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Testimony to the Maui County Council on Vacation Rentals

As a recently licensed provider of a vacation rental in Haiku, I would like to submit some testimony regarding the process of opening and operating a vacation rental in Maui County. I am available for further discussion in person.

Primary Objective

The main objective for all of us is to provide a high quality vacation experience to our visitors from around the planet.

From the get-go, the whole focus ought to be on the ability of the host to participate successfully in the visitor industry. Is the person fit to be a host? Do they want to be a host? Do they want to serve the Maui Visitor Industry? Do they have experience with the travel industry? Do they have a property where they can succeed? Can they create great "word of mouth" marketing for this particular market segment?

The County should co-ordinate an "Office of Visitor Experience" inside planning or OED. That office should oversee both the host operations and the property operations. Considerations of building permits, building compliance with zoning and safety issues, the size and number of off street parking spaces, and so forth, are secondary. The Public Servants in this office should be Host Advocates, not Host Adversaries.

There is a whole new market in internet and social media oriented rentals. The County should recognize that. The hotel industry should also accept it. The Maui Visitors Bureau should recognize it as an opportunity to market to a whole new range of customers. How can we coordinate the visitor industry with the county process to make the experience better for everybody? MVB should be a part of recruiting/training good hosts. Maybe the MVRA should be, too. How can we all share Feedback to make things work better for both hosts and also our all important guests?

The B&B Application.

My wife and I have obtained a B&B Permit for one owner occupied rental unit. The current Application Checklist is very helpful. It is good to lay things out for the applicant. A "consultant" of some sort should be a part of every applicant's start. Set them off on the right path. More involvement with the Planners? A special category for a Planner Guide? The Checklist can be improved.

Bravo on the availability of County information resources online for tax and property information- Public Works permits, etc. This is very helpful!

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Create Better Explanations for why the answers to the questions are important. Why ask for all this stuff? Overall the application appears to be a lot of "CYA" sets of requirements to protect Maui County. It does make the applicant aware of safety and zoning issues. Building permits and safety plans and tax certificates are necessary, that sort of thing. What's missing? A component that has to do with hospitality training and the visitor experience.

A qualified host is an asset to the vacation rental industry. How do you weed out the host applicant who simply wants to make money off their property? One way to do it would be to require that they actually learn something about being a host before they put their place on the market. Require neighborhood meetings with feedback? Do they care about people?

Too much effort is spent by the planning department on bureaucratic paperwork, and not enough on the host applicant themselves. Getting notarized signatures for homeownership verification may be one skill, but what about actual experience in the marketplace? Isn't that more valuable?

Distinctions between STRH and B&B. Bed-and-breakfast is a misnomer. As an owner-occupied vacation rental, we have no intention of being a true "bed-and-breakfast". At a true B&B, guests often expect to share breakfast time with the hosts eating a meal that has been prepared for them. Most travelers in this market segment want to take care of themselves. The "required menu" is a bad joke, the approved appliances a truly silly list. We want to offer our guests the ability to prepare their own meals. How to resolve this issue? Ohana kitchens? What rule would that break? Off island ownership of a "neighborhood" rental is another animal entirely. I believe that a local property manager must be required for those units.

The size of the B&B application sign is ridiculous. While it may be intended to humiliate the applicant into not applying at all, is that the best strategy? It's just mean. It really doesn't do much for making friends in the neighborhood. That should always be the intention of the regulators and the hosts, to try and make the neighborhood work for everyone. Also, the sign should come down as soon as the inspection has been made and the mandatory waiting period for comments is over. Not weeks later when the final permit approval letter actually arrives.

One thing that would help the process is to show the host making the effort to get a permit that the Planning Department is actually enforcing the law. How do we get the "no permit illegal operators" out of the market? Why should I go to the time and expense of getting a permit, if the guy across the street is not doing that and continues to operate with impunity? Why should I get a permit when the rich guys with high end properties ignore the law? And are ignored by the law? I don't want to be permit police, but unfairness and resentment are not healthy either. What is the County actually doing to really encourage owners to get permits? Rather than just intimidating them? Boost the efforts of the good guys while getting tough with the others. Find a way to reward the people who "come in from the cold". Make it a rule that you must display your permit number in your marketing materials.

