HLU Committee

From: County Clerk
Sent: Friday, November 21, 2025 7:46 AM
To: HLU Committee
Subject: FW: Don’t kill the Golden Goose

-----Original Message-----
From: Kenton Hopkins <kentonhopkins@live.com>
Sent: Thursday, November 20, 2025 10:10 PM
To: County Clerk <County.Clerk@mauicounty.us>
Subject: Don’t kill the Golden Goose

[You don't often get email from kentonhopkins@live.com. Learn why this is important at https://aka.ms/LearnAboutSenderIdentification]

Agree that affordable housing is Maui’s most important problem to address.
Believe also that a livelihood will still be required to afford to live here.
Mauis economic engine also needs to flourish to allow the island to thrive.
The Council must do all that it can to make certain the tourist industry is not hindered further. As revenues drop, lots of very bad things happen. Those in Affordable Homes can no longer afford them.

STR must be allowed within our resorts. Those guests drive revenues, keep many of the Stores, and Resturants open and those that work there employed.
Drive the value of 7000 units down 75-80% (still making them expensive for most of the working class) and you will Kill the Golden Goose. Causing devastating unemployment and minuscule government revenue.

The Maui Council needs a paradigm shift.
Balance reducing short term rentals with maintaining the counties economic engine, tourism!
Balance driving the prices down with subsidies that make owning one realistic.
Balance new development with water resources, infrastructure, fire, police, ambulance departments and recreational opportunities.
Balance don’t kill the Golden Goose.
Sincerely,
Kenton Hopkins

Sent from my iPad

HLU Committee

From: County Clerk
Sent: Friday, November 21, 2025 12:25 PM
To: HLU Committee
Subject: Fw: Airbnb Testimony on Bill 9 (2025)
Attachments: 2025-11-21 Testimony of DML and JAS as to Maui Bill 9 (12-1 hearing) w-attachments.pdf

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From: Roxanne L. Berg <rlb@ksglaw.com>
Sent: Friday, November 21, 2025 11:33 AM
To: County Clerk <County.Clerk@mauicounty.us>
Cc: David M. Louie <dml@ksglaw.com>; Joseph A. Stewart <jas@ksglaw.com>; Lana DeCambra <lnd@ksglaw.com>
Subject: Airbnb Testimony on Bill 9 (2025)

You don't often get email from rlb@ksglaw.com. Learn why this is important

Dear Maui County Council,

On behalf of Airbnb, please see attached written testimony of David Louie and Joseph Stewart opposing proposed Bill No. 9 (2025), Amending Chapters 19.12, 19.32, and 19.37, Maui County Code, Relating to Transient Vacation Rentals in Apartment District (HLU-4). Either Mr. Louie or Mr. Stewart will testify via the Teams link (http://tinyurl.com/HLU-Committee).

Thank you.

Roxanne L. Berg | Legal Assistant
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November 21, 2025

MAUI COUNTY COUNCIL
Alice Lee, Chair
Yuki Lei Sugimura, Vice Chair

HEARING DATE: December 1, 2025
TIME: 9:00 am

Re: SUPPLEMENTAL TESTIMONY ON BEHALF OF AIRBNB OPPOSING THE PROPOSED BILL 9 (2025)

Dear Chair Lee, Vice Chair Sugimura, and Council Members:

We write on behalf of our client, Airbnb, to address the Council's consideration of BILL 9 (2025), AMENDING CHAPTERS 19.12, 19.32, AND 19.37, MAUI COUNTY CODE, RELATING TO TRANSIENT VACATION RENTALS IN APARTMENT DISTRICTS (HLU-4) ("**Bill 9**"). We have previously submitted testimony to the Housing and Land Use Committee in opposition to Bill 9 dated June 6, 2025, as well as testimony dated October 21, 2025 addressing the TEMPORARY INVESTIGATIVE GROUP ("**TIG**")'s report on "On Policies And Procedures For Transient Vacation Rental Uses In The Apartment Districts (HLU-4(1))" ("**TIG Report**"). This testimony incorporates our prior testimony and attaches copies of that prior testimony as Exhibits "A" and "B" hereto.

As we have previously submitted testimony, we do not repeat it in full, but note that:

A. Bill 9 effectively eliminates short-term rentals in apartment-zoned districts in Maui, despite the fact that short-term rentals have been lawful, residential uses in these districts for decades.

We are encouraged by both the proposal to extend the time period for elimination from the original six months/one year to five years, as well as the mitigation measures proposed in the TIG.

However, it is important to note that these do not change the essential character of the legislation which is to eliminate a residential use of property that has been lawful for decades, in violation of both U.S. and Hawaiʻi law. Specifically, as discussed more fully in our June 6, 2025 testimony, Bill 9 eliminates vested rights of existing landowners, which have been determined to be protected by both Hawaii state courts and the federal United States District Court of Hawaii. Implementation of Bill 9 would likely result in claims being made against the County of Maui for violations of the federal and state constitutional takings, due process, and equal protection clauses. This would potentially expose the county to damages in the hundreds of millions of dollars or even billions of dollars depending on the specific scope of the final bill. The adverse economic impact of such litigation would be in addition to the negative economic impacts identified as resulting from the loss of revenue to the County and loss of employment by the residents of Maui.

B. Enacting Bill 9 without enacting the mitigation measures identified in the TIG Report would exacerbate the legal infirmity of Bill 9 and the economic risk to the County.

The TIG Report recommended legislation establishing H-3 and H-4 hotel districts and land-use designation changes. At a minimum, such actions should be completed before enactment of Bill 9. However, even with such measures, there would be great uncertainty as to the economic impacts of Bill 9 on individual landowners, which cause negative economic impacts and create a cloud that would drastically affect the ability of landowners to sell their property and the prices they could receive. Failure to address the economic impacts on landowners who cannot obtain mitigating land-use designation changes could still result in massive litigation against the County for "takings" claims of potentially hundreds of millions of dollars or more, which would not serve the interests of either the County or the landowners.

C. Consistent with the TIG Report's Identification that More Information Is Needed on the Economic Impact of Bill 9, Airbnb has Commissioned a Report to Evaluate Such Impacts.

The TIG Report correctly raises the issues of the potential negative economic impacts to the County and its taxpayers but does not seem to have made any real analysis of such impacts. We again urge the County Council make a comprehensive analysis of the financial impacts of the specific plan to be implemented before enactment of Bill 9. To assist the County, our law firm has engaged Dr. Paul Brewbaker, who specializes in economic consultancy, with a particular focus on land issues. Dr. Brewbaker has issued a report entitled "Economic aspects of Maui County's proposal to downzone Transient Vacation Rentals Maui County Council Bill 9 (2025)". A copy of Dr. Brewbaker's Report is attached hereto as Exhibit "C". This report supports the testimony that we have submitted, noting the risk of severe adverse economic effects on Maui County. Key conclusions of Dr. Brewbaker's Report include:

1. Tourism losses would reduce Maui's GDP by more than 5%, compounding the impacts that have already been suffered from the Covid-19 pandemic and 2023 wildfires.

2. Employment losses could double from the losses that have already been suffered as a result of these impact, resulting in potentially 7700+ additional unemployed people in Maui alone.

3. Property values would continue to plummet, resulting in annual property tax losses of between $40-$75 million annually.

4. These property value losses would likely be in addition to the approximately 30% loss in condominium prices that has already occurred over the last year.

Additionally, we note that Dr. Brewbaker's Report also provides analysis showing that rather than suffering negative economic consequences, Maui County can pursue a better alternative by focusing on construction of new housing, thereby avoiding the erosion of real property collateral values, throttling economic activity and the destruction of real wealth.

D. Conclusion

In conclusion, the County stands at a critical juncture. Before it proceeds with taking action on Bill 9, it should address the issues and concerns raised by the TIG Report and by other stakeholders, including consideration of the adverse economic impacts identified by Dr. Brewbaker. The alternative would be to rush into ill-advised action for the sake of action. The negative impact on both the County's finances and the vested rights of individuals to use their residential properties, without proper planning, could result in substantial litigation and catastrophic economic impacts.

For the reasons set forth herein, we have significant concerns about the proposal and urge the County to not move forward with Bill 9.

Very truly yours,

DAVID M. LOUIE
JOSEPH A. STEWART
for
KOBAYASHI SUGITA & GODA, LLP

Enclosure: Exhibit "A" June 6, 2025 testimony
Exhibit "B" October 21, 2025 testimony
Exhibit "C" Report of Dr. Brewbaker

EXHIBIT "A"

2045712

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June 6, 2025

MAUI COUNTY COUNCIL
Housing and Land Use Committee
Tasha Kama, Chair
Nohelani U‘u-Hodgins, Vice Chair

HEARING DATE: June 9, 2025
TIME: 10:00 pm

Re: TESTIMONY ON BEHALF OF AIRBNB OPPOSING THE PROPOSED BILL 9 (2025), AMENDING CHAPTERS 19.12, 19.32, AND 19.37, MAUI COUNTY CODE, RELATING TO TRANSIENT VACATION RENTALS IN APARTMENT DISTRICTS (HLU-4)

Dear Chair Kama, Vice Chair U‘u-Hodgins, and Committee Members:

We write on behalf of our client, Airbnb, in opposition to the proposed BILL 9 (2025), AMENDING CHAPTERS 19.12, 19.32, AND 19.37, MAUI COUNTY CODE, RELATING TO TRANSIENT VACATION RENTALS IN APARTMENT DISTRICTS (HLU-4) (“TVR Bill”).

The TVR Bill effectively eliminates short-term rentals in apartment-zoned districts in Maui. This is despite the fact that short-term rentals have been lawful, residential uses in these districts for decades. While we are encouraged by the Mayor’s proposal to extend the time period for this action from the original six months/one year to five years, the proposed action still violates U.S. and Hawai‘i law.

Specifically, the TVR Bill violates the well-established rights under the United States and State of Hawai‘i Constitutions of property owners—including many Maui residents who depend on income from TVRs to pay their mortgages, provide for their families, and fund their retirements. The TVR Bill will also have far-reaching—and potentially catastrophic—consequences for individuals and small businesses that depend on economic activity TVRs generate, in addition to negatively impacting the environment, and, in turn, the health and well-being of all Maui residents.

The TVR Bill would also invite years of lawsuits from property owners who have lawfully used their property as short-term rentals for decades and who have incurred substantial expenses to support such activity. Protracted litigation would be costly to the County—and should challengers prevail, the County could be required to pay property owners millions of dollars to compensate them for the taking of their properties and damages resulting from the ban.

As discussed more fully below, both the State of Hawaiʻi and federal courts of Hawaiʻi have explicitly recognized the vested rights of apartment owners to use their homes for short-term rentals as a residential use. Consequently, there is a substantial likelihood that the TVR Bill will ultimately be deemed unconstitutional. Furthermore, the bill would eliminate a major source of tax revenue that supports affordable housing and divert funds that could address Maui's housing challenges to pay litigation expenses—an unnecessary and unfortunate outcome.

For these reasons, we strongly urge that the Council not move forward the TVR Bill.

A. The Proposed TVR Bill Eliminates the Vested Rights of Maui Property Owners.

The proposed TVR Bill seeks to eliminate short-term rentals that have been lawful in Maui for over half a century. As Maui's Planning Director has recognized, "[short-term rentals], in one form or another, have been permitted within Apartment Districts since 1960."[1] The specific apartments targeted by the TVR Bill, moreover, have for years been permitted to operate as short-term rentals "by right."[2] The TVR Bill's proposed elimination of these short-term rentals—and this right—plainly violates Hawaiʻi law.

The law is clear and unequivocal: preexisting lawful uses of property ***cannot be eliminated*** by subsequent zoning ordinances. Property owners have a "right . . . to the continued existence of uses and structures which lawfully existed prior to the effective date of a zoning restriction."[3] "[P]reexisting lawful uses of property are generally considered to be vested rights that zoning

[1] Memorandum from Kate L. K. Blystone, Planning Director to Maui Planning Commission, Molokai Planning Commission, and Lanai Planning Commission regarding An Ordinance Amending Chapters 19.12, 19.32 and 19.37 Relating to Transient Vacation Rentals in Apartment Districts, at 10 (Jun. 25, 2024).

[2] *Id*.

[3] *Waikiki Marketplace Inv. Co. v. Chair of the Zoning Bd. of Appeals of City and Cty. of Honolulu*, 86 Haw. 343, 353, 949 P.2d 183, 193 (Ct. App. 1997).

ordinances may not abrogate."[4] This rule is deeply rooted in Hawai'i law, is constitutional in nature,[5] and does not depend on the text of Hawai'i's Zoning Enabling Act, Section 46-4(a).

In 1997, the Hawai'i Intermediate Court of Appeals concluded that Honolulu could not fine a property owner for maintaining a nonconforming addition that was lawful at the time the addition was constructed.[6] The appellate court explained that "the right of a property owner to the continued existence of uses and structures which lawfully existed prior to the effective date of a zoning restriction is grounded in *constitutional* law."[7] Requiring the owner "to remove the addition and pay daily fines," the court reasoned, "would constitute an interference with [the owner's] vested property rights, in violation of the due process clauses of the federal and state constitutions."[8]

In 2016, the Hawai'i Intermediate Court of Appeals affirmed these principles, this time in the context of short-term rentals. The appellate court rejected Kaua'i's interpretation of an ordinance that permitted only individuals who owned a seventy-five-percent-or-greater interest in their property to apply for short-term rental nonconforming use certificates.[9] The court reasoned that such an interpretation would raise "serious constitutional questions" because "persons with less than a seventy-five percent ownership interest [in their property] may have vested rights to pre-existing lawful uses."[10] Those vested rights, in turn, the court explained, cannot be abrogated by zoning law.[11]

More recently, in 2022, the United States District Court for the District of Hawai'i considered the constitutionality of a Honolulu ordinance that banned short-term rentals of less than 90 days. The federal court reasoned that homeowners in Honolulu had "a vested property right" in using their homes for short-term rental, because the homeowners had been doing so for years in reliance on existing law.[12]

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[4] *Robert D. Ferris Trust v. Planning Com'n of Cnty. of Kauai*, 138 Haw. 307, 312 (Haw. Ct. App. 2016); Waikiki Marketplace Inv. Co. v. Chair of Zoning Bd. of Appeals of City & Cnty. of Honolulu, 86 Haw. 183, 193-94 (Haw. Ct. App. 1997).

[5] *Id*.

[6] *Waikiki Marketplace*, 86 Haw. at 193.

[7] *Id*. (emphasis added).

[8] *Id*. at 194.

[9] *Ferris Trust*, 138 Haw. at 313.

[10] *Id*.

[11] *Id*. at 312.

[12] *Hawaii Legal Short-Term Rental Alliance v. City and Cnty. of Honolulu*, 2022 WL 7471692, at *10 (D. Haw. Oct. 13, 2022).

And again last year courts in Hawai‘i expressly recognized property owners' vested right to "the preexisting lawful use of [a] [p]roperty as a nonconforming TVR"[13] and acknowledged property owners' "vested right" to operate a TVR as a lawful, non-confirming use.[14]

Apartment owners in Maui who lawfully use their apartments for short-term rentals have a vested right in that preexisting use. Under state and federal law, Maui may not abrogate that vested right. The recent changes to Hawai‘i Revised Statutes, Section 46-4(a) referenced in the TVR Bill[15], purporting to remove statutory protections for homeowners who use their homes for short-term rentals, do not change the analysis. As the courts have found, the statutory protections of Section 46-4 derive from constitutional law.[16] Even if the statutory protections can be removed, the constitutional foundation remains, and the TVR Bill violates those constitutional protections.

B. The Proposed TVR Bill Causes an Unconstitutional Taking of Property Under the United States and Hawai‘i Constitutions.

The TVR Bill also implicates constitutional protections of apartment owners. The Fifth Amendment to the United States Constitution prohibits "private property [from] be[ing] taken for public use, without just compensation." U.S. Const. amend. V. The Hawai‘i Constitution too states that "[p]rivate property shall not be taken or damaged for public use without just compensation." Haw. Const. art. I, § 20. Because the Hawai‘i Constitution prohibits not just takings, but also mere "damage" to property interests, provides even broader protection than its federal counterpart. By preventing apartment owners from using their apartments for short-term rentals, the proposed TVR Bill effects an unconstitutional taking of private property under federal and state law.

A *per se* taking occurs whenever government interference with property effects "a direct government appropriation or physical invasion of private property."[17] When the government "appropriates for the enjoyment of third parties" "a fundamental element of the [owners'] property right,"[18] or "otherwise interfere[s] with [such fundamental] right[s]," "[t]hat sort of intrusion on property rights is a *per se* taking" that automatically "trigger[s]" the "right to compensation."[19]

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[13] *Rigotti v. Planning Dep't of the Cnty. of Kauai*, 155 Haw. 181 (Ct. App. 2024) (unpublished).

[14] *Kendrick v. Plan. Dep't of the Cnty. of Kaua'i*, 155 Haw. 230, 240 (Ct. App. 2024).

[15] TVR Bill, Section 7.A.

[16] *Campos v. Planning Comm'n*, 153 Haw. 386, 393 (Haw. App. Ct. 2023); Ferris Trust, 138 Haw. at 312; Waikiki Marketplace, 86 Haw. at 353.

[17] *Lingle v. Chevron U.S.A., Inc.*, 544 U.S. 528, 537 (2005).

[18] *Cedar Point Nursery v. Hassid*, 594 U.S. 139, 147 (2021).

[19] *Sheetz v. Cnty. of El Dorado, Cal.*, 601 U.S. 267, 274 (2025).

The TVR Bill prohibits property owners from leasing their properties on a short-term basis. But a fundamental element of property ownership is the right to lease for a duration of the owner's choosing.[20] The proposed ordinance also violates owners' right to include persons of their choosing (here, short-term lessees) on their property. The right to include is a corollary of the right to exclude, a recognized fundamental right.[21] "[T]he right to exclude must encompass . . . the owner's right to include others."[22] Because the proposed TVR Bill effects a *per se* taking, property owners are automatically entitled to compensation for the value of property taken.[23]

In 2022, the United States District Court for the District of Hawai'i entered a preliminary injunction, preventing Honolulu from enforcing similar legislation, for this exact reason.[24] The Hawai'i Federal District Court explained that property owners have a vested property right, for purposes of the federal Takings Clause, in using their homes for short-term rentals.[25] In finding this right, the court pointed to, among other things, the fact that property owners had relied on Honolulu regulations, decisions, and agreements that had long permitted such use.[26] The court then explained that "there is no question" that the attempted ban constitutes a taking because it outlaws existing short-term rentals "without providing any process to compensate or accommodate nonconforming uses."[27] In entering a preliminary injunction, the court blocked Honolulu from enforcing the ordinance.

The same is true here, and the same result will likely follow. Banning TVRs will have a swift—and dramatic—impact on owners. Property owners (including several Maui residents) testified before the Planning Commission that the ban will eliminate TVR income on which they rely to pay their mortgages, provide for their families, or fund their retirements. It will also destroy the value of their properties. UHERO projects that condominium prices will decline by 20-40

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[20] See Terrace v. Thompson, 263 U.S. 197, 215 (1923); Zaatari v. City of Austin, 615 S.W.3d 172, 190 (Tex. App. 2019) (observing "[t]he ability to lease property is a fundamental privilege of property ownership," and recognizing plaintiffs' "settled interest in their right to lease their property short term").

[21] See, e.g., *Union Carbide Corp. v. Alexander*, 679 S.W.2d 938, 940 (Tenn. 1984) (explaining that the fundamental "rights associated with the ownership of property" include the core rights and their corollaries—i.e., "the right to refuse to do any of the[m]")

[22] Thomas W. Merrill, Property and the Right to Exclude, 77 Neb. L. Rev. 730, 742-43 (1998)

[23] *See, e.g.*, *Sheetz*, 601 U.S. at 274. The TVR Bill also effects a regulatory taking under the *Penn Central* factors. *See* 438 U.S. at 124 (considering the "(1) economic impact of the regulation [on the property owner], (2) its interference with reasonable investment-backed expectations, and (3) the character of the government action" to determine whether a taking has occurred).

[24] *Hawaii Legal Short-Term Rental Alliance*, 2022 WL 7471692, at *9-11.

[25] *Id*. at 10.

[26] *Id*. at 10 n. 23.

[27] *Id*. at 10.

percent after the TVR Bill takes effect.[28] The proposed ordinance interferes with owners' reasonable expectations—supported by decades of lawful use and the County's express assurances—that they would be able to continue using their properties as TVRs—expectations on which they based significant decisions about their lives and livelihoods. The County's action, which will impose severe consequences on property owners, effects a taking for which property owners must be compensated.[29]

C. The Proposed TVR Bill Violates the Law in Several Other Ways

The proposed TVR Bill is likely unlawful for numerous other reasons. As one additional example, the proposed TVR Bill violates principles of zoning estoppel, which prevents municipalities from repudiating prior zoning decisions on which property owners have relied. As the Hawaiʻi Supreme Court has explained:

> [T]he doctrine of zoning estoppel is based on a change of position on the part of a [property owner] by substantial expenditure of money in connection with his project in reliance, not solely on existing zoning laws or on good faith expectancy that his development will be permitted, but on official assurance on which he has a right to rely that his project has met zoning requirements, that necessary approvals will be forthcoming in due course, and he may safely proceed with the project.[30]

Apartment owners in Maui for years have relied on the official assurances from their government that their preexisting lawful uses are protected. If enacted, and when challenged in court, Maui will be estopped from repudiating these assurances.

The TVR Bill also implicates property owners' substantive due process rights by arbitrarily and unreasonably impairing their vested rights, in violation of due process principles.[31] Specifically, it arbitrarily eliminates property owners' right to lease their properties for any period less than 180-days, without any reasonable justification.[32] Importantly, the TVR Bill will likely not survive the heightened scrutiny courts apply to evaluate laws that burden fundamental rights.[33]

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[28] The Economic Research Organization at the University of Hawai'i, "An Economic Analysis of the Proposal to Phase Out Transient Vacation Rentals in Maui County Apartment Districts" ("UHERO Report"), at 1 (Mar. 31, 2025).

[29] See *DW Aina Le'a Dev., LLC v. Land Use Comm'n*, 716 F. Supp. 3d 961, 975 (D. Haw. 2024), aff'd, 2025 WL 546356 (9th Cir. Feb. 19, 2025).

[30] *Life of the Land, Inc. v. City Council of City & Cnty. of Honolulu*, 606 P.2d 866, 902 (1980); see also Pacific Standard, 653 P.2d at 744 (quoting same).

[31] See *Waikiki*, 86 Haw. at 353-54, 949 P.2d at 193-94.

[32] See *United Prop. Owners Assoc. v. Belmar*, 447 A.2d 933, 937 (N.J. Super. Ct. App. Div. 1982), cert. den. 453 A.2d 880 (1982) ("[T]ime limitations imposed on renting residential property are impermissibly arbitrary and constitute an unreasonable restraint on the use of private property.").

[33] *Nagle v. Bd. of Ed.*, 63 Haw. 389, 403, 629 P.2d 109, 119 (1981).

It is not narrowly tailored to serve the County's interest in promoting affordable housing and undermines this goal by eliminating TVRs, which represent the largest source of property tax revenue for the County and provide the largest contributions to affordable housing development in Maui.[34]

Further, apartment owners affected by the TVR Bill are likely to have various other legal claims based on their individual circumstances.

D. Consideration of the Proposed TVR Bill is Premature

The current deliberation on the elimination of existing lawful uses, based on the record before the Council, is premature and lacks a comprehensive foundation. Such an approach may lead to legal challenges. Before enacting any restrictions, it is crucial for the County to thoroughly evaluate, among others, the following considerations:

1. **Absence of Compensation for Loss**. When the government eliminates a valid use, it generally must compensate those who are impacted for such loss. The TVR Bill does not make any consideration of compensation. We recommend that the Council convene an analysis to determine the compensation it will be required to pay for the taking prior to consideration of the TVR Bill.

