RAM understands Maui's need for affordable housing and supports any avenue that the County can take to increase and protect the inventory of long term rental housing for our local Maui families. While we understand that is the intent of this bill we feel strongly that this will not provide any additional long term rental homes as is needed nor will it protect the current inventory of housing. Additionally it will further strangle the *legally permitted* vacation rental industry forcing more and more people to run illegal vacation rental operations underground.

What I'd like to address is the elephant in the room... which is illegal vacation rentals. This bill is the byproduct of these illegal operations. About five years ago we went through an arduous process to draft law to address the new economy of travel via vacation rental homes. In that law there are many safeguards and standards built in to protect our neighborhoods and our local families. Currently there are only about 350 legally permitted STRH and BnB's in Maui and, as you know, there is a maximum cap of 800 total. So when we start to talk about vacation rental homes eating up long term rental inventory we need to be more specific and speak about legal versus illegal operations.

The point clearly established by statistics is that legally permitted short term rental use is not a significant factor in driving single family homes sales and only 35 of those homes purchased in the residential price category have been granted permits since the law was enacted. What the numbers further show is that of the homes that have been granted short term rental permits, the majority have been homes in Maui's luxury second home market which will never be used for long term rentals. The average assessed value of all STRH homes granted permits to date is \$1,725,000.

Therefore, it is important to discuss enforcement versus legislation. Often times when there is a lack of enforcement we turn to stricter laws to get the intended results. However the unintended consequence is a system that further punishes people that want to do it the right way and use the legal process. People that want to come forward and use the legal process and do what is right are disincentivized from doing so even further. The more complicated and the more difficult we make the process the less likely people are to come forward and operate legally. If we need to address enforcement then we should do just that. It's not possible to legislate enforcement.

While this proposal actually encourages people to go underground and operate illegally it also does not provide any new inventory. Under the current law only one and a half percent of new purchases applied for permits. Therefore the impact on our housing inventory would be minimal if not at all. Furthermore, does this apply to sales to kids or heirs? Does it apply when transferring into an LLC or Trust? Is this for any sale? If not, what is the criteria? Additionally, what happens to purchasers that are currently in escrow and may not close until after the law passes? Are there other exemptions that we need to include?

To complicate the matter further we have the issue with the "bundle of rights" that run with the every property. Each and every property comes with a set of rights for that property. Should you pass this bill as-is you will not only be restricting the rights of homeowners but removing already existing rights that current owners have. What is the liability exposure to the County in this regard?

We do understand the intention of this bill and agree that we need to find creative ways to help our local families find affordable housing. However, we find that the outcome of this legislation will not fill those needs as originally thought. Additionally the unintended consequences would be detrimental to our current laws which the entire community worked so hard on vetting and passing. Mahalo for you time.

RECEIVED AT LU MEETING ON 3/8/17