

TESTIMONY ON BILL 9 – A WAILEA STR OWNER’S PERSPECTIVE

Aloha Council Members,

Thank you for the opportunity to testify. I’m a short-term rental owner in Wailea, and I strongly oppose Bill 9.

You have reviewed the economic impact study conducted by the University Hawai‘i. You are aware of the significant share of the county budget funded by short-term rental (STR) taxes, and the potential job losses that could result from eliminating these rentals.

Today, I wish to highlight three less-discussed aspects of this issue:

1. The financial reality of STR ownership in Wailea,
2. The historical real estate trends for Minatoya list properties, and
3. The likely changes in ownership and community impact should this bill pass.

1. FINANCIAL REALITY OF STRs – INCOME STATEMENT

Contrary to common perception, most Minatoya-designated STRs in Wailea do not generate profit. (Please see the attached financial table.) In most years, these properties operate at a loss or, at best, break even.

Why do people own them? Because they love Maui. These owners view STRs as a way to cover ownership costs while enjoying occasional stays themselves. For them, it’s about access, not profit.

The goal is not financial gain—it’s financial sustainability. The revenue stays in Maui, supporting local businesses, property managers, tradespeople, cleaners, landscapers, and tax revenues for the county. These are not high-yield investment vehicles for wealthy mainlanders. They are modestly performing assets for people who value this community.

2. REAL ESTATE MARKET HISTORY OF MINATOYA LIST PROPERTIES

Maui’s real estate market has been shaped by national and local events:

- 2007: real estate prices peak
- 2008-2010: Mortgage crisis cuts values in half.
- 2020: COVID-19 drives demand and prices recover strongly.
- 2023: Lahaina fire and STR ban proposal lead to a 30–35% drop in prices.

For example:

- A condo worth \$1M in 2007 dropped to \$500K in 2010,
- Peaked at \$1.5M in 2023,
- And now is back to around \$1M (where it was in 2007).

Important observations:

- In 2010, when owners had to sell at a huge loss, local buyers did not enter the market—mainland investors did.
- In 2024, FEMA leases for displaced residents in Wailea were canceled due to lack of interest, even at zero rent.

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This shows that the assumption that Wailea STR units will be converted to long-term housing for locals is not supported by history or current demand.

3. CONSEQUENCES OF THIS BILL – WHO WINS AND WHO LOSES

If Minatoya list Wailea STRs are disallowed:

- **Current owners** who rely on STR revenue will be forced to sell. Long-term rentals don’t cover carrying costs, and they will lose the personal use that brought them to Maui in the first place.
- **Investors** won’t step in—Wailea’s carrying costs are too high for long-term rentals to be viable. Even with reduced prices, the math doesn’t work.
- **Local families** are unlikely to buy or rent. In 2010 and 2024, when prices dropped and even rent was free, uptake was minimal.
- **Wealthier mainland buyers** will benefit most. They can afford to leave units empty most of the year without needing STR revenues. This will accelerate the shift to absentee ownership—lowering community engagement, eliminating local jobs, and reducing tax revenues.

This bill will affect over 7,000 properties, thousands of local families, and a significant portion of county revenue. I urge you to consider the unintended consequences—economic, social, and cultural—of this legislation.

Please preserve a balanced approach to STRs.

Mahalo,

Brian Banks
June 9, 2025

INCOME STATEMENT OF A TYPICAL WAILEA STR

(Wailea condos on the Minatoya list are Wailea Ekahi, Wailea Ekolu, Grand Champions Villas, and Palms at Wailea)

Annual Revenues		\$100,000			
Annual Expenses		Expense Breakdown			
		County Taxes	Satate Taxes	Local Jobs	Out of State (Insurance, Etc.)
STR Taxes (17.96%)	\$18,000	\$7,727	\$10,273		
Real Property Tax	\$24,000	\$24,000			
Condo Association Fees	\$18,000			\$13,500	\$4,500
Management Fees (35%)	\$35,000			\$35,000	
Supplies, Maintenance, Marketing	\$15,000			\$13,500	\$1,500
Totals	\$110,000	\$31,727	\$10,273	\$62,000	\$6,000
% of Total Expense		28.8%	9.3%	56.4%	5.5%
Profit / Loss		-\$10,000 (Loss)			

Aloha,

My name is Francine Johansen , I am a nurse and have worked over 30 years in Maui county,I am about to turn 67. currently I'm working for a non -profit residential treatment center in Wailuku for women ages 13 thru adult. I was also a first responder in Lahaina.

I purchased as studio condominium in N. Kihei in 2019. I understood it to be a legal short term rental complex. I have been managing it on Air BnB, it has been up and down, thru COVID, thru a Kihei flood,and thru the Lahaina fire. My expenses-meaning mortgage plus HOA (association) dues equal \$2600 monthly.

This proposal has caused much controversy-without even being voted on yet, it has affected the visitor rate to many of these STR's. Social media fuels a lot of our economy. Visitors that cannot afford the 4 seasons hotel are confused on whether to visit Maui and to rent from sites like air bnb or is it considered "not PONO" to do so because of this issue??. I cannot afford to have my mortgage not paid. Because of this added financial stress, I have put my condo on the market to sell- I priced it well below the going prices that were in place before this STR targeting began. I have not had 1 offer, and most condos for sale now are in the same boat. The real estate market is now flooded with these condos at extremely reduced prices-yet no one is buying them. It is obvious that they are not affordable housing -not with the expensive HOA maintenance fees on top of a mortgage-that is why they are not a solution for local housing. I have had to take on extra work at this time...

I see the 2 amendments-twists on the original proposal-as just prolonging this decision, pushing it out 2 years or 5 years, is no solution at all. Prolonging this only puts more uncertainty on people like me-owners, and others who are employed in the STR business in limbo , and basically forcing me to keep a property I no longer want. The entire proposal has created another separation between the people of Maui.

Why not use the taxes collected from legal bnb's and maybe hotel taxes towards allocating land and building real affordable housing. Condominiums with high maintenance fees are not affordable or family oriented.Eliminating these short term rentals will not resolve much for affordable housing -but it will cost more jobs, more foreclosed mortgages, and perhaps more people like me to have reduced incomes so that I cannot afford current housing either.

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