2. **Economic Impacts on the County**. The Economic Research Organization at the University of Hawaiʻi (UHERO)'s recent study projects that the TVR Bill will result in a ***$900 million*** annual decline in total visitor spending and the loss of roughly ***1,900*** jobs in accommodations, food services, arts, entertainment, and retail trade, and cause Maui's real GDP to contract by ***4 percent***.[35] UHERO estimates that property tax revenues will fall by up to $60 million annually by 2029, due to declining property values and changes in tax class, and General Excise Tax and Transient Accommodations Tax revenues will fall by 10 and 8 percent (respectively), resulting in an additional $15 million of annual losses.[36] Airbnb submits that this is likely

[34] Jen Russo, Short Term Rentals are the Biggest Revenue Source for Maui County Real Property Tax FY22-23, MAUI VACATION RENTAL ASSOCIATION (May 22, 2022), available at https://mvra.net/news/12800076.

[35] The Economic Research Organization at the University of Hawai'i, "An Economic Analysis of the Proposal to Phase Out Transient Vacation Rentals in Maui County Apartment Districts" ("UHERO Report"), at 1-2 (Mar. 31, 2025).

[36] *Id*. at 1. A report by Kloninger & Sims Consulting LLC reached similar conclusions. According to that report, visitors staying in TVRs contributed approximately $2.2 billion to Maui's economy in 2023 alone, generating $33.7 million in county Transient Accommodations Tax and $11.8 million in county General Excise Tax revenues—a total of $45.5 million. The elimination of Maui's TVRs would result in a $128.3 million to $280.9 million decline in county tax collections.

a conservative estimate of the actual impacts to the County. The proposed TVR Bill does not consider how to address that loss or consider the fact that such revenue loss to the County could, in fact, be used by the County to increase the amount of affordable housing that is available to working families. This should be more fully vetted prior to any decision on the TVR Bill.

3. **The County Must Consider Potential Environmental Impacts**. TVRs provide a sustainable and environmentally friendly alternative, consuming fewer resources than resorts, hotels, or motels.[37] The County has not yet evaluated the adverse environmental consequences or aim to minimize these impacts. We strongly recommend that the County undertake a complete analysis of the potential environmental impacts of the TVR Bill before its consideration.

As we summarized above, the TVR Bill impedes fundamental rights and is subject to heightened scrutiny. However, the failure to fully examine, study, and consider these issues makes it questionable as to whether the TVR Bill even meets the standard of rational basis review. We would submit that it would be premature to pass the TVR Bill without explicitly considering these issues.

E. Conclusion

In conclusion, the County stands at a critical juncture. It can either choose to proceed with eliminating individuals' vested rights to use their residential properties, thereby inviting substantial litigation, or it can opt to explore collaborative solutions to Maui's housing challenges. By working with apartment owners and leveraging the tax revenue generated from TVRs, the County can develop housing that better meets the needs of Maui's workforce.

It is also imperative the Council enact laws that align with and uphold the protections guaranteed by the Hawaiʻi and federal Constitutions. The passage of the TVR Bill, as currently proposed, would contravene these constitutional protections. Such a legislative change is likely to trigger extensive litigation, which could ultimately nullify the TVR Bill. While the goals of increasing housing availability and affordability are important objectives, imposing unlawful and ineffective restrictions on short-term rentals is not a viable solution.

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[37] For example: A 2018 analysis using a "Cleantech" model found that when guests stay at a TVR, significantly less energy and water is used, greenhouse gas emissions are lower, and waste is reduced, compared to hotel stays. See Airbnb, "How the Airbnb Community Supports Environmentally-Friendly Travel Worldwide" (Apr. 19, 2018), available at https://news.airbnb.com/how-the-airbnb-community-supports-environmentally-friendly-travel-worldwide.

For the reasons set forth herein, we have significant concerns about the proposal and urge the County to not move forward with the TVR Bill.

Very truly yours,

David M. Louie
for
KOBAYASHI SUGITA & GODA, LLP

EXHIBIT “B”

2064447

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October 21, 2025

MAUI COUNTY COUNCIL
Housing and Land Use Committee
Tasha Kama, Chair
Nohelani U'u-Hodgins, Vice Chair

HEARING DATE: October 22, 2025
TIME: 9:00 am

Re: TESTIMONY ON BEHALF OF AIRBNB OPPOSING THE PROPOSED BILL 9 (2025), TEMPORARY INVESTIGATIVE GROUP ON POLICIES AND PROCEDURES FOR TRANSIENT VACATION RENTAL USES IN THE APARTMENT DISTRICTS (HLU-4(1))

Dear Chair Kama, Vice Chair U'u-Hodgins, and Committee Members:

We write on behalf of our client, Airbnb, to address the TEMPORARY INVESTIGATIVE GROUP ("**TIG**")'s report on "On Policies And Procedures For Transient Vacation Rental Uses In The Apartment Districts (HLU-4(1))" ("**TIG Report**").[1] We believe that the TIG Report represents a very important first step in asking the questions that the County should be asking before taking any action in relation to the proposed BILL 9 (2025), AMENDING CHAPTERS 19.12, 19.32, AND 19.37, MAUI COUNTY CODE, RELATING TO TRANSIENT VACATION RENTALS IN APARTMENT DISTRICTS (HLU-4) ("**Bill 9**"). However, as discussed more fully below, the TIG Report acknowledges that, while it raises questions, it still does not have answers to many of the key questions related to Bill 9. We therefore urge that the Maui County Council refrain from taking action on Bill 9 until answers to such questions are provided.

[1] This testimony incorporates my prior testimony dated June 6, 2025 in opposition to Bill 9. A copy of that testimony is attached hereto.

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A. The TIG Report Correctly Notes that More Information Is Needed on the Economic Impact of Bill 9.

Specifically, the TIG Report correctly raises the issues of the economic impacts to the County and its taxpayers, but does not seem to have any real analysis of such impacts. Prior to taking any specific action, we would urge that the County Council make a comprehensive analysis of the financial impacts of the specific plan to be implemented.

B. All Administrative and Legislative Solutions Should be Implemented Before Taking Action on Bill 9.

The TIG Report also unanimously recommended two specific actions regarding legislation establishing H-3 and H-4 hotel districts, and Council initiated land-use designation changes. We commend the TIG for thinking about potential solutions to address the impacts for at least some of the impacted individual property owners. However, we have concerns to the extent that the County Council may consider approval of Bill 9 without actually implementing any of these administrative or legislative solutions. Such an approval, taken without any analysis of financial impacts and without simultaneously implementing ameliorating measures, would be akin to shooting first and aiming later. Such an action would lead to great uncertainty as to the economic impacts of Bill 9 on individual landowners, cause negative economic impacts and create a cloud that would drastically affect the ability of landowners to sell their property and the prices they could receive.

Furthermore, as acknowledged by the TIG Report, the proposed administrative and legislative recommendations would only have a potential impact to lessen the economic impacts on some of the affected landowners. Failure to address the economic impact on the remaining landowners could still result in massive litigation against the County for "takings" claims of potentially hundreds of millions of dollars or more, which would not serve the interests of either the County or the landowners.

C. Conclusion

In conclusion, the County stands at a critical juncture. Before it proceeds with taking action on Bill 9, it should address the issues and concerns raised by the TIG Report and by other stakeholders. The alternative would be to rush into ill-advised action for the sake of action. The impact on both the County's finances and the individuals' vested rights to use their residential properties without proper planning could result in substantial litigation and catastrophic economic impacts.

For the reasons set forth herein, we have significant concerns about the proposal and urge the County to not move forward with Bill 9.

Very truly yours,

DAVID M. LOUIE
for
KOBAYASHI SUGITA & GODA, LLP

Enclosure: June 6, 2025 testimony

2045712

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June 6, 2025

MAUI COUNTY COUNCIL
Housing and Land Use Committee
Tasha Kama, Chair
Nohelani U‘u-Hodgins, Vice Chair

HEARING DATE: June 9, 2025
TIME: 10:00 pm

Re: TESTIMONY ON BEHALF OF AIRBNB OPPOSING THE PROPOSED BILL 9 (2025), AMENDING CHAPTERS 19.12, 19.32, AND 19.37, MAUI COUNTY CODE, RELATING TO TRANSIENT VACATION RENTALS IN APARTMENT DISTRICTS (HLU-4)

Dear Chair Kama, Vice Chair U‘u-Hodgins, and Committee Members:

We write on behalf of our client, Airbnb, in opposition to the proposed BILL 9 (2025), AMENDING CHAPTERS 19.12, 19.32, AND 19.37, MAUI COUNTY CODE, RELATING TO TRANSIENT VACATION RENTALS IN APARTMENT DISTRICTS (HLU-4) (“TVR Bill”).

The TVR Bill effectively eliminates short-term rentals in apartment-zoned districts in Maui. This is despite the fact that short-term rentals have been lawful, residential uses in these districts for decades. While we are encouraged by the Mayor’s proposal to extend the time period for this action from the original six months/one year to five years, the proposed action still violates U.S. and Hawai‘i law.

Specifically, the TVR Bill violates the well-established rights under the United States and State of Hawai‘i Constitutions of property owners—including many Maui residents who depend on income from TVRs to pay their mortgages, provide for their families, and fund their retirements. The TVR Bill will also have far-reaching—and potentially catastrophic—consequences for individuals and small businesses that depend on economic activity TVRs generate, in addition to negatively impacting the environment, and, in turn, the health and well-being of all Maui residents.

The TVR Bill would also invite years of lawsuits from property owners who have lawfully used their property as short-term rentals for decades and who have incurred substantial expenses to support such activity. Protracted litigation would be costly to the County—and should challengers prevail, the County could be required to pay property owners millions of dollars to compensate them for the taking of their properties and damages resulting from the ban.

As discussed more fully below, both the State of Hawai‘i and federal courts of Hawai‘i have explicitly recognized the vested rights of apartment owners to use their homes for short-term rentals as a residential use. Consequently, there is a substantial likelihood that the TVR Bill will ultimately be deemed unconstitutional. Furthermore, the bill would eliminate a major source of tax revenue that supports affordable housing and divert funds that could address Maui's housing challenges to pay litigation expenses—an unnecessary and unfortunate outcome.

For these reasons, we strongly urge that the Council not move forward the TVR Bill.

A. The Proposed TVR Bill Eliminates the Vested Rights of Maui Property Owners.

The proposed TVR Bill seeks to eliminate short-term rentals that have been lawful in Maui for over half a century. As Maui's Planning Director has recognized, "[short-term rentals], in one form or another, have been permitted within Apartment Districts since 1960."[1] The specific apartments targeted by the TVR Bill, moreover, have for years been permitted to operate as short-term rentals "by right."[2] The TVR Bill's proposed elimination of these short-term rentals—and this right—plainly violates Hawai‘i law.

The law is clear and unequivocal: preexisting lawful uses of property ***cannot be eliminated*** by subsequent zoning ordinances. Property owners have a "right . . . to the continued existence of uses and structures which lawfully existed prior to the effective date of a zoning restriction."[3] "[P]reexisting lawful uses of property are generally considered to be vested rights that zoning

[1] Memorandum from Kate L. K. Blystone, Planning Director to Maui Planning Commission, Molokai Planning Commission, and Lanai Planning Commission regarding An Ordinance Amending Chapters 19.12, 19.32 and 19.37 Relating to Transient Vacation Rentals in Apartment Districts, at 10 (Jun. 25, 2024).

[2] *Id*.

[3] *Waikiki Marketplace Inv. Co. v. Chair of the Zoning Bd. of Appeals of City and Cty. of Honolulu*, 86 Haw. 343, 353, 949 P.2d 183, 193 (Ct. App. 1997).

ordinances may not abrogate."[4] This rule is deeply rooted in Hawai'i law, is constitutional in nature,[5] and does not depend on the text of Hawai'i's Zoning Enabling Act, Section 46-4(a).

In 1997, the Hawai'i Intermediate Court of Appeals concluded that Honolulu could not fine a property owner for maintaining a nonconforming addition that was lawful at the time the addition was constructed.[6] The appellate court explained that "the right of a property owner to the continued existence of uses and structures which lawfully existed prior to the effective date of a zoning restriction is grounded in *constitutional* law."[7] Requiring the owner "to remove the addition and pay daily fines," the court reasoned, "would constitute an interference with [the owner's] vested property rights, in violation of the due process clauses of the federal and state constitutions."[8]

In 2016, the Hawai'i Intermediate Court of Appeals affirmed these principles, this time in the context of short-term rentals. The appellate court rejected Kaua'i's interpretation of an ordinance that permitted only individuals who owned a seventy-five-percent-or-greater interest in their property to apply for short-term rental nonconforming use certificates.[9] The court reasoned that such an interpretation would raise "serious constitutional questions" because "persons with less than a seventy-five percent ownership interest [in their property] may have vested rights to pre-existing lawful uses."[10] Those vested rights, in turn, the court explained, cannot be abrogated by zoning law.[11]

More recently, in 2022, the United States District Court for the District of Hawai'i considered the constitutionality of a Honolulu ordinance that banned short-term rentals of less than 90 days. The federal court reasoned that homeowners in Honolulu had "a vested property right" in using their homes for short-term rental, because the homeowners had been doing so for years in reliance on existing law.[12]

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[4] *Robert D. Ferris Trust v. Planning Com'n of Cnty. of Kauai*, 138 Haw. 307, 312 (Haw. Ct. App. 2016); Waikiki Marketplace Inv. Co. v. Chair of Zoning Bd. of Appeals of City & Cnty. of Honolulu, 86 Haw. 183, 193-94 (Haw. Ct. App. 1997).

[5] *Id*.

[6] *Waikiki Marketplace*, 86 Haw. at 193.

[7] *Id*. (emphasis added).

[8] *Id*. at 194.

[9] *Ferris Trust*, 138 Haw. at 313.

[10] *Id*.

[11] *Id*. at 312.

[12] *Hawaii Legal Short-Term Rental Alliance v. City and Cnty. of Honolulu*, 2022 WL 7471692, at *10 (D. Haw. Oct. 13, 2022).

And again last year courts in Hawai‘i expressly recognized property owners' vested right to "the preexisting lawful use of [a] [p]roperty as a nonconforming TVR"[13] and acknowledged property owners' "vested right" to operate a TVR as a lawful, non-confirming use.[14]

Apartment owners in Maui who lawfully use their apartments for short-term rentals have a vested right in that preexisting use. Under state and federal law, Maui may not abrogate that vested right. The recent changes to Hawai‘i Revised Statutes, Section 46-4(a) referenced in the TVR Bill[15], purporting to remove statutory protections for homeowners who use their homes for short-term rentals, do not change the analysis. As the courts have found, the statutory protections of Section 46-4 derive from constitutional law.[16] Even if the statutory protections can be removed, the constitutional foundation remains, and the TVR Bill violates those constitutional protections.

B. The Proposed TVR Bill Causes an Unconstitutional Taking of Property Under the United States and Hawai‘i Constitutions.

The TVR Bill also implicates constitutional protections of apartment owners. The Fifth Amendment to the United States Constitution prohibits "private property [from] be[ing] taken for public use, without just compensation." U.S. Const. amend. V. The Hawai‘i Constitution too states that "[p]rivate property shall not be taken or damaged for public use without just compensation." Haw. Const. art. I, § 20. Because the Hawai‘i Constitution prohibits not just takings, but also mere "damage" to property interests, provides even broader protection than its federal counterpart. By preventing apartment owners from using their apartments for short-term rentals, the proposed TVR Bill effects an unconstitutional taking of private property under federal and state law.

A *per se* taking occurs whenever government interference with property effects "a direct government appropriation or physical invasion of private property."[17] When the government "appropriates for the enjoyment of third parties" "a fundamental element of the [owners'] property right,"[18] or "otherwise interfere[s] with [such fundamental] right[s]," "[t]hat sort of intrusion on property rights is a *per se* taking" that automatically "trigger[s]" the "right to compensation."[19]

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[13] *Rigotti v. Planning Dep't of the Cnty. of Kauai*, 155 Haw. 181 (Ct. App. 2024) (unpublished).

[14] *Kendrick v. Plan. Dep't of the Cnty. of Kaua'i*, 155 Haw. 230, 240 (Ct. App. 2024).

[15] TVR Bill, Section 7.A.

[16] *Campos v. Planning Comm'n*, 153 Haw. 386, 393 (Haw. App. Ct. 2023); Ferris Trust, 138 Haw. at 312; Waikiki Marketplace, 86 Haw. at 353.

[17] *Lingle v. Chevron U.S.A., Inc.*, 544 U.S. 528, 537 (2005).

[18] *Cedar Point Nursery v. Hassid*, 594 U.S. 139, 147 (2021).

[19] *Sheetz v. Cnty. of El Dorado, Cal.*, 601 U.S. 267, 274 (2025).

The TVR Bill prohibits property owners from leasing their properties on a short-term basis. But a fundamental element of property ownership is the right to lease for a duration of the owner's choosing.[20] The proposed ordinance also violates owners' right to include persons of their choosing (here, short-term lessees) on their property. The right to include is a corollary of the right to exclude, a recognized fundamental right.[21] "[T]he right to exclude must encompass . . . the owner's right to include others."[22] Because the proposed TVR Bill effects a *per se* taking, property owners are automatically entitled to compensation for the value of property taken.[23]

In 2022, the United States District Court for the District of Hawaiʻi entered a preliminary injunction, preventing Honolulu from enforcing similar legislation, for this exact reason.[24] The Hawaiʻi Federal District Court explained that property owners have a vested property right, for purposes of the federal Takings Clause, in using their homes for short-term rentals.[25] In finding this right, the court pointed to, among other things, the fact that property owners had relied on Honolulu regulations, decisions, and agreements that had long permitted such use.[26] The court then explained that "there is no question" that the attempted ban constitutes a taking because it outlaws existing short-term rentals "without providing any process to compensate or accommodate nonconforming uses."[27] In entering a preliminary injunction, the court blocked Honolulu from enforcing the ordinance.

The same is true here, and the same result will likely follow. Banning TVRs will have a swift—and dramatic—impact on owners. Property owners (including several Maui residents) testified before the Planning Commission that the ban will eliminate TVR income on which they rely to pay their mortgages, provide for their families, or fund their retirements. It will also destroy the value of their properties. UHERO projects that condominium prices will decline by 20-40

[20] See Terrace v. Thompson, 263 U.S. 197, 215 (1923); Zaatari v. City of Austin, 615 S.W.3d 172, 190 (Tex. App. 2019) (observing "[t]he ability to lease property is a fundamental privilege of property ownership," and recognizing plaintiffs' "settled interest in their right to lease their property short term").

[21] See, e.g., *Union Carbide Corp. v. Alexander*, 679 S.W.2d 938, 940 (Tenn. 1984) (explaining that the fundamental "rights associated with the ownership of property" include the core rights and their corollaries—i.e., "the right to refuse to do any of the[m]")

[22] Thomas W. Merrill, Property and the Right to Exclude, 77 Neb. L. Rev. 730, 742-43 (1998)

[23] *See, e.g.*, *Sheetz*, 601 U.S. at 274. The TVR Bill also effects a regulatory taking under the *Penn Central* factors. *See* 438 U.S. at 124 (considering the "(1) economic impact of the regulation [on the property owner], (2) its interference with reasonable investment-backed expectations, and (3) the character of the government action" to determine whether a taking has occurred).

[24] *Hawaii Legal Short-Term Rental Alliance*, 2022 WL 7471692, at *9-11.

[25] *Id*. at 10.

[26] *Id*. at 10 n. 23.

[27] *Id*. at 10.

percent after the TVR Bill takes effect.[28] The proposed ordinance interferes with owners' reasonable expectations—supported by decades of lawful use and the County's express assurances—that they would be able to continue using their properties as TVRs—expectations on which they based significant decisions about their lives and livelihoods. The County's action, which will impose severe consequences on property owners, effects a taking for which property owners must be compensated.[29]

C. The Proposed TVR Bill Violates the Law in Several Other Ways

The proposed TVR Bill is likely unlawful for numerous other reasons. As one additional example, the proposed TVR Bill violates principles of zoning estoppel, which prevents municipalities from repudiating prior zoning decisions on which property owners have relied. As the Hawaiʻi Supreme Court has explained:

> [T]he doctrine of zoning estoppel is based on a change of position on the part of a [property owner] by substantial expenditure of money in connection with his project in reliance, not solely on existing zoning laws or on good faith expectancy that his development will be permitted, but on official assurance on which he has a right to rely that his project has met zoning requirements, that necessary approvals will be forthcoming in due course, and he may safely proceed with the project.[30]

Apartment owners in Maui for years have relied on the official assurances from their government that their preexisting lawful uses are protected. If enacted, and when challenged in court, Maui will be estopped from repudiating these assurances.

The TVR Bill also implicates property owners' substantive due process rights by arbitrarily and unreasonably impairing their vested rights, in violation of due process principles.[31] Specifically, it arbitrarily eliminates property owners' right to lease their properties for any period less than 180-days, without any reasonable justification.[32] Importantly, the TVR Bill will likely not survive the heightened scrutiny courts apply to evaluate laws that burden fundamental rights.[33]

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[28] The Economic Research Organization at the University of Hawai'i, "An Economic Analysis of the Proposal to Phase Out Transient Vacation Rentals in Maui County Apartment Districts" ("UHERO Report"), at 1 (Mar. 31, 2025).

[29] See *DW Aina Le'a Dev., LLC v. Land Use Comm'n*, 716 F. Supp. 3d 961, 975 (D. Haw. 2024), aff'd, 2025 WL 546356 (9th Cir. Feb. 19, 2025).

[30] *Life of the Land, Inc. v. City Council of City & Cnty. of Honolulu*, 606 P.2d 866, 902 (1980); see also Pacific Standard, 653 P.2d at 744 (quoting same).

[31] See *Waikiki*, 86 Haw. at 353-54, 949 P.2d at 193-94.

[32] See *United Prop. Owners Assoc. v. Belmar*, 447 A.2d 933, 937 (N.J. Super. Ct. App. Div. 1982), cert. den. 453 A.2d 880 (1982) ("[T]ime limitations imposed on renting residential property are impermissibly arbitrary and constitute an unreasonable restraint on the use of private property.").

[33] *Nagle v. Bd. of Ed.*, 63 Haw. 389, 403, 629 P.2d 109, 119 (1981).

It is not narrowly tailored to serve the County's interest in promoting affordable housing and undermines this goal by eliminating TVRs, which represent the largest source of property tax revenue for the County and provide the largest contributions to affordable housing development in Maui.[34]

Further, apartment owners affected by the TVR Bill are likely to have various other legal claims based on their individual circumstances.

D. Consideration of the Proposed TVR Bill is Premature

The current deliberation on the elimination of existing lawful uses, based on the record before the Council, is premature and lacks a comprehensive foundation. Such an approach may lead to legal challenges. Before enacting any restrictions, it is crucial for the County to thoroughly evaluate, among others, the following considerations:

1. **Absence of Compensation for Loss**. When the government eliminates a valid use, it generally must compensate those who are impacted for such loss. The TVR Bill does not make any consideration of compensation. We recommend that the Council convene an analysis to determine the compensation it will be required to pay for the taking prior to consideration of the TVR Bill.

2. **Economic Impacts on the County**. The Economic Research Organization at the University of Hawai'i (UHERO)'s recent study projects that the TVR Bill will result in a ***$900 million*** annual decline in total visitor spending and the loss of roughly ***1,900*** jobs in accommodations, food services, arts, entertainment, and retail trade, and cause Maui's real GDP to contract by ***4 percent***.[35] UHERO estimates that property tax revenues will fall by up to $60 million annually by 2029, due to declining property values and changes in tax class, and General Excise Tax and Transient Accommodations Tax revenues will fall by 10 and 8 percent (respectively), resulting in an additional $15 million of annual losses.[36] Airbnb submits that this is likely

[34] Jen Russo, Short Term Rentals are the Biggest Revenue Source for Maui County Real Property Tax FY22-23, MAUI VACATION RENTAL ASSOCIATION (May 22, 2022), available at https://mvra.net/news/12800076.