And, geeze, a 5 year ban on obtaining a permit because of some dumb error from the get go is NOT HELPFUL!! That should only apply to scofflaws who continue to operate in spite of several warnings and citations. Cut the waiting period for first offenders to one year or 6 months.

Why not put a completed mock "Application Sample" online to show a good example of how to do it?

BIG NEW IDEA - Hospitality Training

Why not create a visitor industry course with the help of the MVB and the MVRA? What support can we get to develop a curriculum for a course that we offer through Vitec and is **mandatory** for all applicants before they apply? The course could be one or two nights and maybe a couple hundred dollars to pay for the course leaders and materials. The curriculum would include presentations on what it takes to operate a vacation rental, are you sure you want to be a host, basic internet training for reservations and marketing, considerations for being a good host, why Maui County cares about your being a good host, good ways to market your services and keep up with taxes and insurance, und zo weiter. What happens to your property taxes, your insurance requirements, your book keeping, your rental unit maintenance, and so on, when you get a permit?

The applicant should be granted a temporary one year license at the start to see how they do. Most of the online services have user reviews included as a critical part of their success. Certainly true for the likes of Airbnb and VRBO. Why not use the reviews as an indicator for good host behavior? If the whole point of permitting a vacation rental is to guarantee that the visitor to Maui has a good visitor experience, as opposed to covering the ass of the planning department, then the actual interaction of the host and the guests should be a critical component in granting the long term permit. Good reviews, you get your permit, so-so reviews and you have to come back in 6 months, crappy reviews and no permit is granted, like that there.

MVRA assistance

Go to the private sector for lists of vendors like Home Inspectors, Insurance Companies, Graphics and Art creators, Sign Makers, Property Managers, housecleaning services and so on. An "Angie's List" for vacation rental operators.

COMMENTS:

A MAJOR FAILURE in the application design is the secret requirement for an Additionally Insured Certificate (AIC) to CYA Maui County on a Commercial Liability Policy. Why is this **not mentioned** until the permit is granted? The requirement comes totally after the fact. It does not appear until the letter from the Planning Director granting the Permit, and adds a whole layer of more bullroar and a new level of costs!

For one thing, it costs the loss of the homeowners exemption on property taxes, because you cannot get an additionally insured certificate on a residential homeowners policy! You can only get liability insurance coverage that will provide an AIC on a commercial business operation. The B&B Permit to do a legal business is issued to a residential property, but our tax designation must change to commercial/ residential. Because \$200,000 is automatically added to your property value when you lose the homeowners exemption, our taxes will increase from around \$450 to over \$1400 annually! That sucks. Find a way to grant a special exemption to a homeowner who offers

only one rental unit, makes less than \$75K annually, and so on to set a fair property tax rate. AND change the TAT structure along the same lines, make the rate another 4% not 9% above GET for small time, one unit operators.

Finding new homeowners insurance is another thing that sucks after you already have your permit number. And an AIC requires writing a separate commercial liability policy. Now you have more requirements, and ANOTHER time limit to deal with, and even the threat of permit revocation! Are you kidding me? Let's work together, guys, not threaten each other.

It would be helpful to establish a resource center of some kind for the host applicant. Lists of vendors who can help would be great. Meeting with the AIC requirement alone will cost us about \$1000 more annually for insurance. Hmmm, that sucking sound again.....

As a potential host looks at a permitted vacation rental business, it is helpful to be able to set your day rate at a level low enough to cover costs while competing with illegal rentals. Insurance goes up, property taxes go up. By being licensed, we are obligated to pay TAT, an additional big chunk. I think it is important to for the permit application process to communicate this kind of information to the applicant so that they can create a sensible business plan. Require some pre-application training. So, here's another lecture in the VITEC course, which is how to design a business plan and budget for the rental. Have you anticipated all the costs? Do you really want to put in the time and effort to operate a good vacation rental? Or would you be better off going with simple long term rental contracts that DO NOT require a County permit in the first place!? Certainly food for thought before you apply.

So, there you have my menu of thoughts for today. I'd like to help develop the next level of Vacation Rental rationality. Mahalo from Tim Wolfe.

Tim Wolfe
2/2/2016