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Vacation cons take their toll

Police often can't solve the crimes because many occur out of state, leaving travelers with a loss of cash and no place to stay

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Brett Westphal almost skipped his annual pilgrimage to the Pro Bowl in Hawaii.

With average hotel room rates approaching \$250 a night, he and his wife determined that a trip to Hawaii last January wasn't in their budget. But they reconsidered after spotting a last-minute deal on Craigslist for a condo at the Waikiki Cabana for \$80 a night, or \$500 for the week.

Westphal, from Sacramento, Calif., checked online to see if the property actually existed and then wired about \$580 to Texas, where the person listed on the advertisement claimed to live. The couple soon discovered the truth behind the adage: If a deal sounds too good to be true, it usually is.

"After arriving in Hawaii, we went to the condominium to pick up the key and the owners were a no-show," Westphal said. "At that point, I was freaking out ... The sales office was closed so we had to get another hotel for the night. As it turned out, we had to get another hotel for the whole time."

ROGUE RENTALS

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The Westphals are just one of the hundreds if not thousands of visitors each year who come to Oahu thinking they have a reservation only to find the vacation rental that they booked online isn't as advertised, doesn't exist, or belongs to someone else, said Honolulu Police Department Lt. John McCarthy, who heads the financial crimes detail.

"Unfortunately, we see these scams all the time," he said. "Hawaii is a victim of its own popularity."

Here's how it works: Scammers usually living outside of Hawaii will harvest pretty pictures from legitimate real estate ads and use them to craft fraudulent online ads. Hector Euredjian, owner of Discount Hotels

Hawaii, which since 1995 has rented legitimate vacation rentals at competitive prices, said some ads are sophisticated and only can be detected because they are advertising ridiculous rates. Most of these ads are crafted using real Hawaii properties, but Euredjian also has seen pictures from an actual Paris condominium used to advertise a nonexistent one in Waikiki.

BY THE NUMBERS

While not all vacation rentals would be suitable as affordable long-term housing, their removal from Oahu's limited housing market can create a trickle-down impact that spreads throughout all socio economic sectors and contributes to homelessness. Critics of the city of Hono lulu's plan to expand permitting for accessory dwelling units say that most will house visitors if the city does not start managing the mostly illegal vacation rental industry.

24,569

Number of affordable housing units needed to meet Oahu demand by 2016.

5,000

Number of new residents Oahu can expect every year between 2010 and 2040.

8,000

Projected five-year increase in affordable workforce housing if the city and state work together. New affordable housing requirements for developers, transit-oriented development opportunities on state land, and accessory dwelling units or so-called "ohana units" could be part of the plan.

2029

Year the city and state will meet Oahu's housing demand for 2016 — if they start this year.

Often those that they have duped will arrive to find the unit already occupied by its actual renter or owner, McCarthy said. Some scammers even have stolen an owner's identity, he said.

"We've had private homes where tourists have shown up and asked the owners, 'What are you doing in my rental?'" McCarthy said. "Owners that are selling their homes are particularly vulnerable. We even had a policeman who had his home up for sale and the Realtors found it online being advertised as a rental."

Tim Caminos, spokesman for Hawaii's Better Business Bureau, said 206 vacation and other similar rental scams were reported to the agency this year. "It's pretty common. I know with certainty that we get lots of calls during the peak summer and holiday travel seasons," he said.

Barry Wallace, executive vice president of hospitality services for Outrigger Enterprises Group, said guests have tried to check in at properties that fall under the Hawaii Vacation Condos by Outrigger brand, only to find out they didn't have reservations.

"These visitors are often very upset and we can't help them because they didn't book through Outrigger," Wallace said. "In other cases, their reservation exists, but there is no local property manager to contact if anything goes wrong. Our front desk gets blamed for all types of complaints and these units aren't even in our rental program."

McCarthy estimates the average visitor who has been scammed will spend a day or more of precious vacation time trying to finding new accommodations, tracing their missteps and filing police reports. Also,

they typically lose between \$1,000 to \$3,000, he said.

"However, I've seen tens of thousands lost. We've had several cases where people paid upfront to rent high-end places for six months. In one case, they lost about \$60,000," McCarthy said.

Unfortunately, scammers also exact emotional tolls from their victims, who have saved up for a special vacation in Hawaii, said Jessica Lani Rich, executive director of the Visitor Aloha Society of Hawaii (VASH), a nonprofit that helps distressed visitors.

"We had one family rent a Kahala home for a reunion, but when they arrived they discovered their rental was nonexistent. Sixteen people from California to Sweden were affected by this. It really bothers me seeing how these visitors are hurt and violated," a teary-eyed Rich said.

Euredjian said visitors aren't the only losers in this scenario — the unchecked spread of fraudulent online ads hurts legitimate owners and mars Hawaii's reputation as a leisure paradise. In Hawaii, Euredjian said, he has seen legitimate owners "go belly up" because they've been sued after scammers committed fraud using their properties.

But Hawaii's whole tourism economy shoulders the burden since any money that scammers take reduces visitor spending.

"Most people come here on a budget, so losing money cuts into their ability to participate in activities. Sometimes, they may stay three to five days instead of 10 days. We've seen a few cases where they had to go home immediately," Rich said.

Euredjian said the "guilt by association" aspect of the issue damages Hawaii's tourism brand. "The people that are being scammed think that someone from Hawaii did it. We are all left holding the bag," said Euredjian, who posts warning ads on Craigslist and would like to see the city and state start ensuring that online advertising sites only post legitimate offerings.