[35] The Economic Research Organization at the University of Hawai'i, "An Economic Analysis of the Proposal to Phase Out Transient Vacation Rentals in Maui County Apartment Districts" ("UHERO Report"), at 1-2 (Mar. 31, 2025).

[36] *Id*. at 1. A report by Kloninger & Sims Consulting LLC reached similar conclusions. According to that report, visitors staying in TVRs contributed approximately $2.2 billion to Maui's economy in 2023 alone, generating $33.7 million in county Transient Accommodations Tax and $11.8 million in county General Excise Tax revenues—a total of $45.5 million. The elimination of Maui's TVRs would result in a $128.3 million to $280.9 million decline in county tax collections.

a conservative estimate of the actual impacts to the County. The proposed TVR Bill does not consider how to address that loss or consider the fact that such revenue loss to the County could, in fact, be used by the County to increase the amount of affordable housing that is available to working families. This should be more fully vetted prior to any decision on the TVR Bill.

3. **The County Must Consider Potential Environmental Impacts**. TVRs provide a sustainable and environmentally friendly alternative, consuming fewer resources than resorts, hotels, or motels.[37] The County has not yet evaluated the adverse environmental consequences or aim to minimize these impacts. We strongly recommend that the County undertake a complete analysis of the potential environmental impacts of the TVR Bill before its consideration.

As we summarized above, the TVR Bill impedes fundamental rights and is subject to heightened scrutiny. However, the failure to fully examine, study, and consider these issues makes it questionable as to whether the TVR Bill even meets the standard of rational basis review. We would submit that it would be premature to pass the TVR Bill without explicitly considering these issues.

E. Conclusion

In conclusion, the County stands at a critical juncture. It can either choose to proceed with eliminating individuals' vested rights to use their residential properties, thereby inviting substantial litigation, or it can opt to explore collaborative solutions to Maui's housing challenges. By working with apartment owners and leveraging the tax revenue generated from TVRs, the County can develop housing that better meets the needs of Maui's workforce.

It is also imperative the Council enact laws that align with and uphold the protections guaranteed by the Hawaiʻi and federal Constitutions. The passage of the TVR Bill, as currently proposed, would contravene these constitutional protections. Such a legislative change is likely to trigger extensive litigation, which could ultimately nullify the TVR Bill. While the goals of increasing housing availability and affordability are important objectives, imposing unlawful and ineffective restrictions on short-term rentals is not a viable solution.

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[37] For example: A 2018 analysis using a "Cleantech" model found that when guests stay at a TVR, significantly less energy and water is used, greenhouse gas emissions are lower, and waste is reduced, compared to hotel stays. See Airbnb, "How the Airbnb Community Supports Environmentally-Friendly Travel Worldwide" (Apr. 19, 2018), available at https://news.airbnb.com/how-the-airbnb-community-supports-environmentally-friendly-travel-worldwide.

For the reasons set forth herein, we have significant concerns about the proposal and urge the County to not move forward with the TVR Bill.

Very truly yours,

David M. Louie
for
KOBAYASHI SUGITA & GODA, LLP

EXHIBIT "C"

Economic aspects of Maui County's proposal to downzone Transient Vacation Rentals
Maui County Council Bill 9 (2025)

by Paul H. Brewbaker, Ph.D., CBE
Principal, TZ Economics
606 Ululani St., Kailua, Hawaii

September 28, 2025

prepared as background for

KOBAYASHI, SUGITA & GODA LLP
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Economic aspects of Maui County's proposal to downzone Transient Vacation Rentals
Maui County Council Bill 9 (2025)

by Paul H. Brewbaker, Ph.D., CBE
Principal, TZ Economics
606 Ululani St., Kailua, Hawaii

September 28, 2025

Executive Summary

A. Implementation of Maui County's Bill 9 will have a catastrophic impact on Maui's economy:

- Tourism is 29 percent of Maui Gross Domestic Product (GDP), and Maui County Bill 9's elimination of more than 6,000 Transient Vacation Rentals (TVR) would likely eliminate 19 percent of tourism receipts, which would reduce Maui's GDP by more than 5%.

- The likely tourism losses that will result from implementation of Bill 9 (2025) will compound the economic impacts of the 2020 pandemic and 2023 wildfires, aggravating what is already significantly diminished Maui tourism and employment.

- In 2024, Maui employment was 7,200 jobs lower and 6,200 employed persons fewer when compared to a full-potential 2019 benchmark. Bill 9 could double those losses.

- The opportunity cost of Bill 9 implementation in terms of the full-potential, pre-pandemic 2019 benchmark is about $1 billion in tourism receipts (in 2019 dollars).

- Maui County output loss would be about $1.6 billion (in 2019 dollars). Other counties would lose about $300 million in output, for a total statewide output loss of $1.9 billion.

- In addition to the more than 5,700 Maui jobs related to tourism that would be lost by the implementation of Bill 9, there would be induced losses that would result in total losses of more than 7,700 Maui jobs. An additional 1,400 jobs would be lost elsewhere in Hawaii.

- Bill 9 implementation would result in lost state tax revenues, with $91 million in tax loss attributable to Maui County, and $14 million in tax loss from the rest of the state.

- Lost future real property tax revenues over the next 30 years are estimated to have a present value of $1 billion to $2 billion (in 2025 dollars), based on losses stabilizing at $40-$75 million annually.

B. Maui condominium prices already have dropped more than 30% in just the last year, which would be compounded by implementation of Bill 9 but, to date, this has not resolved Maui's affordable housing issues.

- University of Hawaii studies of Bill 9 anticipate that it will cause a median Maui condominium price decline of 20-40 percent by 2027, a fire sales externality from dumping 6,000 condos in the market over an 18-month period. But Maui median condo prices have already declined 30-40 percent in the last 12 months, through August 2025, *while* their research analyses were underway. Even without Bill 9, condo investors are exiting, with inventories piling up and prices falling, without "solving" the affordable housing problem. How can it be a problem if the "solution" already has occurred?

- Bill 9's artificial lowering of Maui condo prices could entice investors who are most likely second-home buyers *not* from Maui. Current Maui residents may face even more competition from offshore investors than before.

C. Rather than cannibalizing its TVR stock and suffering the inevitable bad economic consequences, Maui has a better alternative: constructing new housing that better aligns with and serves the needs of Maui residents.

- While the putative motivation for Bill 9 is a housing shortage, that issue could be more directly addressed by building more housing, an investment activity that has not been actively encouraged by Maui County continuously for more than fifty years.

- The construction of new housing would not only avoid the significant economic losses of Bill 9 but would continue the economic growth and employment associated with residential construction.

- The tax revenue that would be received from continued allowance of currently-legal TVRs could be used to fund or support construction of real affordable housing that would better meet the needs of lower-income families.

D. Implementation of Bill 9 would be bad policy that would unnecessarily harm the residents of Maui.

- Overall, implementation of Bill 9 would extinguish thousands of jobs, force residents to leave Maui and reduce housing demand. Unintended effects include eroding real property collateral values, which impairs borrowing power and limits lending, thereby throttling economic activity. Real wealth destruction would aggravate aggregate income losses: a convoluted path to social welfare enhancement.

Economic aspects of Maui County's proposal to downzone Transient Vacation Rentals
Maui County Council Bill 9 (2025)

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September 28, 2025

1. Introduction

Tourism is a big part of Maui's economy, comprising 29 percent of Maui County value-added or Gross Domestic Product (GDP).[1] Exports of goods and services measured by Maui tourism receipts, or total visitor expenditure, are associated directly and indirectly with between one-quarter and one-third of Maui GDP. This is a large share for small open economy. As a result, economic policy that materially impairs production of Maui tourism-related goods and services, such as lodging, food, transportation, and recreation services, will have adverse economy-wide consequences for Maui residents.

The importance of Maui tourism, nearly one-third of its economy, is why Maui County's 2025 proposal to reduce Maui's lodging inventory by 28 percent is so dangerous. This 28 percent of Maui lodging units—known on Maui as Transient Vacation Rentals (TVRs)—comprises a large portion of productive capacity known in Hawaii as Visitor Plant Inventory.[2] Maui's inventory includes hotel rooms (34 percent), timeshare units (17 percent), condominiums (13 percent), and TVRs (34 percent), along with other forms of transient accommodation (< 2 percent). About 19 percent of Maui tourism export receipts are associated with the 28 percent of Maui TVRs at-risk of elimination by Bill 9.

Bill 9 obliterates thousands of tourism-associated jobs and incomes, both in Maui County and around the state (through inter-county, inter-industry relationships).

Further, without compensating TVR owners for their loss of value, Bill 9 likely represents an unconstitutional taking of private property. Owners will likely seek compensation from the County of, at least, the difference between present values of marks-to-market on units at short-term lodging rental rates versus units at long-term residential rental rates.

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[1] Hawaii Department of Business, Economic Development, and Tourism (DBEDT) (December 2024) *Tourism and Hawaii Economy* (https://files.hawaii.gov/dbedt/economic/data_reports/download/Tourism%20and%20Hawaii%20Economy_Dec2024.pdf).

[2] Hawaii (DBEDT) *2024 Visitor Plant Inventory* (annual) (https://files.hawaii.gov/dbedt/visitor/visitor-plant/2024VPI.pdf).

Ultimately, the County has a better alternative. Instead of eliminating TVR use of existing units, it could support the construction of new housing inventory. This would both avoid the substantial adverse economic impacts of eliminating TVR use, and result in the type of affordable housing that is needed by the residents of Maui.

a. History of TVR Regulation in Maui

TVR units were primarily built in the post-World War II era located in the West and South Maui resort areas. By 1989, they had been operated in various ways, included owner-occupancy, or as rental units on a short- or long-term basis.[3] Use of these units as TVR was grandfathered in a 1989 ordinance, subsequently validated by Maui County legal opinion, and further codified through the 2010s. [4]

TVR utilization evolved from the 1970s to the 2020s from more residential to more transient use. But the flexible use of this inventory remained its principal distinction from other housing and lodging in Maui. For example, few people reside in hotels or timeshares. All the net increase in Maui lodging inventory since 1990—thirty-five years—comprises vacation rentals, not hotel rooms, timeshare units, or condominiums. But not all Maui vacation rentals constitute TVRs.

b. Introduction of Bill 9

In December 2024, Maui Mayor Bissen introduced Bill 9 (2025).[5] In it, the county proposes to no longer honor its commitment to prior TVR zoning accommodations. Instead, the County would limit approximately 6,000 TVR units in and around resort areas to long-term residential

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[3] Maui County Council (August 2021) (https://mauicounty.legistar.com/View.ashx?M=F&ID=9718863&GUID=E6B7CC3E-94F2-4BFA-A97A-D557AF010372). Separately, Maui County imposed a "moratorium on new transient accommodations on Maui" in January 2022 (https://www.mauicounty.gov/DocumentCenter/View/131251/Ordinance-5316-eff-01072022).

[4] According to Bill 9 (2025), "Ordinance 1134 (1980) created Title 19.37, Maui County Code, [in] which … Transient Vacation Rentals were defined as rentals for less than 30 days in 'multi-unit' buildings. The ordinance allowed [TVRs] in Apartment and Hotel Districts only. Ordinance 1797 (1989) amended Title 19.12.010(C), Maui County Code, and removed Transient Vacation Rentals as a permissible use in Apartment Districts. … The ordinance also recognized, in Section 11, that the new law would not apply to Apartment District structures that had received certain development approvals prior to the ordinance's enactment." Ordinance 1989 (1991) amended Title 19.37, Maui County Code, striking [TVR] use in Apartment Districts. Maui County Deputy Corporation Counsel Richard Minatoya later identified the grandfathered housing-cum-lodging units, the Minatoya List, in 2001. Units on this list in Apartment zones were allowed to operate as TVRs. In 2014, Ordinance No. 4167 (2014) was passed, "…codifying the language of Ordinance 1797, Section 11. … [It] allowed those structures built or approved prior to 1989 to operate [TVR] in Apartment Districts. This exception was codified in section 19.12.020(G), Maui County Code … [and] was modified at least four times [after] its passage in Ordinance Nos. 5126 (2020), 5301 (2021), 5473 (2022) and 5502 (2023), … [identifying] additional requirements … for the exception." Continuously, Minatoya List units operated as TVRs under Apartment Zoning for more than one-half century. (See https://mauicounty.legistar.com/View.ashx?M=F&ID=14263348&GUID=299EB014-1CF9-4CF7-8EB2-3367662C0592.)

[5] See footnote 4, a bill for an ordinance amending chapters 19.12, 19.32, and 19.37, Maui County Code, "to revert all Apartment District properties to their [putatively] intended long-term residential use; remove the exception provided to those built or approved prior to 1989; and fully discontinue [TVR] use in Apartment Districts."

use only. Bill 9 downzones 6,000 lodging units into housing units, begging the question of whether such binary distinctions are even meaningful.[6]

c. Building more housing is a non-harmful alternative to reducing TVR units.

Bill 9 does have a universally beneficial alternative which yields more housing without any loss of lodging and the associated catastrophic economic impacts. Maui need not forgo lodging inventory or tourism jobs and incomes, at all. Maui's reputation for credible precommitment to rules of the game can be maintained, mitigating adverse impacts of uncertainty on investment. As an alternative to Bill 9, Maui County can exercise its regulatory discretion to make feasible the construction of more new housing units, rather than persist in decades of throttling of homebuilding. Simply put, the solution to a housing shortage is to build more housing.

Compare reducing Maui's 21,473 lodging unit inventory (2024) 28 percent by downzoning 6,000 TVR, with the alternative of enabling 6,000 more housing units to be built.[7]

The alternative of building 6,000 new housing units has zero opportunity cost for Maui's economy. It doesn't reduce jobs and incomes. It increases economic activity through residential construction. Building 6,000 more housing units *retains* tourism-productive capacity while simultaneously increasing housing capacity. No decrease in lodging with an increase in housing: it's a superior, win-win alternative to the win-lose Bill 9 outcome.

In contrast, elimination of 6,000 TVR will reduce annual Maui tourism receipts by about one-fifth, based on a "full utilization" pre-pandemic tourism performance benchmark in 2019. Maui tourism had peaked by 2018-19 at high seasonal utilization of its lodging inventory. Occupancy was about as high as it gets. Operating at less than full potential when more is feasible and attainable, by definition, is inefficient. At less-than-full potential people could have had jobs and incomes but needlessly are denied them. Good times and bad times come and go, naturally, but deliberately adopting economic policy that knowingly causes bad times makes no sense.

This report evaluates Bill 9's economic impacts against a 2019 full-potential benchmark, estimating opportunity costs of losing over 25 percent of Maui's lodging units. Presumably the sudden stop in travel and tourism caused by the COVID-19 pandemic in 2020 readily illustrates how costly a material reduction in Maui tourism can be. Subsequent impairment of Maui's post-pandemic recovery caused by catastrophic August 2023 wildfires, depressing Maui visitor arrivals by more than one-quarter, underscore the same risks to Maui employment and incomes. The obvious lesson drawn from Maui's two largest adverse tourism shocks *ever*, consecutively in

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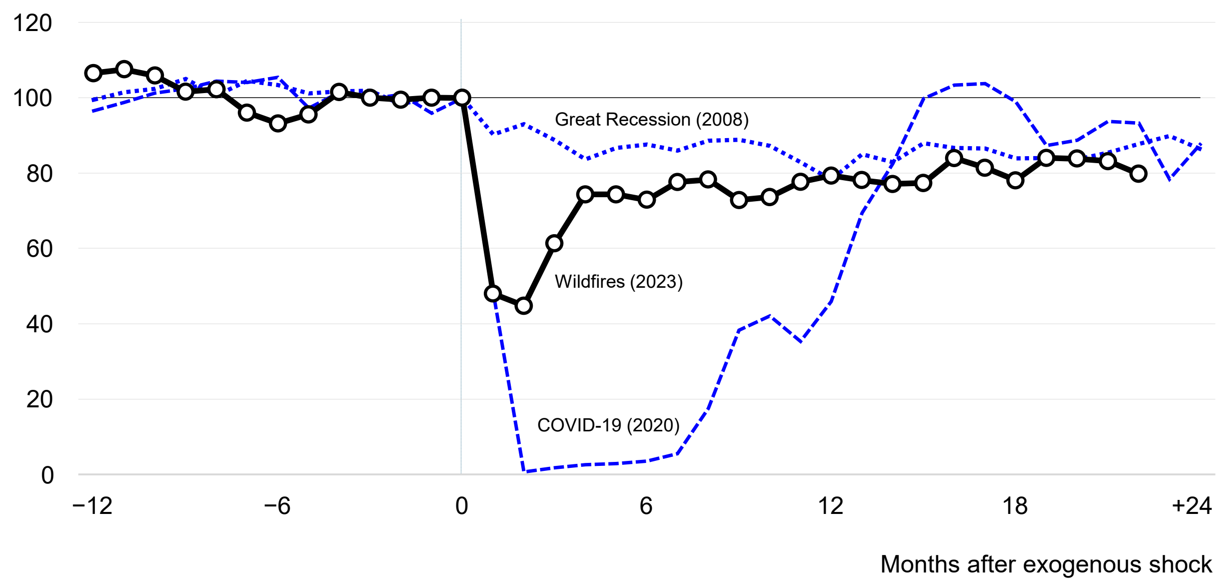
[6] Along a continuum on the open (0, 1) interval from lodging to housing. Mary and Joseph couldn't have stayed in the manger because there was no room at the inn, according to this dichotomization (however anachronistic).

[7] The alternative requires building at rates above and beyond Maui's existing residential construction pipeline, an average 700 housing units annually (Hawaii DBEDT, https://dbedt.hawaii.gov/economic/qser/selected-county-tables/). Maui housing stock growth was 0.9 percent *per annum*, pre-wildfire, July 2020-July 2023. Repurposing 6,000 TVR augments Maui's 71,403-unit (2024) housing stock by 8 percent. But Maui County governs what can be built and where, and only the county can enable construction to address the shortage of housing needed by Maui's working families, starting with the 2,147 housing stock net reduction, post-wildfire, July 2023-July 2024 (https://files.hawaii.gov/dbedt/census/popestimate/2024/housing/CO-EST2024-HU-15.xlsx).

less than five years, would seem *not* to be, “do that again.” Yet, qualitatively, what Bill 9 proposes is to manufacture adverse tourism impacts like the global 2020 pandemic and Maui’s 2023 wildfires, on purpose. Maui tourism volumes historically have been depressed by large, exogenous shocks, three of which are indexed in Figure 1 below. As illustrated, it can take significant time to recover from such events. In response to each of these events and their impacts, real effort was undertaken to address the impacts and to mitigate the losses. Conversely, Bill 9 seeks to not only create a fourth such shock event but seeks to codify such losses permanently.

Figure 1 Monthly Maui visitor days indexed to pre-shock volumes (pre-shock month =100)



Source: Hawaii DBEDT (https://dbedt.hawaii.gov/economic/mei/), seasonally adjusted using the Census X-13 ARIMA filter, indexed to March 2008 (shutdown of Aloha Airlines during the Great Recession from December 2007-June 2009), February 2020, and July 2023, respectively.

Maui tourism decreases when demand for travel and, therefore, visitor arrivals respond adversely to exogenous shocks. In 2019, at the end of a long U.S. economic expansion, Maui visitor arrivals had risen to 3.1 million, up from 1.9 million in the trough of the Great Recession (2009), and up from 2.2 million in 2011 when U.S. economic recovery gained traction. After Maui’s 2023 wildfires, Maui arrivals in 2024 were back down to 2.4 million, from 3.0 million in 2022, the first post-pandemic year of almost full recovery. The 2024 total was reminiscent of Hawaii’s 1990s economic doldrums, a stagnation (with a standard deviation of only 1.1 percent) stretching from 1992 to 1998 averaging 2.3 million annual Maui arrivals. [8]

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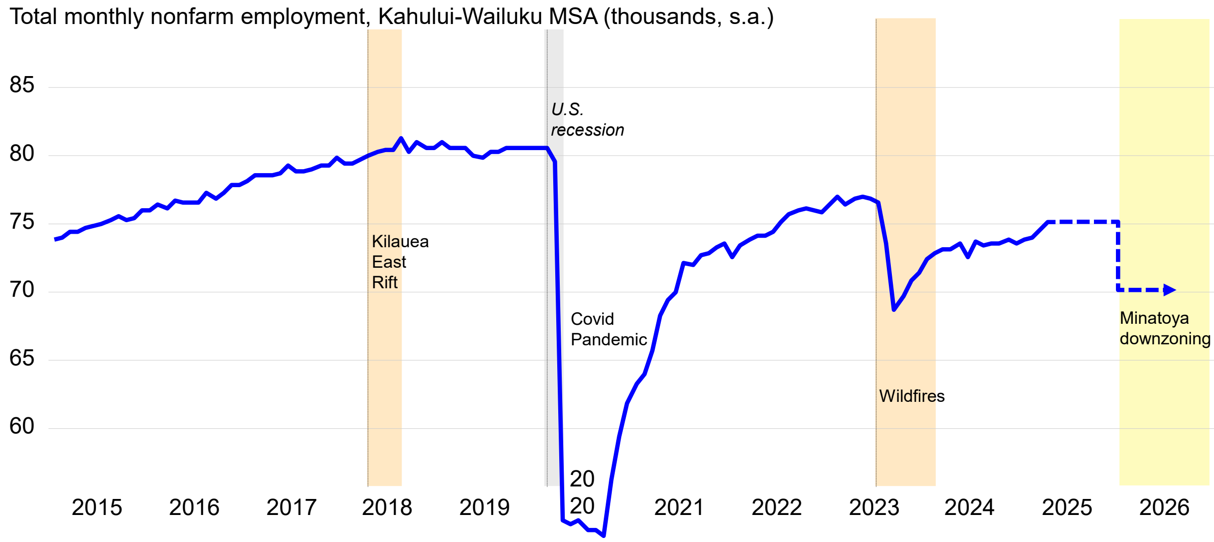
[8] Christopher Grandy (2002) *Hawai'i Becalmed: Economic Lessons of the 1990s*, University of Hawaii Press and Hawaii DBEDT (https://dbedt.hawaii.gov/visitor/tourismdata/).

Through mid-2025, Maui transpacific *passenger* arrivals again were fading as Canadians abandoned U.S. destinations following the second Trump administration's tariff announcements and hostile overtures towards Canada. Wildfire disinformation in 2023 and subsequent official messaging failures also weighed on Maui tourism performance during 2024.[9]

Figure 2 Maui employment never fully recovered from the 2020 pandemic, 2023 wildfires



Source: U.S. Bureau of Labor Statistics (https://www.bls.gov/data/home.htm), monthly seasonally-adjusted Kahului-Wailuku, Hawaii MSA data (Maui County) through May 2025.

[9] Eugene Tian and Rene Kamita, Hawaii DBEDT (September 2023), document numerous examples of media misinformation about tourism's share of county GDP in Hawaii following the Maui wildfires. This motivated definitive official estimates in response to requests for clarification by peer Hawaii economists, published in *Tourism's Contribution to the State and County Economies of Hawaii: A Benchmark Estimate for 2017* (https://files.hawaii.gov/dbedt/economic/reports/Economic_Impact_of_Tourism_by_County_Sept_2023_final.pdf). Celebrities discouraged travel to Maui following the wildfires (James Hibberd (August 12, 2023), *The Hollywood Reporter* (https://www.hollywoodreporter.com/news/general-news/jason-momoa-maui-lahaina-fire-tourism-1235562266/), and social media established first-mover advantage in messaging wars with tourism marketing agencies. Maui's wildfires contemporaneously were documented among first instances of generative artificial intelligence use in disinformation campaigns by state-actors. (See David E. Sanger and Steven Lee Myers (September 11, 2023), "China Sows Disinformation About Hawaii Fires Using New Techniques," *The New York Times* (https://www.nytimes.com/2023/09/11/us/politics/china-disinformation-ai.html)), "Social media that racked up millions of views blamed the blaze on a 'directed energy weapon'," Tiffany Hsu (August 30, 2023), "Falsehoods Follow Close Behind This Summer's Natural Disasters," *The New York Times* (https://www.nytimes.com/2023/08/30/business/media/maui-idalia-disinformation-climate-change.html), and Karena Phan (August 11, 2023) "Old photos are being misrepresented online to fuel a conspiracy theory about the Maui wildfires," *Associated Press* (https://apnews.com/article/fact-check-maui-fire-photos-misrepresented-conspiracy-555091357957).

