

LU Committee

From: Gary Passon <gpasson@vectoraero.com>
Sent: Tuesday, March 07, 2017 1:20 PM
To: Mike White; Robert Carroll; Stacy S. Crivello; Alike A. Atay; Elle Cochran; Donald S. Guzman; Kelly King; Riki Hokama; Yukilei Sugimura; LU Committee
Cc: Gary L. Passon - AlohaAKU Investments (gary@alohaaku.com)
Subject: Proposed amending of Section 19.65.030 - STRH permits

Aloha Council,

I am Gary Passon, a local Kihei resident speaking for myself. I am also President of Board for the State of Hawaii's Habitat for Humanity Association, and member of the local Maui Habitat Board.

While laudable in its intent, I believe this Bill is a misguided attempt to address long-term rental stock in Maui. It feels like an emergency action with the effect of shutting down a small, but valuable tourist opportunity and gets very little if anything in return. In fact I believe it has a number of unintended consequences that may have more negative consequences than actually help the situation. This Bill does not appear to be a long-term strategy to address affordable housing (either rental or home ownership). Lastly, No data has been provided to address the costs or the effectiveness of this proposal – as voters we should have that.

I am asking you to please table this bill for the following reasons:

- a) A simple check on Craigslist just this morning of rental opportunities on Maui shows 465 rental units on the market, 249 roommates wanted, 85 sublets available, yet only 79 people looking for a place. Add this to all the other advertising methods (newspaper, bulletin boards, word-of-mouth, etc.) for people to search and find rental housing on Maui and the rental pool stock does not seem as depleted or as desperate as implied by this Bill. Please take the time to truly address the workforce housing issue.
- b) This Bill does not account for the varying value of the rental pool stock. It instead treats everything from a small upcountry Ohana (that might be a long-term rental opportunity) the same as a multi-million dollar beachfront house in Wailea (that is very unlikely to be a workforce housing option). The Bill also does not do anything to increase any additional rental stock. In fact, in my opinion this Bill is more likely to deplete the long term availability of long term rental housing stock. This Bill will dissuade owners from making investments in their properties and to also not want to bother with long term renters. Housing stock will just sit unused. Isn't this exactly what is happening with long-term rental housing on Maui right now? If investing and dealing with long-term renters made sense a lot of empty houses would be on the market. This Bill doesn't address the core issue of why there isn't more long term rental housing.
- c) This Bill doesn't recognize the local property owners that have, in the last few years acquired property and invested their time and money into those properties. Many likely did that in hopes of providing a small income stream that in many cases allowed the family to even afford the property in the first place. Airbnb released a report in January of 2017 that showed short term rental stock is 1) only .18% of the available housing stock in Hawaii, 2) STRH rents out, on average, 60 days a year, and 3) the typical Airbnb owner generates \$9,000 per year. That is hardly a strong financial model for anyone other than a person just trying to offset a small part of the cost of his property's ownership. But it may clearly be enough to allow some folks to 'get in' and try to build up some value for the their family. Those people did nothing wrong and if something has to be passed then they deserve at least 18 months from any implementation of a new set of durational rules to apply for a STRH permit. This accommodation should be based on STRH application date, not permit approval date as that time to get a permit approved is too indeterminate. If durational constraint is implemented going forward then at least future owners will know the new durational rules and can take them into account if they can/want to buy a property.

- d) Many STRH owners don't want long-term rentals because they also want access to the property for their own enjoyment. If no STRH option exists for them then in order to maintain their access they will simply not rent at all. As a result, no long term rentals are created from that inventory. This serves no one.
- e) This STRH Bill will likely drive more current property owners to operate illegally in order to protect their income since no legal method will exist to conform to the STRH rules (for in some cases up to 5 years). This is because the income stream is important to their being able to maintain their ownership of the property and they will take the lesser of the evils.
- f) Much is made of "investors" taking over all of the Maui properties. If the concern is "out-of-state" investors stripping the rental stock and running up the property values then limit the STRH Bill to owners that are Maui residents (Hawaii state-tax payers). The B&B Bill effectively does that and keeps the money and property ownership value on Maui, very successfully I might add.
- g) Keeping STRH properties that have been passed on to family members or sold, out of the STRH pool for 5 years seems particularly punitive. If a local family can create a bit of value from their investment and sweat-equity in their property and the successful operation of the property, then why should they not get some financial recognition for that contribution? Don't we want local residents to grow financially and be even more self-sufficient? Certainly no guarantee should be provided as a result of the transfer, nor does continuing an operation require a guarantee, but reasonable people offering an honest service shouldn't be penalized. Again, if the issue is "out-of-state" investors flipping properties, then address that by not allowing out-of-state people permits.
- h) STRH creates many local Maui jobs in areas such as property and booking management, cleaning, maintenance, etc. Reducing Legal STRH can cost potential jobs and economic value for Maui.
- i) This Bill will likely create a significant loss of income for Maui County from loss of TAT, property taxes, employment taxes, and general economic turnover from the guests of the STRH's.
- j) The Bill reduces choices for tourists and forces them toward illegal STRH properties in order to enjoy Maui in the manner that they want. Many guests who come to Maui simply don't want to go to big resorts and hotels. Travelers may just go to another island for the experience they are looking for.
- k) The Bill does nothing in terms of enforcement against the hundreds of illegal properties currently operating on Maui. These properties cost the County revenue and legal STRH owners income. Some illegal properties are giving Maui a bad name because there is no action or material recourse taken against them. Please address this.

I could go on but I think the above are some important considerations and I hope they demonstrate the need to rethink this issue / Bill. Please do not support this bill as presented. A simple bill that would only provide STRH permits to tax-paying residents living in Maui more than 2 years would be a welcome compromise to slow down the "investors" that seem to be at the core of the apparent concern.

Hopefully these discussions would cause the formation of a select committee to propose something that addresses the issue of long-term rental stock in a more holistic manner.

Thank you for your time and consideration.

Mahalo, Gary Passon