"It's a black eye for Hawaii tourism and nobody is doing anything."

McCarthy said police usually can't resolve the crimes since they are perpetuated mostly by people outside of Hawaii and the money is exchanged in other jurisdictions. "Out of 100 cases, probably 99 are done by operators from out of the state or country," he said. "We usually don't catch the scammers and we usually don't investigate these cases unless a local person got scammed ..."

For these reasons and more, Euredjian expects the problem could be growing even more than police and travelers aid reports indicate. "A few times a week, we encounter people trying to find alternative accommodations because they have been scammed," said Euredjian, who often works with Rich to find last-minute accommodations for victims. "But many don't say anything. Some people get embarrassed. They've been had. They've been bilked."

VASH has received more frequent complaints in the past two years as the popularity of vacation rentals has grown amid Oahu's tight lodging market.

In the case of the Westphals, police couldn't do much since the crime occurred outside of Hawaii. Rich helped the couple secure a last-minute, discounted room. But the Westphals ended up spending another \$2,000 for a trip they could barely afford.

"This happened during a very tough time in our lives when we were trying to have a brief diversion. My

youngest son was fighting a brain tumor and starting chemo in the middle of all of this," Westphal said. "We got a very painful lesson."

If something isn't done soon to help reduce the occurrence of these scams, Euredjian expects Hawaii tourism will feel the burn, too. "This is a huge problem," he said. "We've got to do more to stop it."

DON'T GET DUPED

Hundreds, perhaps thousands, of visitors to Hawaii are being victimized each year by scam artists who steal upfront funds paid for vacation rentals. It's even happening to kamaaina, who seek alternate accommodations while on "staycations" or taking trips to the neighbor islands. Before booking a vacation rental in Hawaii, watch out for these red flags:

- >> Owners who try to pressure you into a quick decision.
- >> Properties that are priced way below market rates.
- >> Owners whose only presence on the Internet is the ad.
- >> Owners who ask you to pay for everything upfront.
- >> Owners who want you to send money via MoneyGram, Western Union or Green Dot cards.
- >> Owners who have no local representative in Hawaii; they are required to have a local property manager.
- >> Owners with phone numbers from outside of Hawaii.
- >> Ads that have poor grammar, foreign words or list a contact outside of Hawaii.
- >> Unlicensed vacation rentals that allow bookings for fewer than 30 days.

Take these steps for added security:

- >> Email the folks at hsvrc.com to find out if the rental is part of the Hawaii State Vacation Rental Certification program, which verifies the ownership and/or management link between the rental unit and the person or company listed in the certificate as responsible for the rental.
- >> Do an Internet search of the ad images to see if they are being used elsewhere.
- >> Check property tax records to see if the person you are dealing with is the actual owner of the rental.
- >> Read property reviews and ask for references.
- >> Know that legitimate owners tend to advertise the fact they are licensed.

If you're scammed?

- >> Contact the Honolulu Police Department. If you have a situation requiring immediate attention, call 911. For other assistance, call 529-3111.
- >> Contact the Visitor Aloha Society of Hawaii at 926-8274. The nonprofit can assist you in finding alternate accommodations and discounts.
- >> File a complaint with the Federal Trade Commission at ftc.gov/complaint.

Source: HPD, FTC and Hector Euredjian

CASE STUDY: DAO V.DPP

TIMELINE OF AN INVESTIGATION

Residents of one North Shore neighborhood have been complaining about illegal vacation rental activity for three years without relief even though the owner has been fined for illegal short-term rental activity by the city Department of Planning and Permitting.

The decision was upheld by the Zoning Board of Appeals and a further appeal was denied by the First Circuit Court.

But that hasn't stopped the owner, Leland Dao, who contends he is innocent, from continuing to advertise his property for short-term vacation rentals.

2011

OCTOBER

In response to neighborhood complaints of illegal vacation rental activity, DPP opens an investigation at 61-349 Kamehameha Highway in Haleiwa.

An investigator finds someone who claims to be a short-term renter living there and issues a notice of violation to property owner Leland Dao.

2012

JANUARY

Another inspector finds someone who claims to be a short-term renter and issues a second notice of violation and a notice of order, which means the owner will begin accruing daily fines until the continued violation is corrected.

FEBRUARY

Another inspector finds someone who claims to be a short-term renter.

MARCH

Dao appeals to the Zoning Board of Appeals

APRIL

The violation is deemed corrected by virtue of a scheduled inspection

The city offers to settle Dao's accrued fine of \$63,000 for \$16,500

AUGUST

The zoning board upholds DPP's fine against Dao.

2013

JULY

The Zoning Board of Appeals meets for the first time since August 2012 and formally issues its opinion against Dao.

AUGUST

Dao appeals the Zoning Board of Appeals' decision to First Circuit Court.

2014

JULY

First Circuit Court declines to hear Dao's appeal.

AUGUST

Dao appeals the First Circuit Court decision.

SEPTEMBER

During a 824-day period starting January 2012, neighbors observe 638 different vehicles parking at Dao's home.

They estimate conservatively that 382 of the cars belonged to visitors.

OCTOBER

An appeal date has yet to be scheduled.

Source: Certified Record on Appeal of First Circuit Case 1CC13-002180 and Star-Advertiser research

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