Table 1 New Maui housing units authorized by building permit, by decades, 1965-2024

	1965-74	1975-84	1985-94	1995-2004	2005-14	2015-24
Total new Maui housing units authorized by building permit	13,577	16,006	15,340	9,619	7,122	7,022
Average annual new Maui housing units	1,358	1,601	1,534	962	712	702
Annual new units per thousand residents	27.3	24.0	15.8	7.4	4.8	4.3
Incremental capital ratio (annual new/pre-existing units)	9.0%	6.0%	3.8%	1.8%	1.1%	1.0%

Sources: Bank of Hawaii, Robert C. Schmidt (1977) *Historical Statistics of Hawaii*, University of Hawaii Press, Hawaii DBEDT (https://files.hawaii.gov/dbedt/economic/data_reports/qser/G-select-county-tables.xls).

In Table 1, above, Maui payroll employment data illustrate economy-wide losses associated with the pandemic in 2020 and wildfires in 2023. Total, seasonally adjusted, monthly Maui County nonfarm payroll employment (jobs) had been rising in the late-2010s, peaking in mid-2018. Payroll employment plateaued in 2019. Then came the COVID-19 pandemic in 2020 and, in 2023, wildfires stoked by winds from a passing tropical cyclone. Maui payroll employment fell from 81,000 in 2018 to post-pandemic levels from which jobs never quite fully recovered. Occupied jobs fell further after the wildfires. Following both shocks, jobs initially overshot before rebounding, ratcheting downward on net between 2020 and 2025. By 2025, incomplete recovery had become permanent. Seasonally-adjusted Maui nonfarm jobs stabilized at 75,000 from January through May 2025, down 6,000 from the mid-2018 peak. At least 5,000 *additional* jobs would be directly and indirectly at-risk from TVR downzoning with even more jobs at risk when *induced* impacts of the incipient tourism decline are included.

Bill 9's result of a cumulative loss of 11,000 Maui jobs would be a catastrophic policy failure, even more egregious given that the alternative path of construction of 6,000 new housing units would have *increased* jobs and income. Maui's housing shortage was engineered. Maui new homebuilding in per capita terms was *six times higher* fifty years ago than during the last decade, as shown in Table 1 below. Homebuilding could have ramped up long ago. No Maui tourism loss is necessary to build new Maui housing.

2. Tourism's principal role in the Maui economy

Maui tourism generally tracks the broader economy, being procyclical with respect to the macroeconomic or business cycle. Tourism is a major channel of transmission of exogenous shocks into the Maui economy. The most recent steady-state, *full-employment* benchmark for Maui visitor arrivals is the pre-pandemic year 2019, concluding the longest U.S. economic expansion in history.[10] This full-employment benchmark is adopted for calculating the opportunity cost of the proposed policy to remove a substantial portion of Maui's lodging inventory from service.

As shown in Figures 3-6 below, tourism is Maui's principal export, its largest source of external receipts. Tourism comprises 29-30 percent of Maui GDP, including direct and indirect economic activities, and supports the distinctive distribution of Maui industrial activities.

Measurement conventions for tourism's economic importance have been well established in the literature,[11] based on the State of Hawaii's inter-county input-output model.[12] Over the business cycle, a representative Maui GDP tourism share remains within a narrow range around 30 percent in normal times. As goes tourism ("the numerator") so goes Maui GDP ("the denominator"). Maui tourism was 29.6 percent of GDP in 2018 and 29.1 percent of GDP in 2019, 30.4 percent of GDP in 2022 and 29.1 percent of GDP in 2023, skipping over the pandemic recession-recovery years 2020-21. Maui tourism's GDP share is stable because of co-movement of numerator and denominator, and because of Maui tourism's large GDP share.[13]

[10] National Bureau of Economic Research (https://www.nber.org/research/data/us-business-cycle-expansions-and-contractions).

[11] See James Mak (2005), "Tourism demand and output in the U.S. Tourism Satellite Accounts: 1998-2003," *Journal of Travel Research*, **44** (1), pp. 4-5, Eugene Tian, James Mak and PingSun Leung (2013), "The Direct and Indirect Contributions of Tourism to Regional GDP: Hawaii," Chapter 23 *in Handbook of Tourism Economics: Analysis, New Applications and Case Studies*, pp 523-541. World Scientific Publishing Co. Pte. Ltd., and Hawaii DBEDT (December 2024) *Tourism and Hawaii Economy* (https://files.hawaii.gov/dbedt/economic/data_reports/download/Tourism%20and%20Hawaii%20Economy_Dec2024.pdf).

[12] The Hawaii inter-county input-output model uses the interindustry structure of production, as well as interrelationships between the four counties, to map final expenditure such as tourism exports into both industry impacts and intercounty impacts. State of Hawaii DBEDT READ (March 2022) *The 2017 Hawaii Inter-County Input-Output Study* (https://files.hawaii.gov/dbedt/economic/reports/IO/2017-County-I-O.pdf).

[13] Hawaii DBEDT (December 2024) *Tourism and Hawaii Economy* (*update*) (https://files.hawaii.gov/dbedt/economic/data_reports/download/Tourism%20and%20Hawaii%20Economy_July2024.pdf) and footnote 9.

Figure 3 Tourism's Maui GDP share during the I-O model benchmark year 2017

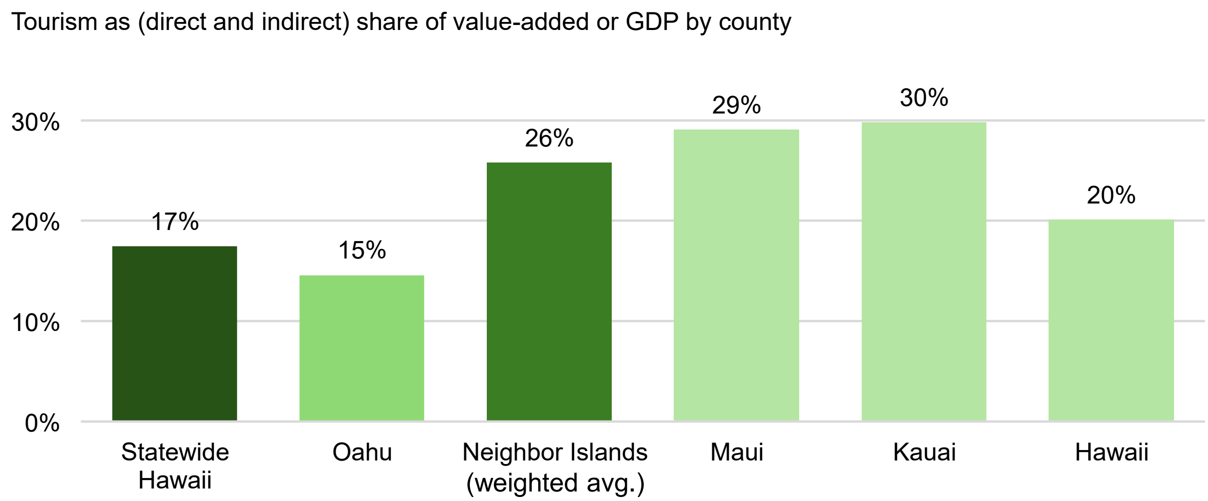
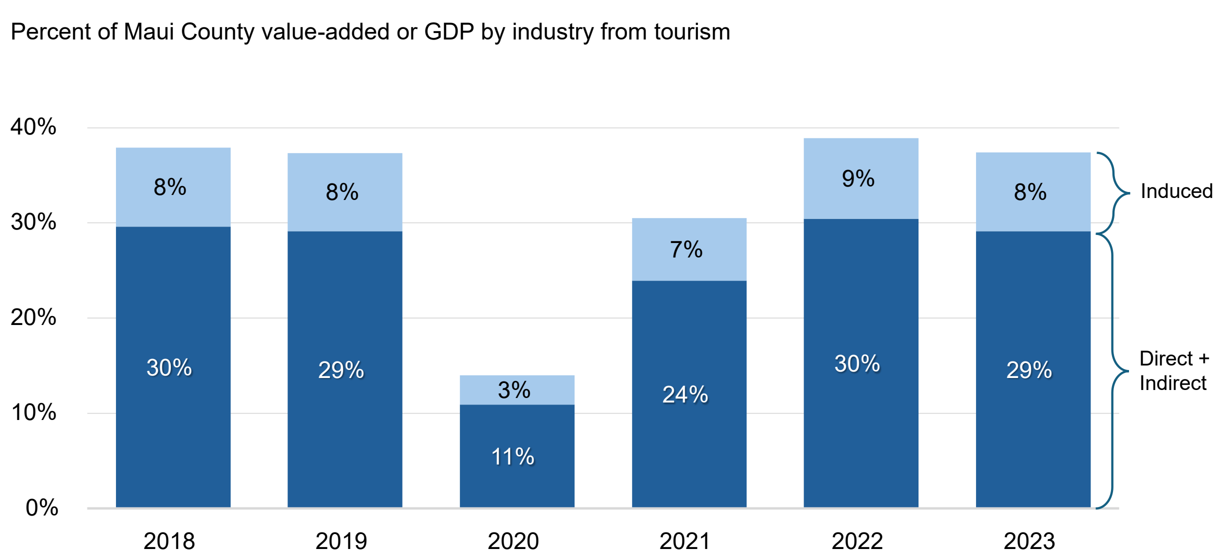


Figure 4 Shares of Maui GDP attributable to tourism before and after the COVID-19 pandemic



Source: Hawaii DBEDT (December 2024), *Tourism and Hawaii Economy* (footnote 13) ((https://files.hawaii.gov/dbedt/economic/data_reports/download/Tourism%20and%20Hawaii%20Economy_Dec2024.pdf).

Figure 5 Maui GDP by sector 2017; tourism is an export activity, not an industry

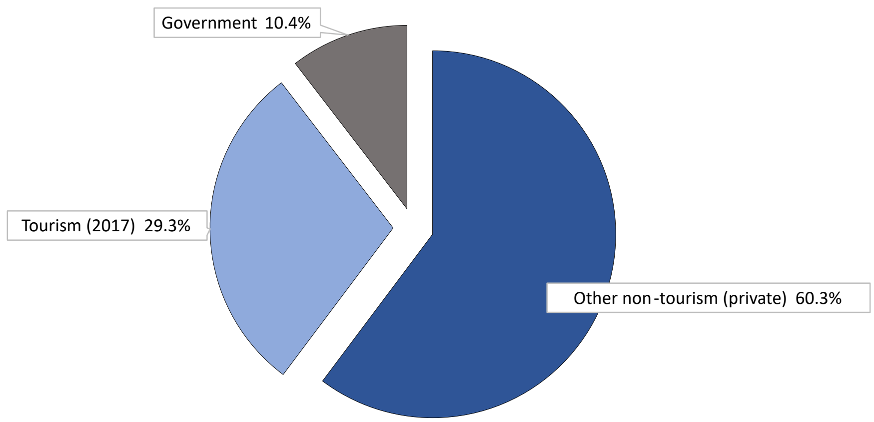
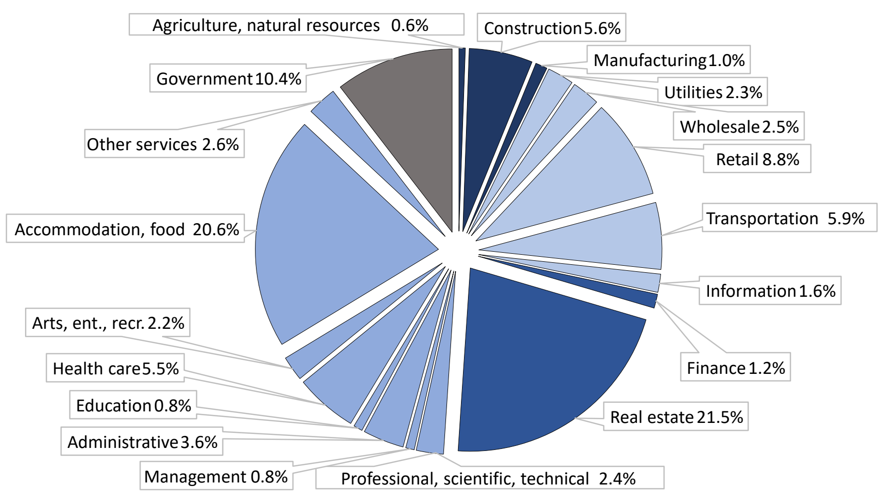


Figure 6 Pre-pandemic Maui GDP disaggregated by industry (value-added), 2017



Sources: U.S. Bureau of Economic Analysis (https://www.bea.gov/data/gdp/gdp-county-metro-and-other-areas); reaggregations by TZ Economics, averages for 2015-2019 inclusive.

The COVID-19 pandemic in 2020 severely disrupted travel and tourism. Post-pandemic Maui recovery experienced much of the upheaval characteristic of the global supply-chain breakdown of 2021-2022. Post-pandemic average daily Maui hotel room rates increased more than 50 percent between 2019 and 2022.[14] Combined with community hostility towards tourism, higher lodging costs compounded falling arrivals after 2022 by reducing post-pandemic average lengths of stay. Average Maui length of stay decreased in the 2010s from an interval peak of 8.25 days in 2014 to 7.92 days in 2019. After rising during the pandemic shutdown in 2020, Maui stay length subsided from 8.69 days in 2021 to 7.93 days in 2024.

Total Maui visitor days—the product of arrivals and average lengths of stay—decreased from 24.4 million in 2022 to 18.9 million in 2024. The surge in 2022 proved fleeting, and the 2023 Maui wildfires left persistent marks on travel demand. Pre-pandemic visitor days peaked at 24.8 million in 2019, up from 18.1 million in 2011 following the Great Recession. For context, the recession trough of 15.6 million visitor days in 2009 marked a pullback from 18.7 million visitor days in 2007 at the peak of the Subprime Bubble.

Table 2 Summary Maui tourism performance: late-2010s benchmark *vs.* post-pandemic

Maui County annual amounts	2017	2018	2019	2020	2021	2022	2023	2024
Visitor arrivals (millions)	2.800	2.964	3.111	0.807	2.341	2.969	2.531	2.382
Visitor days (millions)	22.654	24.073	24.778	7.754	20.444	24.366	20.559	18.938
Real visitor expenditure (bil. 2024$)	$6.693	$6.885	$6.956	*n.a.*	$4.757	$6.243	$6.016	$5.430
Average length of stay (days)	8.09	8.12	7.96	9.61	8.73	8.21	8.12	7.95
Per person per day spending	$295.52	$285.97	$280.69	*n.a.*	$232.69	$256.17	$292.58	$286.70
Tourism price index (statewide)	100.00	103.92	105.68	106.71	121.93	133.74	137.36	138.87
Tourism inflation	3.0%	3.9%	1.7%	1.0%	14.3%	9.7%	2.7%	1.1%

Sources: Hawaii DBEDT (https://dbedt.hawaii.gov/visitor/tourismdata/, https://dbedt.hawaii.gov/visitor/tourism-price-index/); deflation by the author.

[14] Maui average daily hotel room rates increased 50.4 percent, 2022 over 2019, from $401 to $603 dollars. Average daily rates in Maui luxury hotels rose 66.3 percent from $643 in 2019 to $1,068 in 2022, and in upper upscale and upscale hotels rose 59.3 percent from $316 in 2019 to $503 in 2022. Smith Travel Research data from Hawaii DBEDT (https://dbedt.hawaii.gov/visitor/tourismdata/) in this instance, and Hawaii Tourism Authority and Hawaii DBEDT data in all others referenced in this discussion.

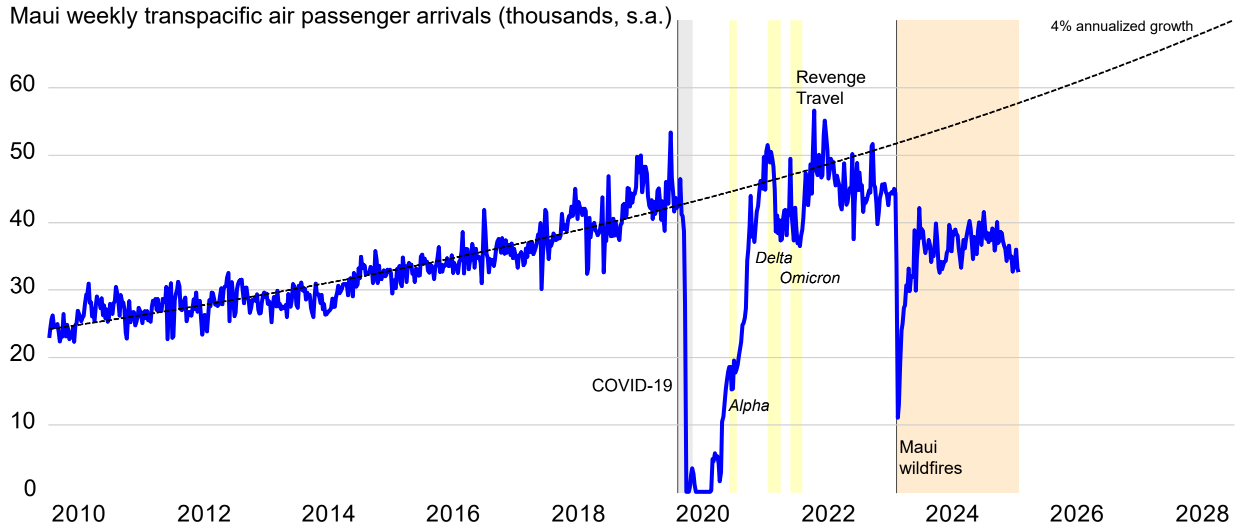
Constant-dollar Maui tourism receipts thus moved in synch with the macroeconomic cycle:

- Real Maui visitor expenditures were $5.4 billion in 2024, down from $6.2 billion in 2022 in constant, 2024 dollars.[15]

- Real visitor expenditures peaked in 2019 at $7.0 billion, up slightly from $6.9 billion in 2018, following the climb out of the 2009 trough of $4.6 billion in tourism receipts, all in constant, 2024 dollars.

- At the peak of the prior cycle in 2004—the Subprime Bubble—real Maui tourism receipts peaked at $6.5 billion—more than $1 billion higher than in 2024.

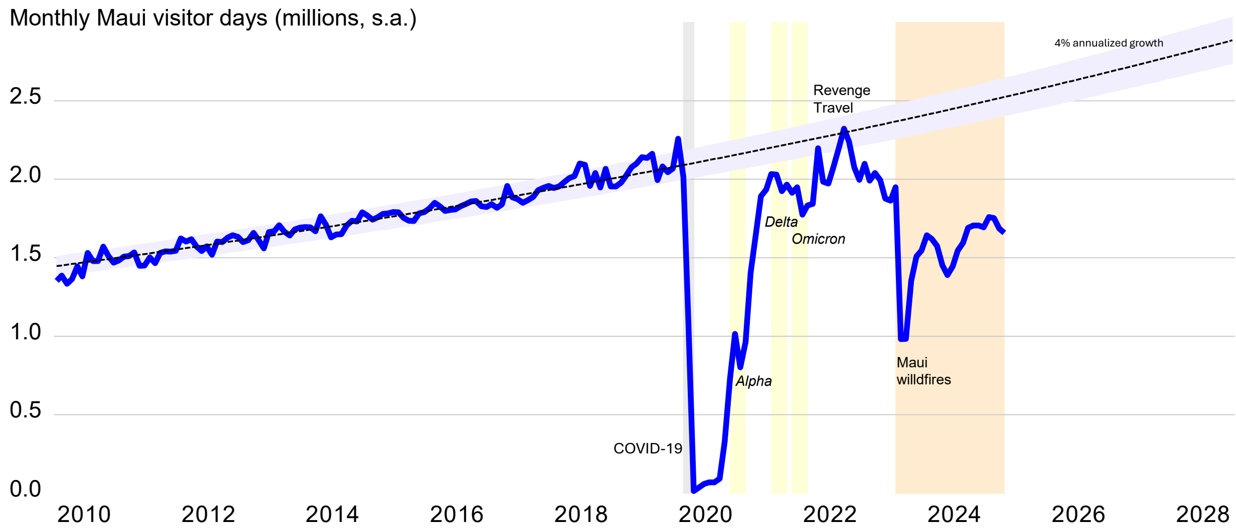
Figure 7 Maui transpacific passenger arrivals rebounded in 2022, then faded



Source: Hawaii DBEDT (https://dbedt.hawaii.gov/visitor/daily-passenger-counts/). Weekly passenger arrivals to July 24, 2025, seasonally adjusted using an STL decomposition, and trend 2010-2019.

[15] All constant-dollar estimates use a seasonally-adjusted Tourism Price Index (TPI) published by Hawaii DBEDT (https://dbedt.hawaii.gov/visitor/tourism-price-index/) and values grafted from the U.S. Consumer Price Index for All Urban Consumers (CPI-U) (https://fred.stlouisfed.org/series/CPIAUCSL).

Figure 8 Maui transpacific visitor days rebounded in 2022, then faded

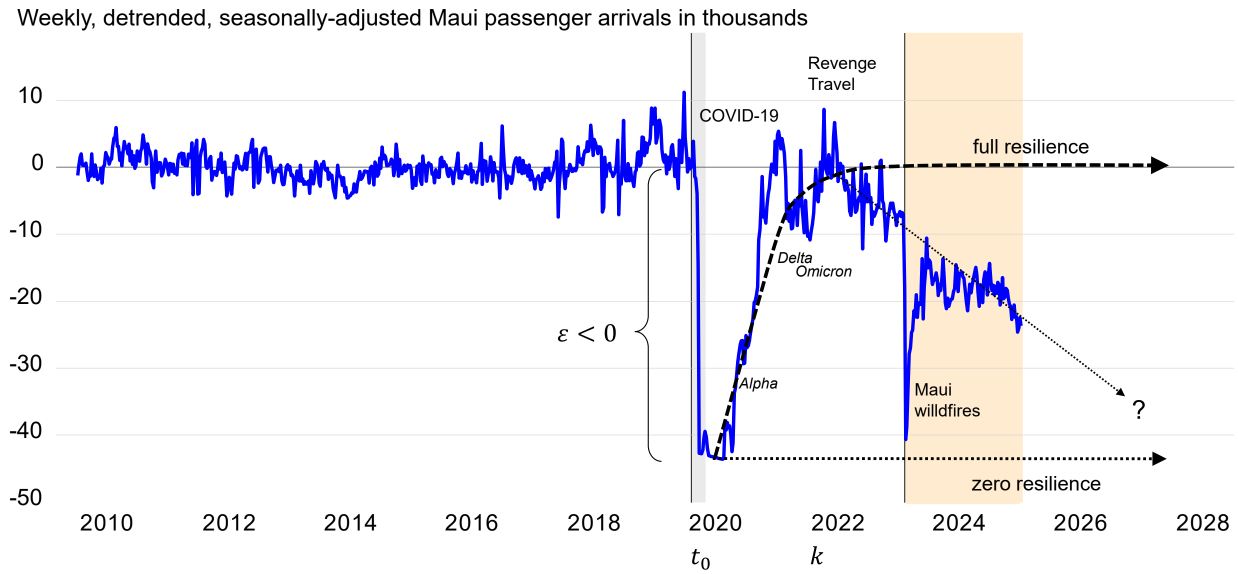


Sources: Hawaii DBEDT (https://files.hawaii.gov/dbedt/economic/data_reports/mei/2025-04-maui.xls). Monthly visitor days seasonally adjusted using a Census X-13 ARIMA filter, and trend estimated 2010(Oct) – 2018(Apr).

