



HAWAI'I APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

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CHARTING A PATH TOWARD BALANCE BETWEEN TOURISM AND THE NEEDS OF RESIDENTS

A new report provides solutions for lawmakers to solve Hawai'i's vacation rental problem.

HONOLULU, Hawai'i — The vacation rental industry has exponentially expanded with the growth of online home-sharing platforms such as Airbnb, Flipkey and Homeaway. Hawai'i's low property tax—the lowest in the nation—provides an opportunity for non-residents to speculate on vacation rental units (VRUs), investing their money for virtually guaranteed returns while taking on little risk. As a result, vacation rentals are proliferating rapidly, while the wealth they generate is often extracted from Hawai'i.

While well-regulated VRUs can increase visitor expenditures, bolster tax revenues and help locals make ends meet, allowing their unfettered proliferation is ultimately detrimental. VRU-saturated cities across the world have begun to experience reduced affordable housing availability, increased housing costs, resident displacement, and threats to neighborhood quality of life. As a result, these destination cities are adopting new, intelligent regulations to achieve a balance between the positive aspects of vacation rental hosting and the needs of residents.

The Hawai'i Appleseed Center for Law and Economic Justice has released a report addressing Hawai'i's vacation rental situation. The report provides vetted best-practices for how lawmakers can limit the proliferation of VRUs in a way that nets additional revenue, preserves the character of our residential communities, and does not punish lawful vacation rental hosts. Entitled "Priced Out of Paradise," the report explores the most effective and fair vacation rental enforcement strategies adopted by destination cities from San Francisco to Barcelona with recommendations about how these strategies could best be implemented here in the islands.

"The only way we are going to provide adequate and affordable housing for our state's residents and protect the character of our local residential communities is to limit significantly the overwhelming proliferation of illegal vacation rentals," said Hawai'i Appleseed Co-Director Victor Geminiani. "The only way to do that is to adopt efficient and effective enforcement strategies."

Based on a study of enforcement efforts in Barcelona, Berlin, Boston, Chicago, Los Angeles, New Orleans, New York City, Portland, San Francisco, Santa Monica and Seattle, Hawai'i Appleseed finds that the most effective VRU ordinance:

- Holds platforms liable for illegal transactions on their websites;
- Requires platforms to provide data on VRUs to cities;
- Imposes meaningful fines;
- Focuses on bringing major offenders and commercial hosts into compliance;
- Empowers neighbors;
- Limits the number of units a host may rent and nights a unit may be rented;
- Bans VRUs from operating in inappropriate types of housing; and
- Provides clear restrictions on Non-Conforming Units (NCUs).

The report highlights the importance of holding online vacation rental platforms liable, compelling these platforms to turn over data on vacation rentals, and imposing meaningful fines.

“Without imposing enforcement measures that have been proven successful, cities simply cannot strike a successful balance between protecting residents and protecting the tourism industry,” Geminiani said. “Hawai'i should not allow for more VRUs without, at a minimum, instituting platform liability, platform transparency and meaningful fines.”

Under platform liability, enforcement teams hold platforms accountable for facilitating illegal transactions, rather than placing the responsibility for compliance on hosts alone. Platform liability is critical because it saves resources, leads to more cooperation from platforms, and turns fines from mere threats into meaningful deterrents.

Platform transparency provisions require platforms to share data with a city's enforcement team. Data, which is necessary for effective enforcement, often includes information about listings, individual hosts and the platform's level of activity across the city. Deprived of address listings, it is nearly impossible for enforcement teams to know whether units operate in compliance with the law.

Finally, cities need to impose effective fines or other penalties to deter large companies and commercial hosts. These operators make significant nightly profits off their illegal transactions, and if fines and penalties are not carefully set, these platforms will simply factor them in as the cost of business.

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Hawai'i Appleseed is working to build a more socially just Hawai'i, where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality and injustice through policy development, coalition building and advocacy.