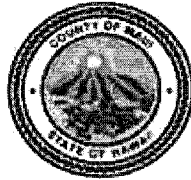


ALAN M. ARAKAWA
Mayor



RECEIVED
2610 MAR -2 AM 9:12
OFFICE OF THE MAYOR
MARK R. WALKER
Director
MARCI M. SATO
Deputy Director

COUNTY OF MAUI
DEPARTMENT OF FINANCE
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793

March 2, 2018

Honorable Alan Arakawa
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

For Transmittal to:

Honorable Robert Carroll, Chair
Land Use Committee
200 South High Street
Wailuku, Hawaii 96793

Dear Mr. Carroll:

SUBJECT: ENFORCEMENT PROCEDURES FOR BED AND BREAKFAST HOMES AND SHORT-TERM RENTAL HOMES (LU-40)

This is in response to your letter dated February 26, 2018, requesting information and explanation on the following:

- 1. How does the Real Property Tax Division become aware of STRH and B&B permit approvals?

There are several ways that the Real Property Assessment Division (RPAD) may become aware of permit approvals. The Department of Planning sends us a copy of the approval letter that is sent to the applicant. This is how we then reclassify the property as an STRH or B&B. Some of the permit information is available on the county land use website. Maui County Code (MCC) 19.64.060 F states that by January 15 of each calendar year, the Department of Planning shall transmit to RPAD an annual list of all bed and breakfast homes as of January 1. MCC 19.65.070 G states that by January 15 of each calendar year, the Department of Planning shall transmit to RPAD an annual list of all short-term rental homes as of January 1. The Department of Planning complies with these sections of the code by transmitting the lists to RPAD annually in a timely manner.

Honorable Robert Carroll

March 2, 2018

Page 2 of 2

2. Is the Division able to tax properties as an unpermitted STRH or B&B at the real property tax classification that would apply if the property were permitted?

The RPAD may classify condominiums based upon actual use, including illegal uses, if the owner attests to the illegal use. Unpermitted B&B and STRH condominium properties would be taxed at the short-term rental tax classification which was established by ordinance 4790 to be effective for fiscal year 2018-2019. However, unpermitted B&B properties could not be classified as commercialized residential because MCC 3.48.305 states that the property must have a bed and breakfast, transient vacation rental or conditional permit allowing a transient vacation rental.

Non-condominium properties are classified according to MCC 3.48.305. Classification is based upon zoning and highest and best use which is by definition a legal use. For this reason, non-condominium properties cannot be taxed at a tax classification that would apply if the property were permitted as an STRH or B&B.

3. Are there ways that the Division can assist the Department of Planning in identifying and enforcing against unpermitted STR and B&B operations?

Yes, the RPAD can notify the Department of Planning if we find an illegal use, however, we would need direction on how to do this. Currently, RPAD is partnering with the State of Hawaii Bureau of Conveyance to implement a program where RPAD can electronically record liens on properties for the Department of Planning.

Thank you for the opportunity to provide information regarding this matter. Should you have any questions, please feel free to contact me at Ext 7474.

Sincerely,



MARK R. WALKER
Director of Finance

xc: Scott K. Teruya, AAS Real Property Tax Administrator