Maui travel and tourism performance continued to unravel in 2025, passing the 2-year anniversary of the Maui wildfires in August 2023. All these features are evident in weekly transpacific passenger arrivals (Figure 7), in monthly visitor days (Figure 8) and in detrended weekly passenger arrivals (Figure 9), below. In Figure 9, Maui's travel collapse clearly started at time t_0 (2020) but recovery stopped short after $t = k$ (a tipping point). Revenge Travel (2022) was not sustained.[16] Wildfire adaptation was incomplete after 2023. By 2025, Maui was falling further away from pre-pandemic trend into a negative resilience trap, an "absorbing state" from which it could prove difficult to return.

[16] So-called Revenge Travel refers to the spike in travel in 2022 that resulted from pent up demand after the COVID-19 pandemic.

Figure 9 Detrended weekly Maui passenger arrivals, s.a., through mid-July 2025



Source: Hawaii DBEDT (https://dbedt.hawaii.gov/visitor/daily-passenger-counts/), deviations from 2010s trend in weekly Maui passenger arrivals seasonally adjusted using an STL decomposition through July 17, 2025.

Following a large macroeconomic shock like the COVID-19 pandemic, the paths of pre-shock volumes of visitor arrivals, or visitor days, or real visitor expenditures can serve as a resilience benchmark. The pre-pandemic year 2019 was enroute to subsequent years' hypothetical tourism performances, absent disturbance. Resilience can be defined in terms of a dynamic benchmark comprising an underlying *trajectory* of economic activity over time, or points along a path, not simply at one point in time.[17] As has the State of Hawaii in reporting post-pandemic Hawaii tourism performance data,[18] this report stipulates to 2019 as the pre-pandemic benchmark, but costs of unsuccessful adaptation should be measured against shortfalls from the resilient *trajectory* in years following the exogenous shock(s).

After global financial crisis and recession (2008), global pandemic (2020), or catastrophic wildfire (2023), adaptation contributes to complete return to a pre-shock trajectory. For example, Hawaii adaptation to novel coronavirus onset included adoption of reliable, polymerase chain reaction (PCR) pre-flight passenger testing protocols in fall 2020, and messenger ribonucleic acid (mRNA) vaccines in winter 2021. Pre-flight testing and vaccines conveyed greater comfort to prospective travelers than would have been perceived otherwise, reassuring them of public

[17] Markus K. Brunnermeier (January 6, 2024), "Macrofinance and Resilience," *American Finance Association Presidential Address*, Allied Social Science meetings, San Antonio, Texas (https://www.youtube.com/watch?v=z94l-G5gz4o), and (December 2024), "Presidential Address: Macrofinance and Resilience," *Journal of Finance*, vol. **79** no. 6, pp. 2683-3728.
[18] Hawaii DBEDT (https://dbedt.hawaii.gov/visitor/).

health safety on their journey and upon arrival. Maui passenger arrivals on transpacific flights briefly returned to pre-pandemic trend despite coronavirus variants in 2021-22 but ebbed thereafter (Figure 7 and Figure 8). This was the so-called "Revenge Travel" moment.

In terms that matter most, measured in real tourism receipts or inflation-adjusted visitor expenditure, Maui through mid-2025 has failed to return to its pre-pandemic trajectory. Based on a projection calibrated to 2011-2018 growth (Figure 10), $7 billion in real Maui visitor expenditures in 2019 could have risen to $8 billion by 2025 and $10 billion by 2030, in constant, 2024 dollars. Even under the more conservative assumption of a nonlinear trend in 2010s Maui real visitor expenditures (Figure 11), real Maui tourism exports permanently would fall short of potential by $2.5 billion, in constant 2024 dollars, each year for the remainder of the 2020s. Adaptation is the key to resilience. Returning to a path in existence prior to a disturbance is the objective of resilience. Apologists may well be concerned with the negative externalities of higher tourism volumes and the resulting higher real tourism export receipts. But destination management is the key to managing tourism spillovers, not export suppression. Pre-empting resilience decreases social welfare. Maui has fallen short on destination management, and resident attitudes about tourism have eroded since the 1980s.[19] Real Maui travel volumes and tourism receipts failed to return to pre-pandemic paths hypothesized for the mid-2020s in Figure 10 and Figure 11 partly because of adverse social media messaging, and partly because of policy-maker antipathy.[20] Destination management supports workers' livelihoods while residents' aspirations are fulfilled. Accepting fewer jobs, lower incomes, and unmitigated spillovers as economic outcomes constitutes a failure of social welfare optimization.

[19] Juanita Liu and Turgur Var (1986) "Resident attitudes toward tourism impacts in Hawaii," *Annals of Tourism Research*, vol. 13, issue 2 pp. 193-214 found that "survey respondents were reluctant to attribute social and environmental costs to tourism." Perceptions of tourism in Maui County received scores of 6-7 on a scale of 1 (not favorable at all) to10 (extremely favorable) in 2023 and 2024 surveys of resident sentiment in Hawaii DBEDT (July 2024) *Resident Sentiment Survey—Spring 2024* (https://www.hawaiitourismauthority.org/media/13071/resident-sentiment-spring-2024.pdf).

[20] "One of the challenges confronting the island's recovery is a growing anti-tourism sentiment evident particularly on social media platforms. According to a recent study by the Hawaii Convention & Visitors Bureau (HVCB), roughly 25 percent of online posts about Maui tourism contain negative or anti-tourist messages," wrote *Jetsetter Guide* (https://jetsetterguide.com/news/maui-struggles-boost-tourism-nearly-two-years-after-devastating-wildfires). "There is the sense that anti-visitor feeling here has grown stronger…with the governor calling "Bulls***" on vacation rental owners," wrote Jim Hepple, University of Aruba (March 2, 2024), "Concerning Hawaii Tourism Decline," in *Tourism Analytics* (https://tourismanalytics.com/blog-posts/concerning-hawaii-tourism-decline-ten-reasons-it-happened). Abené Clayton (Sat 4 May 2024 09.16 EDT), "Hawaii to limit vacation rentals in response to tight housing market," *The Guardian* (https://www.theguardian.com/us-news/article/2024/may/04/hawaii-housing-legislation) also cited the February 27, 2024 press conference at which "Green called the situation 'bullshit'."

Figure 10 Constant-dollar annual Maui visitor expenditures extending the 2010s

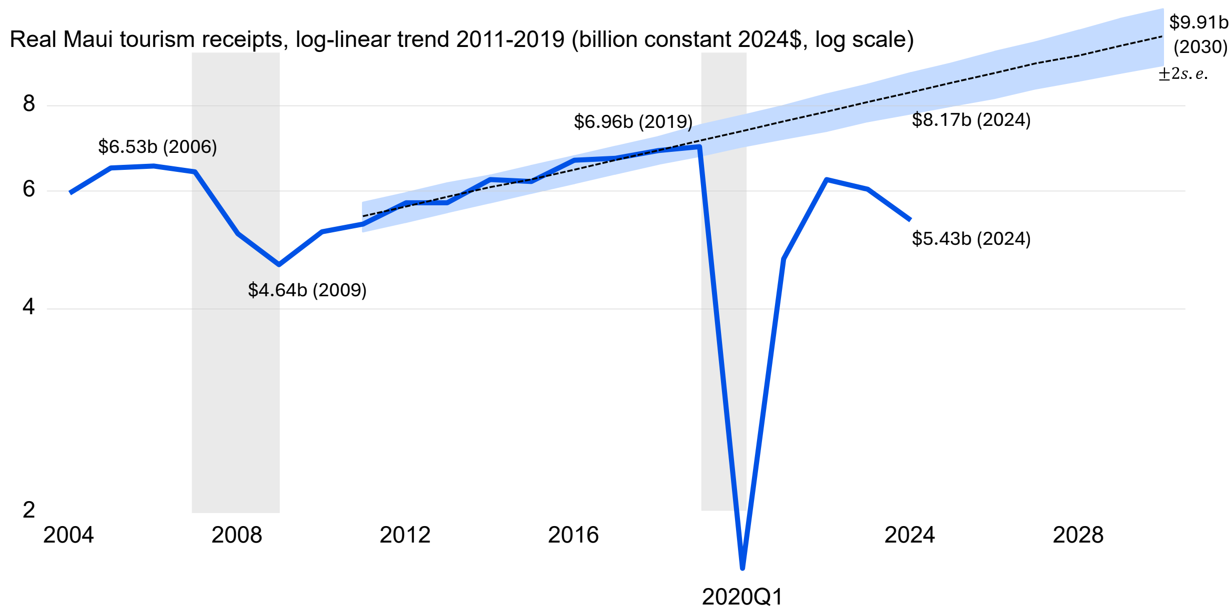
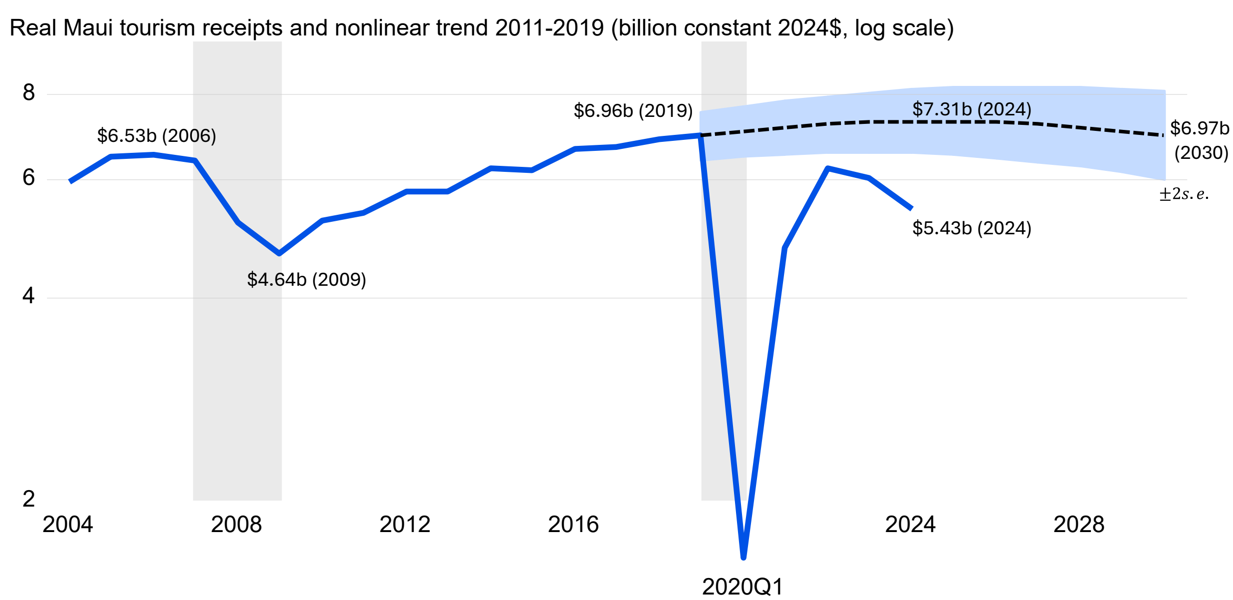


Figure 11 Constant-dollar annual Maui visitor expenditures and conservative trend



Note: Estimated trends for the 2010s are nonstationary and log-linear (Figure 10) and stationary with a polynomial term (Figure 11), and are projected to 2030, respectively. For sources see Table 2.

Labor force statistics from household surveys (persons) underscore the significance of tourism in Maui's economy, and the vulnerability of employment to exogenous shocks:

- Annual average employment in Maui County decreased by 6,200, down 7.4 percent, from a peak of 84,200 in 2018 to 78,000 in 2024.

- Maui's unemployment rate—on net (after pandemic and wildfire fluctuations)—remained 2 percentage points higher in 2024 (4.4 percent) than in 2018 (2.4 percent).

- Maui's labor force declined from 86,250 in 2018 to 81,550 in 2024 (5.4 percent).

- Substantial recent workforce exit is implied: unemployed residents vote with their feet.

- Banning Maui TVRs unambiguously reduce employment in the late-2020s, amplifying adverse pandemic and wildfire legacies from the early-2020s.

Table 3 Maui employment (persons), highlight peak and terminal amounts

Civilian persons or as noted	2017	2018	2019	2020	2021	2022	2023	2024	Peak-to-present
Labor force	85,800	86,250	85,650	81,600	83,250	83,150	83,050	81,550	-4,700
Employed	83,750	84,200	83,500	66,700	76,750	80,400	79,400	78,000	-6,200
Unemployed	2,100	2,100	2,150	14,900	6,500	2,750	3,700	3,550	1,450
Unemployment rate (%)	2.4	2.4	2.5	18.2	7.8	3.3	4.4	4.4	2.0

Source: Hawaii DBEDT (https://dbedt.hawaii.gov/economic/datawarehouse/).

Employment enumerations for 2019 and for 2024 distinguish a full employment year (2019) with one following a *hysteresis* (2024): post-pandemic and post-wildfire changes thought to be temporary which turn out to be permanent. Today, Maui has approximately 6-7 thousand fewer jobs and persons employed than five years ago. Its low unemployment rate is a testimony to discouraged-worker exit: unemployed people left Maui.

Payroll employment data from establishment surveys (jobs) mirror outcomes from household employment surveys (persons) with additional industry detail.

- Maui non-agricultural job counts declined by 7,200 from 2019 to 2024, down 9 percent from 80,500 in 2019 (80,300 in 2018), to 73,300 in 2024.

- Net Maui job losses from 2019 through 2024 were concentrated in tourism activities:

    - −18 percent in accommodation (2,400 jobs).
    - −15 percent in food services (1,600 jobs).
    - −13 percent in retail (1,300 jobs) (*vs*. 2018).
    - −13 percent in arts, entertainment, and recreation (300 jobs) (*vs*. 2017).
    - −12 percent in wholesale (200 jobs).
    - −9 percent in transportation (400 jobs) (including warehousing and utilities).

- Additional Maui job loss during the last five years occurred in financial activities (−13 percent; 400 jobs), manufacturing (−8 percent; 100 jobs), and other private services (−6 percent; 200 jobs), where links to tourism are less significant.

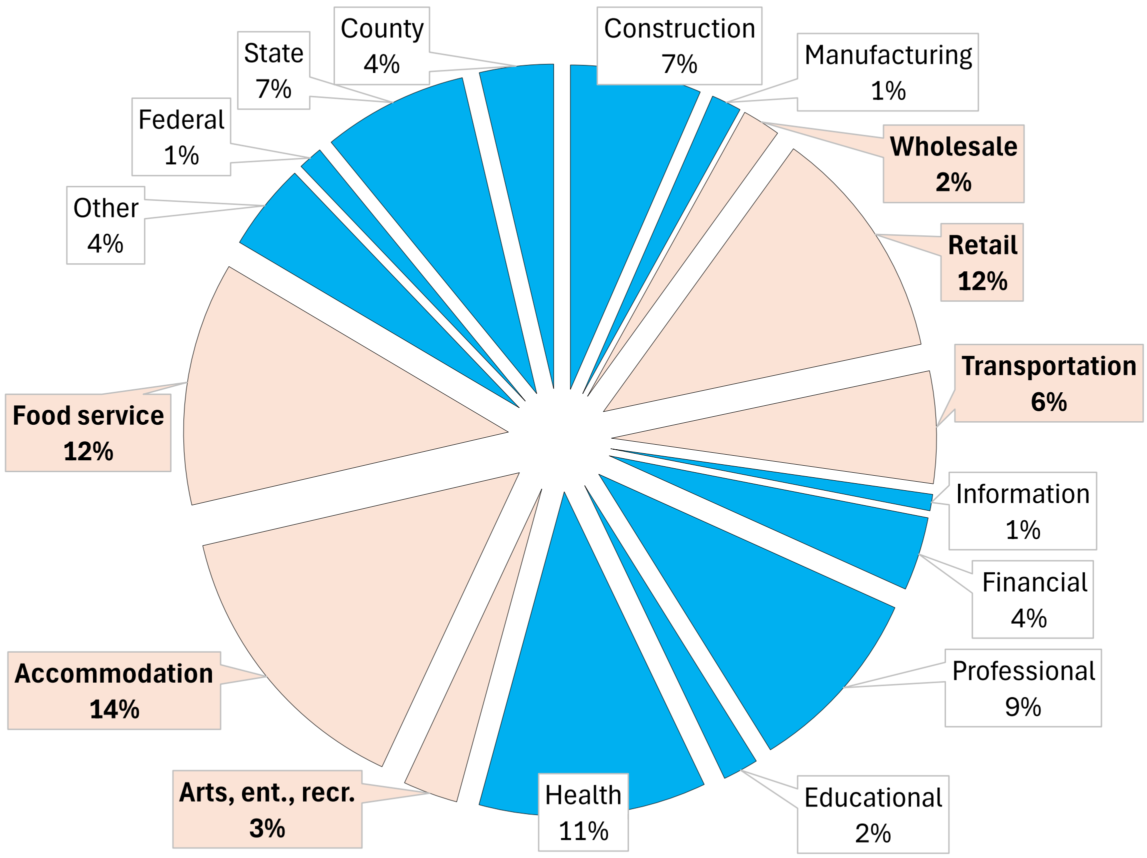
Table 4. Maui payroll employment (jobs, aggregated[21]), highlighting peaks and terminal values, and emphasizing several tourism-oriented industries

Maui payroll employment (occupied jobs)	2017	2018	2019	2020	2021	2022	2023	2024	Peak-to-present
Non-agriculture wage & salary jobs	78,900	80,300	80,500	61,300	69,800	74,700	74,300	73,300	-7,200
Natural resources, mining, construction	4,400	4,400	4,500	4,400	4,300	4,600	4,700	4,800	300
Manufacturing	1,100	1,100	1,200	1,000	1,100	1,200	1,200	1,100	-100
Wholesale trade	1,600	1,600	1,600	1,400	1,400	1,400	1,400	1,400	-200
Retail trade	9,900	10,000	9,900	8,400	8,900	9,100	9,000	8,600	-1,300
Transportation, warehousing, utilities	4,200	4,300	4,500	3,000	3,800	4,300	4,200	4,100	-400
Information	600	600	600	400	600	700	700	600	0
Financial activities	3,000	3,100	3,100	2,400	2,700	2,900	2,800	2,700	-400
Professional & business services	7,500	7,500	7,200	5,500	6,500	7,000	6,800	6,900	-600
Educational services	1,200	1,200	1,200	1,000	1,200	1,300	1,300	1,300	100
Health care & social assistance	7,000	8,000	8,300	8,000	7,900	7,900	8,000	8,300	0
Arts, entertainment & recreation	2,800	2,600	2,300	1,400	1,700	2,100	2,000	2,000	-800
Accommodation	12,600	12,800	13,000	7,100	10,000	11,300	10,900	10,600	-2,400
Food services & drinking places	10,200	10,500	10,500	5,900	8,100	9,200	9,100	8,900	-1,600
Other services	3,300	3,400	3,400	2,700	3,000	3,300	3,200	3,200	-200
Federal government	900	900	900	900	900	900	900	900	0
State government	6,100	5,600	5,600	5,200	5,200	5,100	5,200	5,300	-800
Local government	2,700	2,700	2,700	2,600	2,600	2,600	2,700	2,700	0

Source: Hawaii DBEDT (https://dbedt.hawaii.gov/economic/datawarehouse/).

[21] Statewide and Oahu job counts for Finance & Insurance and for Real Estate & Rental & Leasing, are not available but are aggregated into Financial Activities for the Neighbor Islands.

Figure 12. Distribution of Maui County 2024 non-agricultural jobs by industry



Source: Hawaii DBEDT (https://dbedt.hawaii.gov/economic/datawarehouse/).

Using persons employed (household employment) or jobs by industry (payroll employment) in 2024 as a full employment benchmark is inappropriate despite Maui's low unemployment rate in 2024. Employment in 2018 or 2019 more accurately depict Maui's full employment *potential*. What 2020s economic activity and employment *could* have been with fully resilient adaptation to the COVID-19 pandemic and to the Maui wildfires, extending 2010s economic expansion, is a counterfactual better suited as a goal for public policy. It is the norm for U.S. national economic experience, post-pandemic. Being no different from the rest of the country should not be a stretch, but Hawaii's real GDP growth performance since 2017 has been among the worst of U.S. states. In terms of per capita real GDP Hawaii's post-2017 experience exhibits far less resilience than was characteristic of the U.S. on average. That is, Hawaii's and Maui's economic shortcomings since the late-2010s are idiosyncratic to the state and county and cannot be attributed to systemic failures of adaptation to changing macroeconomic circumstances following two exogenous shocks.

Early-2020s post-pandemic and post-wildfire macroeconomic underperformance was rooted in Hawaii-specific or Maui-specific failures of adaptation. Therefore, opportunity costs of *incipient* potential failures of adaptation from 2025 onward have strong grounds to be benchmarked to full-potential economic performance of the late-2010s. Unilateral, discretionary obliteration of more than one-quarter of Maui's lodging inventory, extinguishing substantial tourism-originating economic activity and employment, dismisses substantial losses since the late-2010s and adds insult to injury by dismissing *additional* employment and economic losses.

Attribution for jobs arising from tourism as Maui's principal export activity can be estimated using the state's inter-county input-output model, identifying differences over the five years of 2019-2024.[22] In 2019, real tourism receipts reached \$6.96 billion (in 2024 dollars). In 2024, real tourism receipts were \$5.43 billion.

- Using 2024 real visitor expenditure as a benchmark attributes 18,901 Maui jobs to tourism, about 25.7 percent of all non-agricultural jobs that year.[23]

- Using 2019 real visitor expenditure as benchmark attributes 23,393 Maui jobs to tourism, about 29.1 percent of all non-agricultural jobs that year.

- Incremental jobs from higher real tourism export receipts in 2019, pre-pandemic and pre-wildfires, have direct and indirect interindustry relationships in Maui

- Lower real tourism receipts in 2024 result in lower direct and indirect effects, but job loss would be greater if *induced* job losses were not excluded from this attribution.[24]

The decrease in overall job *shares* between 2019 and 2024 partly is also a result of labor-saving technological progress embedded in the state input-output model's job multipliers.

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[22] Because the model is parameterized to 2017 input-output tables, constant-dollar estimates of tourism receipts are rebased to 2017 dollars using the state's Tourism Price Index (TPI).

[23] Estimates may differ slightly from elsewhere in this report because of rounding.

[24] At full employment and high lodging occupancy in 2019, even higher tourism receipts could not have induced as vigorously positive incremental employment impacts as predicted by the state's input-output (I-O) model because full employment and high occupancy act as constraints. The state's model is linear and is calibrated as if additional workers simply can in-migrate, but net in-migration necessary for labor force growth in the late-2010s confronted high job vacancy/unemployment ratios indicating tight labor markets reflecting structural mismatches between job seekers and vacant jobs. At full employment in 2019, additional tourism receipts are constrained by labor shortages and sold-out lodging conditions. At less than full employment in 2024, additional tourism receipts *could* generate the fuller scope of induced impacts predicted by I-O models. *Downside* employment impacts of *falling* real tourism receipts are never constrained. Only direct and indirect effects are included in 2019 to 2014 tourism job attributions as static comparisons. Alternative models using computable general equilibrium techniques (CGE) require labor supply own-elasticities with respect to wages, and cross-elasticities with respect to other input prices, along with small open economy closure rules calibrated to interstate and international labor or capital mobility. Like all I-O models the Hawaii DBEDT model is linear, with no substitution responses (zero elasticities). CGE models are nonlinear and allow potential substitutions. I-O may attribute sizes of interrelationships correctly but may overestimate impacts of *changes* in variables, relative to the CGE alternative, at full employment (*e.g.* for 2019).

Table 5. Maui jobs directly and indirectly attributable to tourism in 2019 and 2024[25]

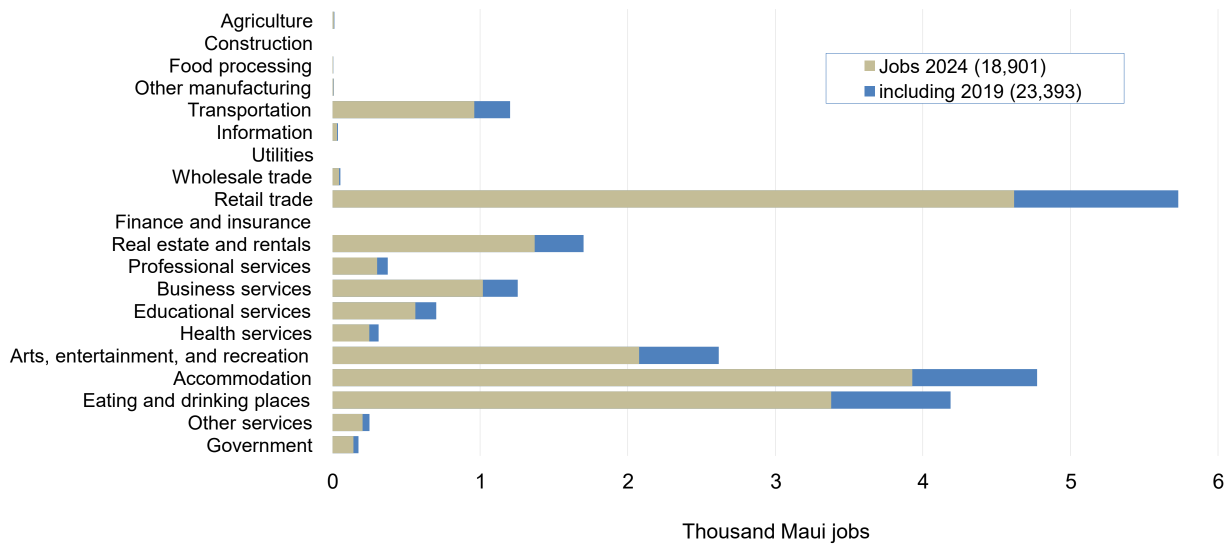
Jobs	2019	Share of Maui County	2024	Share of Maui County
Agriculture	11	n.a.	9	n.a.
Construction	0	0.0%	0	0.0%
Food processing	4	0.0%	3	0.0%
Other manufacturing	8	0.0%	6	0.0%
Transportation	1,203	1.5%	961	1.3%
Information	37	0.0%	30	0.0%
Utilities	0	0.0%	0	0.0%
Wholesale trade	53	0.1%	43	0.1%
Retail trade	5,730	7.1%	4,619	6.3%
Finance and insurance	0	0.0%	0	0.0%
Real estate and rentals	1,701	2.1%	1,370	1.9%
Professional services	374	0.5%	303	0.4%
Business services	1,255	1.6%	1,018	1.4%
Educational services	702	0.9%	560	0.8%
Health services	310	0.4%	249	0.3%
Arts, entertainment, and recreation	2,617	3.3%	2,078	2.8%
Accommodation	4,775	5.9%	3,928	5.4%
Eating and drinking places	4,188	5.2%	3,379	4.6%
Other services	251	0.3%	203	0.3%
Government	174	0.2%	141	0.2%
Total directly and indirectly attributed	23,393	29.1%	18,901	25.8%

Source: Hawaii DBEDT (March 2022) *The 2017 Hawaii Inter-County Input-Output Study* (https://files.hawaii.gov/dbedt/economic/reports/IO/2017-County-I-O.pdf).

Tourism directly and indirectly comprises up to 30 percent of value added in Maui County. It should be no surprise that tourism comprises 25-30 percent of jobs. Productivity growth has a labor-saving bias, which reduces the numbers of jobs required to produce a unit of economic activity in many industries over time, varying across industries. The ubiquity of tourism in Maui, and materiality of jobs in industries attributable to tourism, is unmistakable in Table 5.

[25] Unlike county payroll employment estimates by industry for the Neighbor Islands (see footnote 21, the state's inter-county input-output model includes attribution for tourism impacts on real estate and rentals and on business services, in addition to those industries highlighted elsewhere (*e.g.* Figure 4).

Figure 13 Maui jobs attributable to tourism in 2024 (18,901) compared to 2019 (23,393)



Source: Hawaii DBEDT (March 2022) *The 2017 Hawaii Inter-County Input-Output Study* (https://files.hawaii.gov/dbedt/economic/reports/IO/2017-County-I-O.pdf).

Annual real state tax revenues in million constant 2024 dollars generated by visitors to Maui also can be estimated, just as Maui tourism's employment impacts in 2019 and 2024 were. Again, full-employment, high capacity-utilization tourism in 2019 provides a pre-pandemic, pre-wildfires benchmark when real tourism receipts reached $6.96 billion (in 2024 dollars). Later, in 2024, real tourism receipts were only $5.43 billion.

To illustrate state tax revenue outcomes under a more dynamically resilient 2020s scenario for Maui than occurred, an alternative, a counterfactual, was constructed in which Maui did not forego as much tourism activity after 2020 as it did. Under the more aggressive scenario, real Maui tourism receipts plausibly could have reached $7.31 billion in 2024 instead of $5.43 billion (actual 2024). To illustrate state tax implications of these three scenarios—2019, 2024, and the 2024 counterfactual—state tax revenues for each outcome are reported in Table 6. The point of the counterfactual estimate is not to highlight any particular state tax revenue outcome, *per se*, but to show even if the state and Maui County and the State of Hawaii did not care about employment and economic welfare, more in fiscal resources would have been available with a return to full potential for Maui tourism, if government had succeeded in restore tourism rather than reshaping or suppressing it.[26]

[26] The Hawaii Tourism Authority's *Destination Management Action Plans* (2021-2023) (DMAPs). For Maui, the DMAP prioritized "program[s] to educate visitors pre- *and post-arrival* [emphasis added] about safe and respectful travel." For Oahu the primary DMAP goal was to "decrease the total number of visitors to Oahu." See page 12, https://www.hawaiitourismauthority.org/media/6860/hta-maui-action-plan.pdf and page 22, https://www.hawaiitourismauthority.org/media/7785/hta-oahu-dmap.pdf, respectively.

Table 6. State tax revenues arising from Maui tourism in three scenarios

Million 2024$	2019	2024	2024-alt*
State tax revenues	$426.4	$332.9	$622.0
Individual Income tax	$74.3	$58.0	$108.3
General Excise Tax	$252.4	$197.1	$368.2
	$52.0	$40.6	$75.8
Other	$47.8	$37.3	$69.7

*Alternative scenario assuming dynamically resilient scenario.

Source: Hawaii DBEDT (March 2022) *The 2017 Hawaii Inter-County Input-Output Study* (https://files.hawaii.gov/dbedt/economic/reports/IO/2017-County-I-O.pdf).

Maui defines a Transient Vacation Rental (TVR) as any rental of a housing unit for less than 180 days.[27] According to Maui County, zoned "hotel districts are intended for short term rentals. Residential districts are intended…for long term housing. …Agricultural Districts are intended for farm uses." In the Maui County Council's Bill 9 (2025),[28] "TVRs would only be allowed in resort areas and business districts."[29] Deputy Corporation Counsel for Maui County Richard Minatoya, in a 2001 written opinion, later codified in the 2010s, designated properties grandfathered for short-term rental in Maui, including condominiums operating before 1989, in apartment-zoned districts A-1 and A-2.[30] Based on Bill 9's May 2025 version, the county had proposed TVR phase-out in West Maui on July 1, 2025, with the remainder of Maui County on January 1, 2026. Virtually all units on the Minatoya List are in beachfront locations or within a short walking distance of the ocean.

TVR inventories remain uncertain. At least 16,000 TVRs are alleged to "operate legally in Maui County in approved zoning districts (hotel, business, historic, *etc.*)."[31] But TVR is a Maui County regulatory designation which does not correspond to inventory definitions published by

[27] Maui County (https://www.mauicounty.gov/faq.aspx?TID=82). Retrieved May 20, 2025.
[28] Maui County Bill No. 9 (2025), A bill for an ordinance amending chapters 19.12, 19.32, and 19.27 Maui County Code, relating to transient vacation rentals in apartment districts (https://mauicounty.legistar.com/View.ashx?M=F&ID=14263348&GUID=299EB014-1CF9-4CF7-8EB2-3367662C0592).
[29] Maui County, footnote 27.
[30] Maui County Ordinances No. 4167, 4315, and 4369 (https://www.mauicounty.gov/DocumentCenter/View/96114/Ord-4167?bidId=, https://www.mauicounty.gov/ArchiveCenter/ViewFile/Item/28977, https://mcclibraryfunctions.azurewebsites.us/api/ordinanceDownload/16289/799893/pdf).
[31] Maui County, footnote 2727.

the Hawaii Tourism Authority or antecedent state-sponsored statistical agencies.[32] (Maui County also publishes housing stock enumerations which differ from those of the U.S. Census Bureau.)

Housing stock estimates:

- Tyndall and Kim (UHERO 2024) estimate that "Maui County has a total stock of 63,000 housing units [of which] 47,400 units are used for local housing, …13,000 are used as TVRs, and an additional 2,500 operate as time-share [*sic*] units."[33]

- U.S. Census Bureau 5-year estimates through 2023 put Maui County's housing stock at 72,303 units, 55,485 occupied and 16,818 vacant. Presumably, up to 16,818 housing units could be available for short-term habitation. From U.S. Census Bureau data Hawaii DBEDT estimated the post-wildfire decline in Maui's housing stock at 2,147 units, from 73,550 units in 2023 to 71,403 in 2024.[34]

Lodging stock estimates:

1. Maui County estimated that there are 16,000 TVRs in the county (footnote 27) but UHERO (2024) estimated, based on an interpretation of Maui County data, that 13,000 housing units in the county are used as TVRs (footnote 33).

2. UHERO (2024) further estimated that 2,500 housing units in the county operate as timeshare units. UHERO does not clarify whether variable fractional ownership is included in this total. Variable fractional interval ownership of large and expensive vacation homes with intermittent use does not constitute transient vacation rental. It can be fee simple ownership. Timeshare ownership often includes a contractual right to trade intervals at varying exchange rates with intervals in alternative destinations.[35] Even

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[32]Since the 1960s, so-called Hawaii Visitor Plant Inventory estimates of the lodging stock have been published in chronological order by Pannell Kerr Forster, PKF Hawaii, Hospitality Advisors LLC, and others under contract to the Hawaii Visitors Bureau, the Hawaii Visitors and Convention Bureau, the Hawaii Tourism Authority (HTA), and the Hawaii Department of Business, Economic Development, and Tourism (DBEDT). Currently data are produced under contract by Kloninger & Sims, which also published a recent study on costs of phasing out Maui short-term rentals for Travel Tech (the Travel Technology Association) (June 12, 2024), *State of Hawai'i and Maui Economic and Fiscal Impacts of the Short-Term Rental Industry* (https://traveltech.org/wp-content/uploads/2024/06/TravelTech-Maui-6-12-24.pdf).

[33] Justin Tyndall and Emi Kim (June 25, 2024) "Maui Short-Term Rentals, the Minatoya List, and Housing Supply," *UHERO Blog Post* (https://uhero.hawaii.edu/maui-short-term-rentals-the-minatoya-list-and-housing-supply/).

[34] Hawaii DBEDT (May 2025) Annual Estimates of Housing Units for Counties in Hawaii: April 1, 2020 to July 1, 2024 (https://files.hawaii.gov/dbedt/census/popestimate/2024/housing/CO-EST2024-HU-15.xlsx), and U.S. Bureau of the Census (2023), *American Community Survey* 5-Year Estimates Data Profiles, Table DP04, Dataset ACSDP5Y2023 (https://data.census.gov/table/ACSDP5Y2023.DP04?g=050XX00US15009_040XX00US15).

[35] Timeshare as an underlying security for a derivative can give the holder the right but not the obligation to swap one interval for another one elsewhere, a swaption. This swaption hedges against the risk that owners' destination preferences may evolve over time. Flexibility adds value for risk-averse investor. Derivatives enhance the value of the underlying security by providing optionality over time-varying travel preferences.

when not fee simple, examples like Disney Vacation Club ownership offer flexible vacation points which can be redeemed for variable occupancy intervals at other timeshares *in addition to* fixed duration forward contracts (*e.g.*, one week).[36]

3. Hawaii DBEDT estimates of Maui's visitor plant inventory for 2024 comprise 21,437 total lodging units,[37] including (in alphabetical order):

191	Bed & Breakfast units
2,882	Condo Hotel units
62	Hostel units
7,361	Hotel units
6,334	Vacation Rental units[38]
3,679	Timeshare units
40	Other units.

The nomenclature Transient Vacation Rental (TVR) is not used by any other counties in Hawaii. Recent years' county legislative initiatives to downzone TVRs in apartment-zoned areas contain various and varying TVR enumerations.

1. The UHERO (2024) study reported 7,167 units on the Minatoya List, of which 6,172 units "would be directly affected by the [2024] policy change."[39]

2. A study for the Realtors Association of Maui reported 7,306 units on the Minatoya List of which 6,749 "hypothetically would have been subject to withdrawal from the lodging stock under [2022] proposed apartment zoning changes."[40]

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[36] Disney Vacation Club, *What is the Disney Vacation Club?* (https://dvcfieldguide.com/blog/what-is-the-disney-vacation-club).

[37] Hawaii DBEDT, *2024 Visitor Plant Inventory* (https://files.hawaii.gov/dbedt/visitor/visitor-plant/2024VPI.pdf at https://dbedt.hawaii.gov/visitor/visitor-plant/). These VPI enumerations are for Maui Island only and exclude 331 Molokai units, a mix of B&B (1), condo-hotel (80), vacation rentals (243) and timeshares (70), as well as 328 Lanai units, comprising 320 hotel rooms and 8 vacation rentals.

[38] DBEDT VPI enumerations are based on survey methods rather than data scraped from booking platforms. Kloninger & Sims conducts inventory surveys. Another contractor, Lighthouse Intelligence, produces monthly vacation rental data. In a special tabulation for the state for the January-October period of 2024 with rigorous de-duping, an estimated 9,955 vacation rental unit supply is published as an appendix to the VPI report, suggesting that up to 3,621 additional vacation rentals *could* be available on a seasonal basis, but are not available *continuously* on a year-round basis. Neither are many conventional TVRs, anyway. Hawaii DBEDT page 51 (footnote 37).

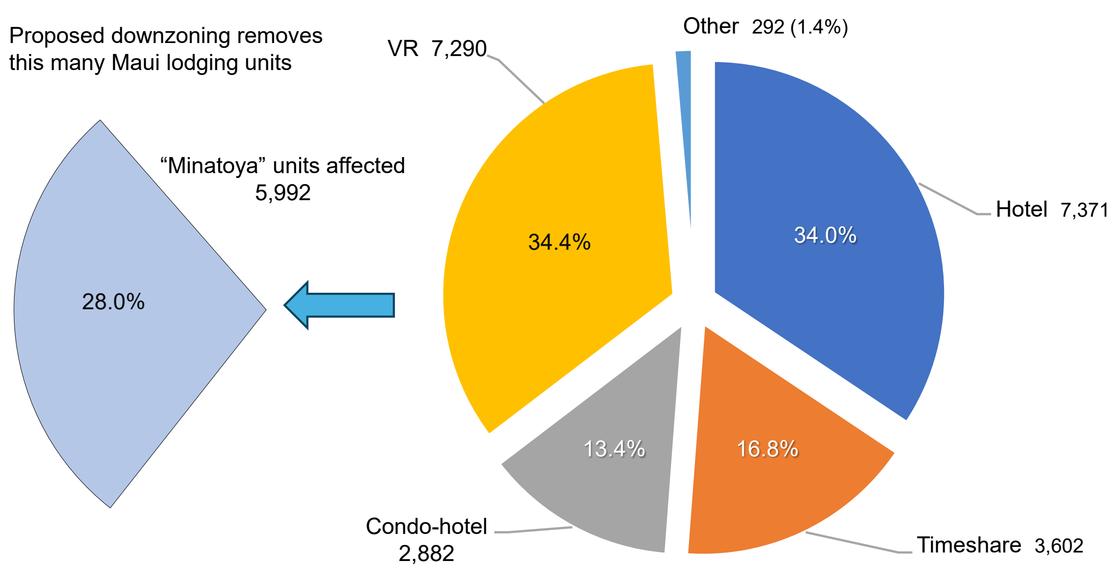
[39] Footnote 33.

[40] Appendix A3-2, page 24 in Paul H. Brewbaker (June 2022, revised November 2022), *Economic impacts of removing units in apartment-zoned areas of Maui County from short-term rental use: A White Paper*, for the Realtors Association of Maui. (Available upon request from the author.) The pertinent legislative document at that time was Maui County Council (August 4, 2021) *Phasing Out Transient Accommodations In Apartment Districts* (https://mauicounty.legistar.com/View.ashx?M=F&ID=9718863&GUID=E6B7CC3E-94F2-4BFA-A97A-D557AF010372), and was followed by passage in January 2022 of Ordinance 5316, a *Moratorium On New Transient Accommodation Permits On Maui* (https://www.mauicounty.gov/DocumentCenter/View/131251/Ordinance-5316-eff-01072022).

3. There is no estimate of Maui short-term rental units intended for removal from apartment-zoned areas included in the May 2025 version of Bill No. 9 (2025).[41]

4. This report relies on public testimony of Maui County Finance Director Marcy Martin on "TVR properties impacted by Bill 9" based on property tax records, combining TVR-STRH units with commercialized residential units into a 5,992 TVR cohort (for analytical purposes) to exclude timeshare, long-term rentals, and owner-occupied units from her enumeration of 7,166 Minatoya "parcels."[42] Based on this estimate, 28 percent of Maui's lodging inventory would be eliminated by Bill 9.

Figure 14 Maui Island and Minatoya units in the 2024 Visitor Plant Inventory (21,437 units)



Sources: Hawaii DBEDT (https://dbedt.hawaii.gov/visitor/visitor-plant/), Maui County Council HLU Committee Meeting, June 9, 2025 (see footnote 42).

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[41] Footnote 28.

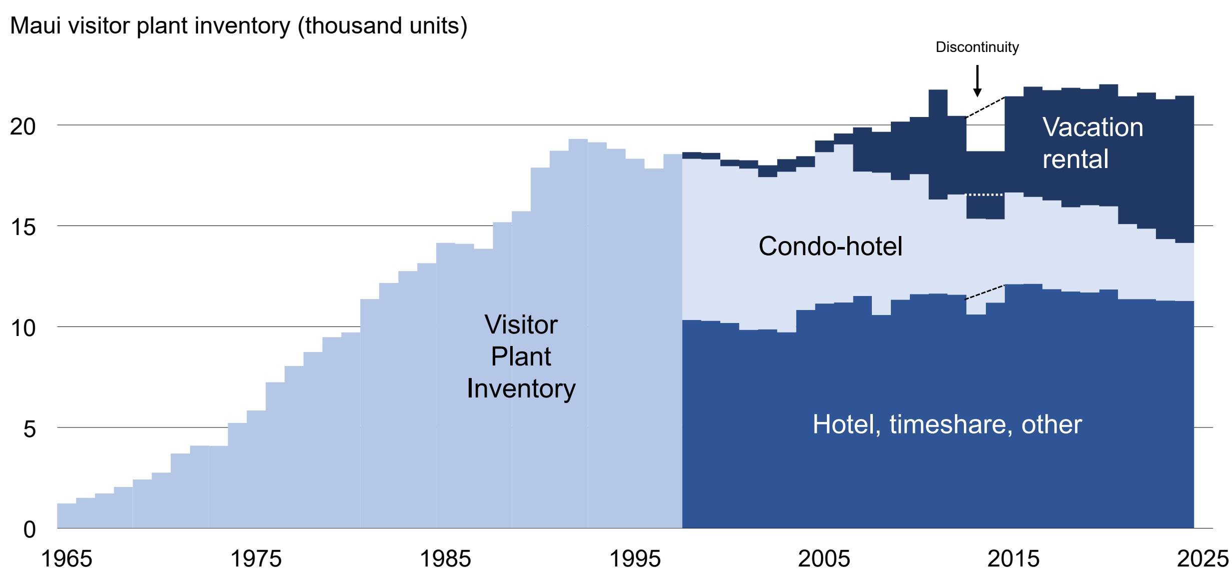
[42] Testimony of Maui County Finance Director Marcy Martin, Maui County Council HLU Committee Meeting (June 9, 2025) (https://www.youtube.com/watch?v=68rKApr8Z9c&t=4403s; 30:40).

Maui's lodging inventory, and essentially all TVRs to be downzoned by Bill 9, are located in oceanfront areas of West and South Maui: Kapalua, Napili, Honokawai, Kaanapali, Lahaina, Kihei, Wailea, and Makena. None were substantially inhabited in the early post-World War II era except Lahaina. Lahaina was an historic royal capital from 1820-1845 and a mill town with a small harbor at the time of statehood (1959). Maui experienced *depopulation* during the middle four decades of the 20th century. Maui's resident population in 1970 was *lower* than in 1930.

Plantation companies with major landholdings in these future resort areas—Maui Land & Pine, AMFAC, and Alexander & Baldwin—at the time of statehood found marginal coastal lands unsuited for agriculture because of proximity to the ocean (*e.g.* salt deposition). Owners recognized these lands could be transformed into resort areas with the arrival of commercial passenger jet aviation. Early-statehood apartments and condominiums in oceanfront resorts migrated from housing to lodging use because the spatial valuation gradient radiates *inland* from high-value to low-value uses. Housing is cheaper when located further *away* from resorts than within them. Resort amenities aligned with traveler preferences on short visits are less valuable to residents who can enjoy recreational natural resources and cultural amenities *any* time.

After 1990, resort development in Maui was cut off, at least *de facto*. County exclusionary and inclusionary zoning and development management process throttled commercial and residential capital formation. None of the net growth in Maui lodging inventory since 1990 comprises *de novo* lodging capital formation. All of it comprises vacation rentals facilitated since 1990 by information technology (internet, booking apps, smartphones) and financial innovation.

Figure 15 Traditional lodging units a shrinking share of Maui total since 1990



Source: Hawaii DBEDT (https://dbedt.hawaii.gov/visitor/visitor-plant/).

Figure 16 Regional distribution of Maui visitor plant inventory

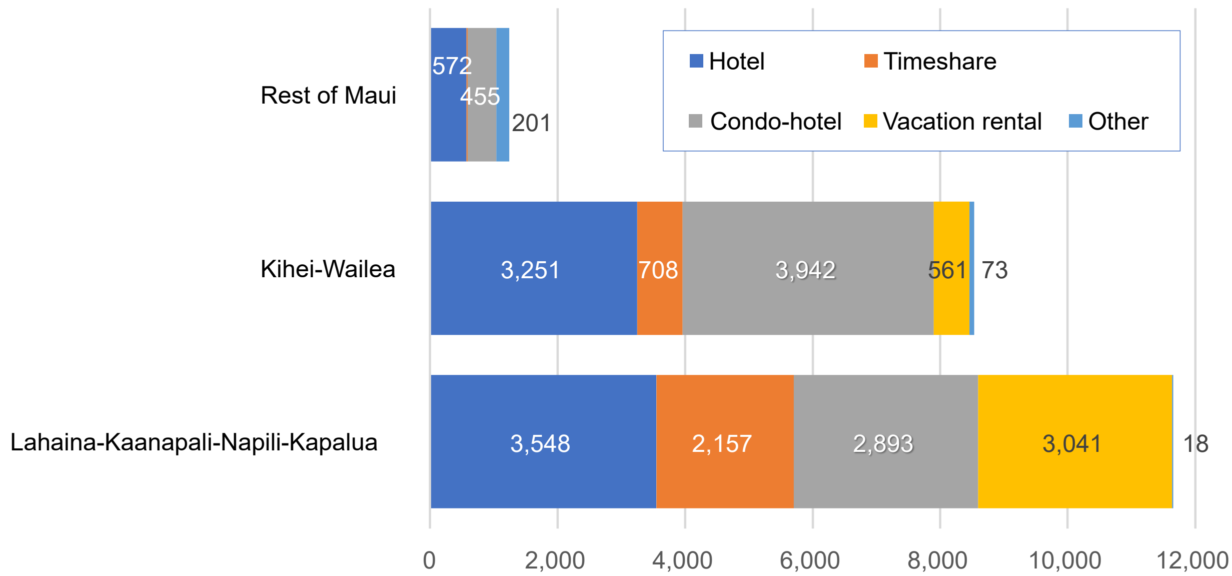
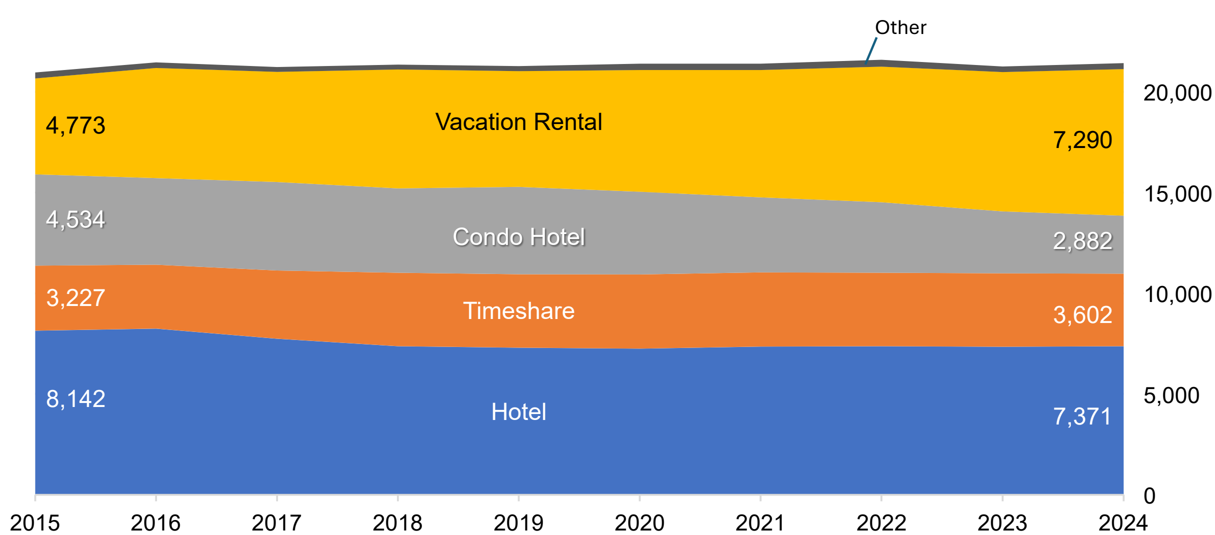


Figure 17 Change in Maui visitor plant inventory, 2015-2024



Sources to Figures 16 and 17: Hawaii DBEDT (https://dbedt.hawaii.gov/visitor/visitor-plant/).

3. Tourism impacts of withdrawing TVR in apartment-zoned areas

The working assumption for the impact analysis is that all the proposed lodging units to be extinguished by withdrawing Maui TVR status will be a mix of condo hotel units and vacation rentals enumerated in the State of Hawaii's *Visitor Plant Inventory* for 2024, with occupancy and other characteristics drawn from the 2019 full-potential benchmark. That is, the methodology is to benchmark to a full-potential year (2019) and ask what the opportunity cost would be of eliminating 5,992 of Maui's 21,437 (2025) lodging units, in terms of foregone tourism receipts in constant, 2019 dollars. In 2019, the full-potential, pre-pandemic benchmark, Maui had 3,207,043 visitors.

Under these assumptions, elimination of about 6,000 TVR will have several effects:

- 582,326 of Maui's 979,906 arrivals in 2019 of visitors intending to stay in a condo or rental house (excluding multiple-lodging visitors) will be forgone.[43]
- 18.0 percent of full-potential annual Maui visitor arrivals will be forgone.
- 18-20 percent of full-potential annual Maui visitor days will be forgone.[44]
- 19.2 percent of full-potential annual Maui visitor expenditure will be forgone.

From these estimates of forgone Maui tourism associated with TVR withdrawal, associated economic impacts were estimated using the State of Hawaii's inter-county input-output model (see footnote 12). The estimates of forgone full-potential Maui real visitor expenditure in 2019 dollars are pushed through the I-O model calibrated to intrastate and interindustry relationships from the 2017 Census of Industry. Forgone final demand for tourism goods and services is allocated across twenty industries in each county, based on the composition of intermediate inputs, value-added, and imported content. Economic impacts on four key variables—output, earnings, state taxes, and jobs—then are segregated by county in two types. Type I effects are directly and indirectly associated with the tourism shock. Type II effects include, in addition to the Type I effects, those induced as second-round effects.

[43] Condo as well as rental house visitors—whose enumeration may differ categorically from the *Visitor Plant Inventory* enumerations of condo-hotel and vacation rental units—are combined, because the county's enumeration of TVRs (a classification unknown outside Maui County) is *greater* than the state's enumerations of numbers of condo-hotel units, and *less* than the number of vacation rentals. Presumably, some vacation rentals must be condos. Because daily visitor expenditure estimates are available for U.S. West, U.S. East, and Japan visitors, as are average lengths of stay, but neither are available for other visitors (*e.g.*, Canadians), and because visitor arrivals by lodging type are available only for Maui as a whole, but not for individual traveler origins (U.S. or Japan) certain liberties must taken to estimate an average expenditure profile to associate with Maui visitors with different lodging preferences, none of which conform to Maui's designation TVR.

[44] Statewide average stay lengths for travelers of individual origins were applied, although these vary in weighted combination somewhat from overall Maui average length of stay. Incomplete data obligate such workarounds.

Withdrawing about 6,000 TVR, a little over one-quarter (28 percent) of Maui's visitor plant inventory, based on a 2019 full-potential benchmark, means that Maui would forgo about 18 percent of its visitor arrivals, about 18-20 percent of its visitor days (a range because of stay length uncertainties) and about 19 percent of its visitor expenditures. Removal of this TVR would be like shutting down a Maui sugar mill or pineapple cannery back in the Territorial heyday of Maui plantation agriculture. In today's tourism export-oriented Maui economy, with tourism comprising 29 percent of Maui GDP, economic decline would have these elements, expressing dollar amounts in constant, 2019 dollars:

a. *Reduced Maui tourism export receipts*

- A net reduction in overall tourism receipts of $984.7 million after adjustment for the decrease in imports for re-export to tourists ($65.51 million).
- About 84-85 percent of statewide economic impacts would be experienced by Maui County with larger proportions for state taxes (*e.g.*, 94 percent of Transient Accommodations Tax (TAT) loss attribution).
- Hawaii's other counties would experience about 15-16 percent of overall economic impacts, lower for state tax amounts, through inter-county input-output effects.

b. *Lower aggregate output*

- Maui County aggregate output would decrease $1.61 billion in 2019 dollars.
- An additional $299.5 million in output would be foregone by Honolulu (Oahu), Hawaii, and Kauai counties through direct, indirect, and induced impacts.
- Statewide total output would decline by $1.91 billion, including multiplier effects.

c. *Decreased employment and workers' earnings*

- Maui County payroll employment would decrease by 7,725 jobs (incorporating labor productivity growth through 2025).
- An additional decline of 1,432 jobs would occur in the three other Hawaii counties.
- Workers' earnings in Maui County would decline by $440.4 million
- Earnings in the other counties would decline by $81.1 million.

d. Diminished state tax revenue collections

- State tax revenues from Maui County would decline $80.9 million ($15.5 million in individual income taxes, $47.1 million in General Excise Tax (GET), and $8.0 million in TAT).

- State tax revenues associated with other counties would decline an additional $13.6 million ($4. 6 million in individual income taxes, $6.3 million in GET, and $484,909 in TAT).

e. Loss of county property tax revenues

- Maui County estimates that, in the absence of changes to real property tax rates, annual property tax receipts would decline between $40-75 million.[45]

- UHERO estimates that forgone annual property tax revenues will approach $61 million in 2029 from $50 million in 2026.[46]

- Using two county estimates and UHERO's stabilized estimate of forgone property tax revenues in 2029, present values of forgone future property tax revenue over 30 years would range from $1 to $2 billion in 2025 dollars, assuming 2.5 percent real appreciation in condominium assessed valuations and a 3 percent discount rate.[47]

- Present values of forgone Maui property tax revenues scoring range from $1.8 billion to $3.3 billion in 2025 dollars, over 50 years.

Economic transmission channels for a 28 percent reduction in Maui's visitor plant and a 19 percent reduction in tourism receipts are the customary ones for *any* large change in tourism performance. Essentially, reducing Maui TVR tourism productive capacity by one-quarter reduces tourism exports by one-fifth, generating adverse economic impacts enumerated in Tables 7, 8, and 9. A 15 percent reduction in total visitor spending projected by UHERO, of which 56 percent comprises lodging revenue accruing to the 94 percent of Minatoya TVR owners who are non-residents, is alleged to be of no value to Maui because "not all that revenue was going to

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[45] Maui County Council HLU Committee Meeting (June 9, 2025) Testimony of Maui County Finance Director Marcy Martin (https://www.youtube.com/watch?v=68rKApr8Z9c&t=4403s (31:50)).

[46] Carl Bonham, Steven Bond-Smith, Peter Fuleky, Justin Tyndall, Dylan Moore, Trey Gordner, Emi Kim, and Hamza Essaidi (March 31, 2025) *An Economic Analysis of the Proposal to Phase Out TVRs in Maui County Apartment Districts* (https://uhero.hawaii.edu/wp-content/uploads/2025/03/EconomicAnalysisOfProposalToPhaseOutTVRsMaui.pdf), Table 10, page 15.

[47] Up to dynamic scoring offsets which UHERO conjectures may exist but does not estimate.

stay and circulate in our community in the first place," a fallacy in which importing capital services has no benefit for and creates no value-added by the re-exporter.[48]

Table 7.

Forgone economic outcomes from eliminating 5,992 TVRs relative to a full-potential tourism benchmark year (2019)

Direct and indirect (Type I) effects			
Million $ or as noted	**Maui County**	**Other counties**	**Statewide**
Output	1,162	225	1,387
Earnings	323	60	383
State taxes	60	10	70
Jobs (*number*)	*5,732*	*1,053*	*6,785*
Direct, indirect, and induced (Type II) effects			
Million $ or as noted	**Maui County**	**Other counties**	**Statewide**
Output	1,613	299	1,912
Earnings	440	81	522
State taxes	81	14	94
Jobs (*number*)	*7,725*	*1,432*	*9,157*

Note: Maui County GDP was $10.92 billion in 2019 and $9.08 billion in 2020. In 2023, Maui County GDP was $12.30 billion. (Output in the impact estimates is not necessarily GDP.) The $1.84 billion decrease in 2020 Maui GDP was about 17 percent of 2019 GDP, after six months of near total tourism shutdown. But it was mitigated by monetary policy (zero overnight interest rates and 3 percent mortgage rates) and $2.5 trillion in federal fiscal stimuli. No such countercyclical monetary or fiscal policy interventions occur in the TVR withdrawal estimation exercise.

Source: Hawaii DBEDT (March 2022) *The 2017 Hawaii Inter-County Input-Output Study* (https://files.hawaii.gov/dbedt/economic/reports/IO/2017-County-I-O.pdf).

[48] Maui County Council HLU Committee Meeting (June 9, 2025), testimony of Maui County Executive Assistant Matt Jachowski (48:17) (https://www.youtube.com/watch?v=68rKApr8Z9c&t=4403s). Jachowski says (49:00), "that's important because, yes, they're going to pay some amount to their cleaners, but there's gonna be a hefty booking fee taken by Airbnb… that's not going to stay here on Maui, and they're going to take a significant chunk of this money away from Maui with them. So, this means much of this lost lodging money was never going to stay on Maui anyway [*sic*]."

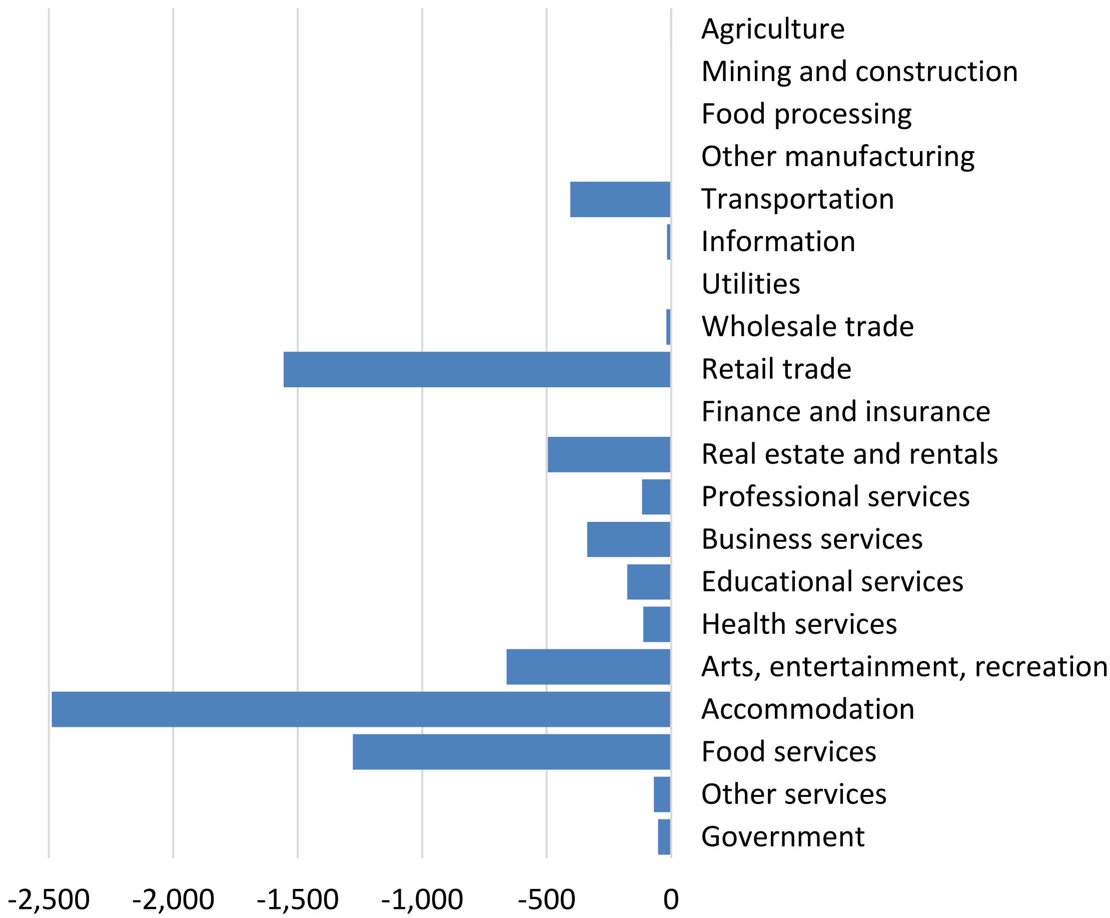
Table 8.

Maui County-*only* forgone economic outcomes relative to a tourism benchmark year (2019), with line-item industry detail

Million $, or *jobs*	Output	Earnings	State taxes	Jobs
Agriculture	0.3	0.1	0.0	*3*
Mining and construction	0.0	0.0	0.0	*0*
Food processing	0.4	0.1	0.0	*2*
Other manufacturing	0.3	0.1	0.0	*2*
Transportation	81.4	19.2	3.1	*402*
Information	5.6	1.2	0.2	*16*
Utilities	0.0	0.0	0.0	*0*
Wholesale trade	4.4	1.2	0.1	*18*
Retail trade	245.4	69.7	11.5	*1,543*
Finance and insurance	0.0	0.0	0.0	*0*
Real estate and rentals	184.2	24.1	6.5	*491*
Professional services	17.0	6.0	0.9	*116*
Business services	40.8	15.6	2.1	*334*
Educational services	17.9	6.8	0.9	*175*
Health services	20.3	6.4	0.9	*111*
Arts, entert., recreation	63.1	23.9	3.1	*656*
Accommodation	730.0	191.4	41.8	*2,467*
Food services	179.3	67.3	9.1	*1,267*
Other services	12.1	3.6	0.5	*69*
Government	9.8	3.7	0.3	*53*
Maui County totals	1,613	440	81	*7,725*

Source: Hawaii DBEDT (March 2022) *The 2017 Hawaii Inter-County Input-Output Study* (https://files.hawaii.gov/dbedt/economic/reports/IO/2017-County-I-O.pdf).

Figure 18 Distribution of Maui County job changes from eliminating 5,992 TVR



Source: Hawaii DBEDT (March 2022) *The 2017 Hawaii Inter-County Input-Output Study* (https://files.hawaii.gov/dbedt/economic/reports/IO/2017-County-I-O.pdf).

Table 9. Present values of forgone future property tax receipts

Assuming 2.5 percent annualized real assessed value appreciation			
Million constant 2025$	**Maui Co. (low)**	**Maui Co. (high)**	**UHERO**
PV 30 years @ 3% p.a.	1,119	2,099	1,499
PV 50 years @ 3% p.a.	1,780	3,337	2,411

Sources: see footnotes 45 and 46; author's calculations.

Note: The 2.5 percent appreciation assumption reflects a no-arbitrage dynamic equilibrium condition which requires the same rate of appreciation after displacement (following any overshooting or oscillation), to equate long-run risk-adjusted returns across space among like assets, predicated on actual Maui condominium median existing home sales price appreciation rates adjusted for Urban Hawaii inflation, 1998-2018.

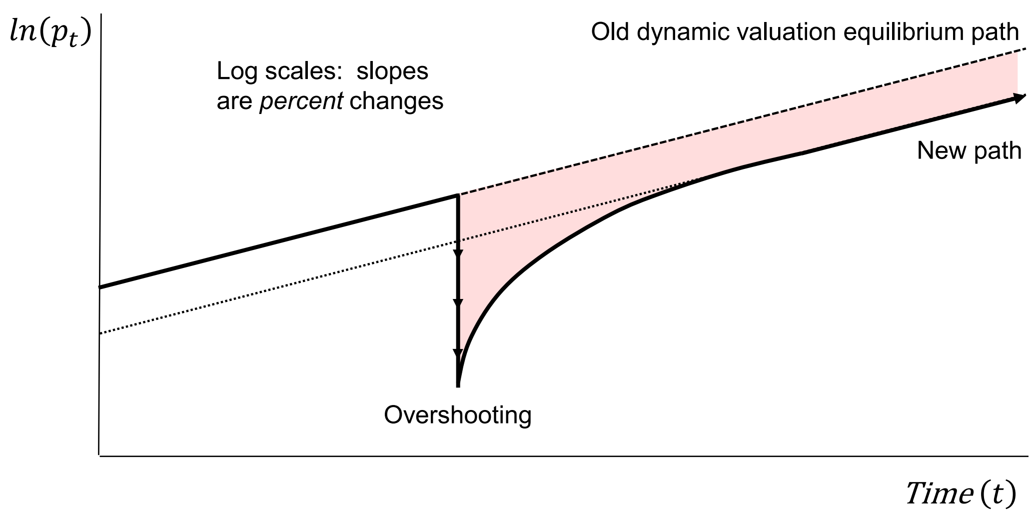
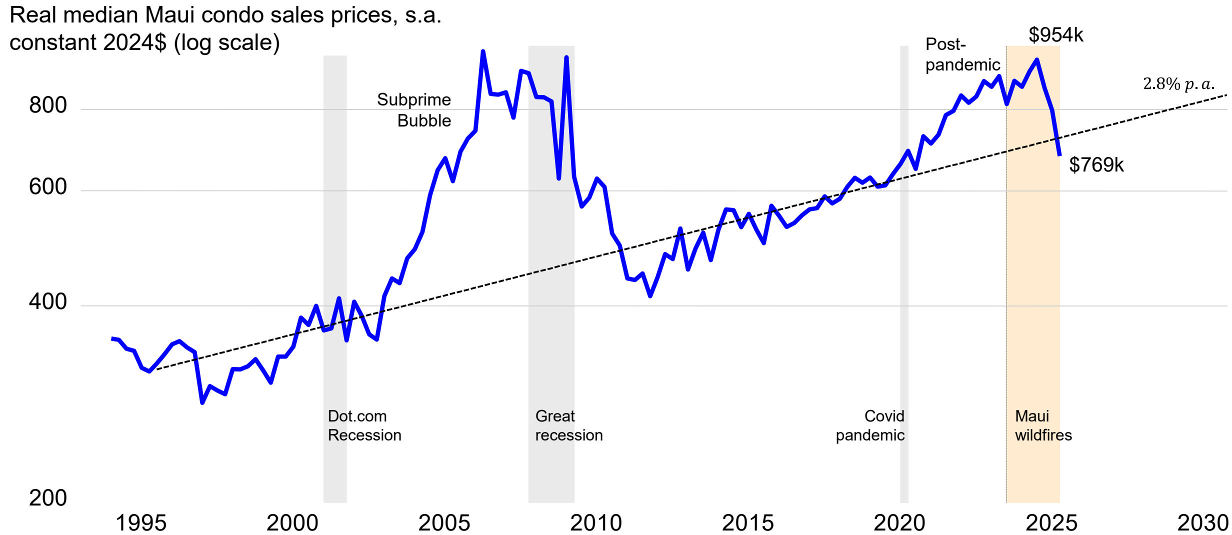


Figure 19 Real Maui median condominium prices and stationary trend through 2025Q2



Sources: UHERO, Realtors Association of Maui (June 2025) *Housing Market Statistics* (https://www.ramaui.com/housing-statistics and by special arrangement), U.S. Bureau of Labor Statistics (https://data.bls.gov/toppicks?survey=r9). Stationary regression 1998Q2 – 2018Q4 projected to 2030.

4. Lodging substitution elasticities

The production model used in this report is a linear, input-output model which admits no substitution possibilities across inputs. The impact estimates are predicated on plausibly conservative assumptions in their derivation. But unlike assumptions, which are discretionary, the structure of the model admits no substitution across inputs on the supply side of the lodging market.

Implicitly, the calculated visitor spending decreases in this exercise also presume that no substitution across lodging choices is admitted on the demand side of the lodging market. People who would have rented a TVR are assumed unlikely to accept a hotel room as a substitute. After all—in the data used for the years 2019-2024—TVR visitors *could* have rented a hotel room, or arranged to rent a timeshare, or a vacation rental which was not a Minatoya TVR, but they chose TVR occupancy. This analysis assumes that visitors would not reverse their preference ordering and choose more expensive lodging absent a TVR. [49]

[49] While not uncontroversial, this implicit behavioral assumption conforms with an old welfare axiom known as the Independence of Irrelevant Alternatives. The absence of Macadamia Nut ice cream should not alter the preference ordering among chocolate, strawberry, and vanilla flavors rejected in the first place. In this exercise, "other lodging

Substitution seems particularly unlikely when consumers move from less costly TVRs to more costly hotel accommodations. Recent years' lodging data consistently show significantly higher lodging costs for hotel room nights than for TVR nights. Moreover, amenities packages vary significantly. On-campus amenities may be more extensive in hotel resorts, but TVRs typically offer kitchens and more than one room or bedroom in a lower bundled cost.

1. In the benchmark year 2019, both vacation rentals and hotels were nearly full, on a seasonally-adjusted basis, and both were close to sold-out during peak seasons:

    - Vacation rentals on Maui had an average daily rate of $248, Maui vacation rental occupancy was 78 percent; in round numbers vacation rental revenue per available room was $193 (REVPAR).

    - Maui hotels had an average daily rate of $401 with occupancy of 78 percent; hotel REVPAR was $313.

2. In the Revenge Travel recovery year 2022, both vacation rentals and hotels enjoyed a post-pandemic return of travel and pushed hard on pricing to recover yield:

    - Vacation rentals on Maui had an average daily rate of $352, Maui vacation rental occupancy was 70 percent; REVPAR was $246, up 27 percent from 2019.

    - Maui hotels had an average daily rate of $603, and occupancy was 68 percent; REVPAR was $410, up 31 percent from 2019.

3. In the post-wildfire year 2024, both vacation rentals and hotels experienced persistent travel recession and lodging yields declined, year-over-year from 2023:

    - Vacation rentals on Maui had an average daily rate of $390, Maui vacation rental occupancy was 53 percent; REVPAR was $207, up only 7.25 percent in nominal terms over six years.

    - Maui hotels had an average daily rate of $544, and occupancy was 62 percent; REVPAR was $337, up 7.67 percent from 2019.

Yields were consistently higher on hotel units than vacation rental units, 2019-2024. Hotel REVPAR premia of 62 percent (2019), 67 percent (2022), and 63 percent (2024), relative to vacation rentals, widened with positive demand shocks and narrowed with negative demand shocks. Abstracting from other factors such as income elasticities or cross-price elasticities, considerable own-price elasticity of demand can be inferred from the 2019-2024 data across

flavors" remain rejected as more expensive alternatives in the absence of Mac Nut TVR, *in favor of a different dessert* (destination). Kenneth J. Arrow (1951) *Social Choice and Individual Values*, Yale University Press.

lodging types and under both positive demand shocks (Revenge Travel (2022)) and negative demand shocks (wildfires (2023)). Visitors respond to changing absolute and relative prices. The assumption that visitors do not substitute *up*market, from TVR to hotel rooms in absence of the former and availability only of the latter, may not be fully representative and, to that extent, economic impacts of removing Minatoya TVR from service may be overestimated.

Though the input-output model constrains inputs to fixed proportions, supply elasticities for vacation rentals also must be significant, as must be inferred from varying capacity in the presence of changing room nights costs, 2019-2024. Large variations in lodging costs associated with significant adverse exogenous shocks, in principle, offer a rich economic environment in which to "identify" elasticities of supply, distinct from demand. The technical problem is that many factors simultaneously may be operating on supply and demand *other* than room-night costs. Still, substantial quantitative variation in vacation rental room nights offered, in addition to portions attributable to the price variations reported, appears in the data.

- 3.2 million vacation rental room nights were available in 2019, a high-potential year.

- 2.5 million vacation rental room nights were available in 2022, diminished in 2020-2021 by global pandemic, but recovering after widespread vaccination and related pandemic adaptations (such as pre-flight PCR covid testing) began restoring travel demand.

- 2.9 million vacation rental room nights were available in 2024, as initial tourism recovery was complicated by, and possibly dampened somewhat by, Maui wildfire legacies and local political upheaval.

These variations would serve as a natural laboratory for substitution elasticity estimation on both demand and supply sides of Maui's lodging market, but the modeling approach here minimizes their roles by excluding them *a priori*. The fixed coefficient approach is inefficient in the sense that it does not incorporate econometric information latent in actual substitution responses, however presumptively small (for example, in *up*market substitution *towards* more expensive lodging). The caution about potential overestimation of economic impacts is warranted.

But this early-2020s period also contains an asymmetry.

- Hotel operators moved aggressively in 2022 to raise room rates to meet the post-pandemic surge in travel demand, while consumers responded partly with shorter stay lengths. Hotel inventories are fixed in quantity, so price variations do the work of allocating capacity.

- In contrast, vacation rental room nights on Maui changed dramatically within the contemporaneous five-year interval 2019-2024 from 3.2 million to 2.4 million to 2.9 million. Price variations did less of the allocation work, because vacation rentals can be taken off the market and dedicated to other uses by their owners more than monolithic hotels with hundreds of rooms. Hotel room supply is more fixed than TVR supply.

Maui's Minatoya TVRs present as both condo data and vacation rental data within varying classifications of the State of Hawaii *Visitor Plant Inventory*, in which no TVR enumerations exist. Some confusion is inevitable. Aside from comparability challenges, the takeaway here is that estimates from fixed-coefficient, input-output models may represent an upper bound on economic outcomes, because they ignore substitution responses between TVRs and other lodging.

Also, there is tremendous seasonal variation in Maui hotel room utilization during the winter. Seasonal adjustment factors peak at 1.06 in February (2024) and again during the summer (1.03 in July), with annual lows in September (0.95). In contrast, TVR units which are not continuously listed enter the lodging inventory *temporarily* over the holidays and at other busy travel times during the year, such as summertime. The literature shows that intermittent vacation rental entry dampens seasonal hotel room rate increases through competitive supply responses.[50] But this analysis presumes that substitution response, from TVR upmarket towards more expensive hotel rooms, is zero. As a result, some economic outcome nuances are ignored.

5. A history of inadequate Maui homebuilding

Maui is a desirable place to live. Housing costs in more desirable places are higher than in less desirable places. This situation in desirable housing markets requires a government policy committed to mitigating influences which may aggravate housing costs, while also being attentive to maintaining the attributes which contribute to desirability. This tension is a challenge for tourism destinations worldwide. With just under 30 percent of Maui GDP originating directly or indirectly through tourism, the challenge for Maui is significant.

Two distinct problems require attention from the perspectives of tourism governance and housing economics.

- First, destination management is necessary to mitigate spillovers such as congestion and natural resource and environmental degradation, and cultural dilution. Principles of open markets and free trade, and U.S. constitutional guarantees of interstate commerce, support reducing barriers to flows of goods, services, labor, financial capital, and information (knowledge capital). Stewardship and cross-border mobility need not be mutually exclusive. Both destination management *and* interjurisdictional mobility are jointly socially beneficial.

- Second, the problems of "not enough housing" and "not enough income" should not be conflated. The solution to the first problem is to build more housing. The solution to the second problem is to raise productivity. Tourism *enhances* consumption possibilities by

[50] Writing about an Airbnb cross-section in 10 cites over five years 2011-2015, the authors' research demonstrates that, "peer supply is very responsive to price, quickly expanding and contracting in response to changes in demand. In fact, peer supply is three times as elastic as hotel supply, which is capped at the maximum number of hotel rooms built in a given [destination]." Chiara Farronato and Andrey Frandkin (2022), "The Welfare Effects of Peer Entry: The Case of Airbnb and the Accommodation Industry," *American Economic Review* vol. **112** no. 6, pp. 1782-1817 (https://www.aeaweb.org/articles?id=10.1257/aer.20180260).

transcending limits of Maui's autarkic, self-sufficient production possibilities. Productivity and incomes are higher with tourism because of specialization in Maui's natural and cultural endowment-based comparative advantage. The greater its export efficiency, the greater are tourism-associated incomes. The 30 percent of Maui's economy comprising tourism does not pre-empt the remaining 70 percent of Maui's economy from thriving.[51] They are codependent.

In short, destination management is the solution to the problem of tourism spillovers.

- Additional homebuilding is the solution to the problem of housing shortages.

- Stifling tourism does not solve a housing problem, but reducing tourism makes residents worse off. A pandemic and wildfires within the last five years provide the evidence.

Maui's housing shortages in recent decades were caused by inadequate new homebuilding volumes, not by too much tourism. Tourism growth created jobs and incomes that made it possible for workers to pay their rent and feed their families. But no one can live in housing that hasn't been built. Maui County caused the shortage of housing by limiting authorized homebuilding. Under Bill 9, reducing Maui's lodging inventory compounds the problem, perversely "relieving" the housing shortage by eliminating thousands of jobs and forcing residents to leave the island. The cure is worse than the disease.

Decreasing flows of new homebuilding in Maui over more than one-half century were enumerated in Table 1. Following forty years of resident population decline between 1930 and 1970, Maui's population resumed growing again in the mid-1960s.[52] Naturally, decelerating population growth subsequently resulted in less *incremental* annual homebuilding. But the drop-off after the 1970s was larger than can explained by population change. The later drop-off in the

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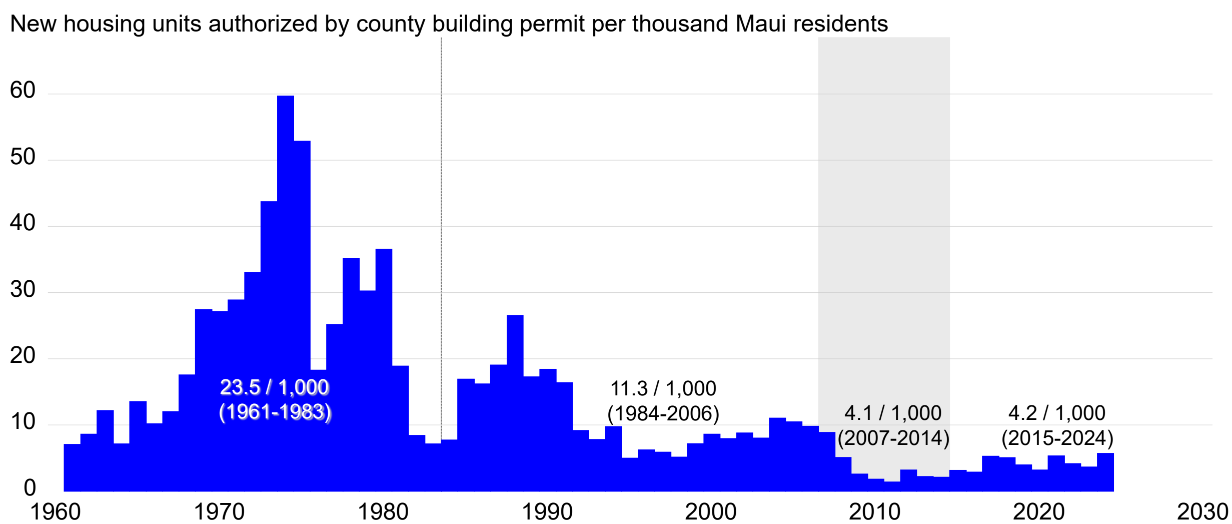
[51] In an economic union with a common currency, terms of trade deterioration otherwise observed under flexible exchange rates from home currency appreciation *may* find expression in increases in relative asset prices such as real estate. Growth of tourism exports grounded in Maui's natural endowment, capital inflows to develop its lodging capacity, or incipient improvement in Maui's current account from higher tourism exports will not appreciate the U.S. dollar because Maui is a *small* open economy. And the dollar's value will never change between Maui and the mainland: economic union *is* currency union. But impacts of rising tourism exports can spill over to price appreciation of assets such as real estate, a nonrenewable resource. County restrictions on the supply of developable land aggravate this version of Dutch Disease. Land cannot be produced, but *urbanizable* land on Maui, which is larger than Oahu with only one-sixth Oahu's population, can be developed along spatial margins to relieve the constraint. Under the State of Hawaii's land use classification, urban land comprised 4.5 percent of Maui Island's total area in 1996 and 5.2 percent of Maui's Island's total area in 2023. Maui has plenty of remaining, urbanizable land. (See Table 6.03, Hawaii DBEDT *State of Hawaii Data Book* (https://dbedt.hawaii.gov/economic/databook/2023-individual/_06/)). Neither is water a constraint on economic activity: it is a poorly managed *renewable* resource on Maui, and the Pacific Ocean provides the backstop technology (desalination). If Dutch Disease manifests through uncongenial Maui housing relative valuation impacts, mitigation still would be to build more housing.

[52] Maui's resident population in 1930 (48,756) was *higher* than in 1970 (46,500). For 1930 see Table 1.5 "Population by Island, 1831 to 1970," Robert C. Schmidt (1977) *Historical Statistics of Hawaii*, University of Hawaii Press, and revised 1970 estimates from Hawaii DBEDT (https://dbedt.hawaii.gov/economic/datawarehouse/).

2020s after the Subprime Bubble was even more precipitous, caused by housing policy predating the 2007 financial crisis and recession. Maui County's 2006 Residential Workforce Housing Requirement, especially its 50-percent inclusionary zoning requirement, further stifled Maui homebuilding.[53] Homebuilding *per Maui resident* already had declined by half between the periods 1961-1983 (23.5 units/thousand) and 1984-2006 (11.3 units/thousand). Then, county restrictions stifled homebuilding to only 4 units/thousand for two decades (Figure 20). In terms of incremental capital ratios—new housing units relative to the housing stock—annual averages by the 2020s were one-*ninth* of incremental capital ratios fifty years earlier (Table 1).

Similar patterns emerge from data on Maui County's housing *stock* by vintage. Maui housing units originating in the 1970s and 1980s are most numerous relative to those of preceding *and* subsequent decades (Figure 21). Housing stock from the 1990s and 2000s, mostly built before Maui's 50 percent inclusionary zoning policy (December 2006), comprised those from the next most endowed decades. Maui housing stock originating in the 1960s exceeds even those units originating during the 2010s, the last decade, with the *least* production since statehood!

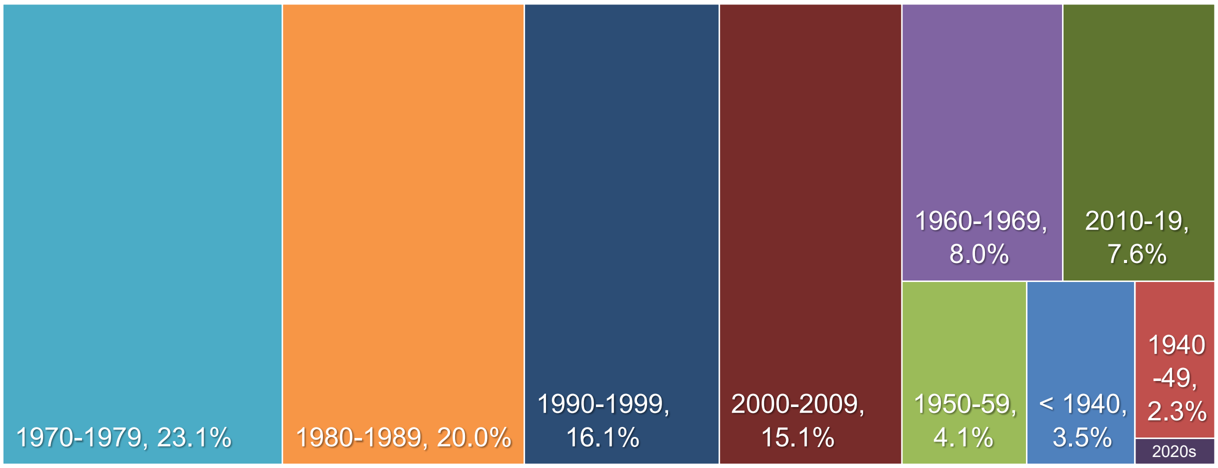
Figure 20 Annual new Maui housing unit authorizations per thousand residents



Sources: County building department, Bank of Hawaii, Hawaii DBEDT (https://dbedt.hawaii.gov/economic/qser/selected-county-tables/)

[53] Maui County's factsheet on its policy no longer references the 2006, 50-percent inclusionary zoning requirement, but refers only to the reduced production quota of 25 percent since 2014. Similarly, the March 2008 *Draft Maui Island Plan* contained only an oblique reference to the county having "significantly increased the percentage of affordable units required by new development," in the past without referring specifically to the 50-percent quota's magnitude. (See https://www.mauicounty.gov/DocumentCenter/View/3233/Housing?bidId= and https://www.mauicounty.gov/DocumentCenter/View/110922/FactSheet_RWHP_20171107).

Figure 21 Maui County housing stock by decade of origin: older houses are more affordable; newer houses become older houses, unless you stop building them



Source: U.S. Bureau of the Census, American Community Survey 2023 5-year estimates (https://www.census.gov/acs/www/data/data-tables-and-tools/data-profiles/).

Older housing tends to be more affordable housing. Newer housing units embed technological improvements to incorporate better amenities. But without new home building, eventually there will be less old housing than needed by younger populations of owners and renters. Compensating for the last quarter-century of Maui homebuilding failures with substantial, compensatory multiples of current residential construction should take priority over deconstruction of Maui tourism productive capacity. The imperative to expand homebuilding opportunity in Maui County is crucial given the possibility of an emerging long-frequency homebuilding super-cycle in the 2030s (second panel from top, Figure 22).

As stated above, the solution to a housing shortage is to build houses, and the solution to inadequate income is to raise productivity. The first is physical capital formation, the second is human capital formation *investment*—a process, not a silver bullet. Maui County's Bill 9 proposes, instead, to take lodging wealth from owners of 6,000 TVRs without compensation and—*voila*—to create 6,000 housing units by New Year's Day, January 2026.[54] Adding more new housing units *should indeed* be the county's policy goal. However, this goal should be met by building more housing, not by cannibalizing TVR inventory and thereby crashing tourism and the County's economy.

[54] As referenced in footnote 4 (https://mauicounty.legistar.com/View.ashx?M=F&ID=14263348&GUID=299EB014-1CF9-4CF7-8EB2-3367662C0592), this form of Bill 9 (2025) does not actually refer to affordability, *per se*. Indeed, in its justifications, the bill only observes that "Apartment Districts are, among other things, intended to provide higher density, long-term housing to residents." Consequently, "The purpose of this ordinance is to revert all Apartment District properties to their intended long-term residential use."

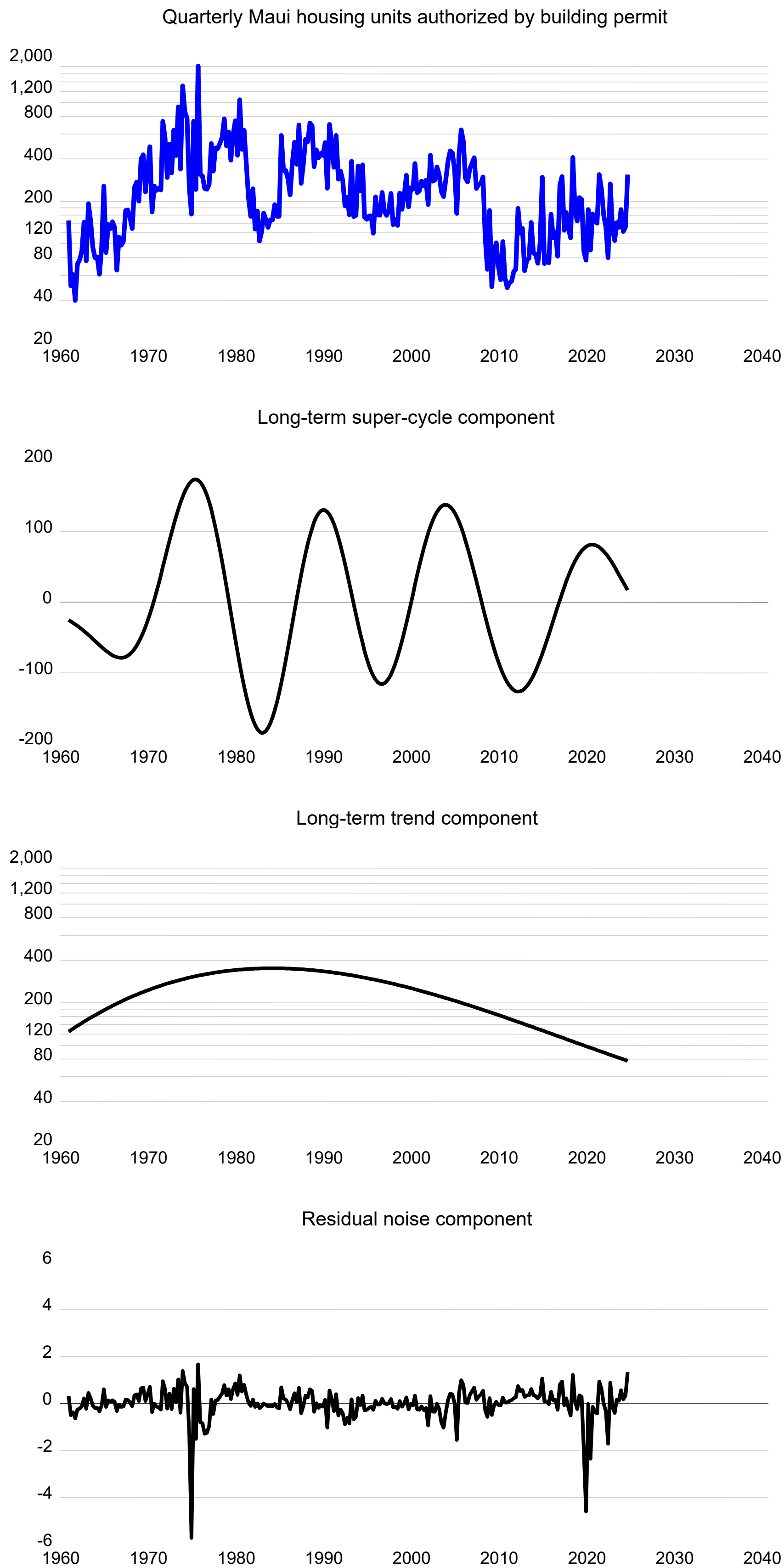


Figure 22

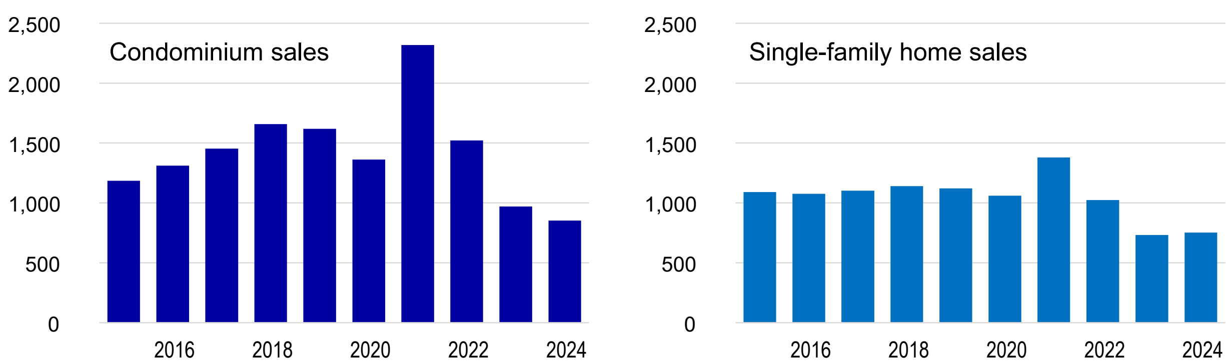
Quarterly new Maui housing units authorized for construction by building permit, and decomposition into cycle, trend, and noise components (in log points).

Sources: Bank of Hawaii, Hawaii DBEDT (http://dbedt.hawaii.gov/economic/qser/selected-county-tables/), U.S. Census Bureau (https://www2.census.gov/econ/bps/County/). Decomposition using Christiano-Fitzgerald asymmetric band-pass frequency filter assuming stationarity and short:long cycle periods of 10:30 years, with second-order polynomial trend extraction from the non-cyclical component.

6. Manipulating valuations as a wealth redistribution strategy

The strategy embraced by Bill 9 is to compel or induce involuntary sale of up to 6,000 TVR condominiums from the Minatoya List in proximity to oceanfront resort areas of West Maui and South Maui, all roughly at the same time, and to limit their use to long-term occupancy. This amount, 6,000 TVRs, is nearly ten times annual new homebuilding on Maui (*including* temporary wildfire relief units), intended to be sold essentially simultaneously. Sale of nearly 6,000 condominiums would be many multiples of annual condominium resale volumes in Maui County as well (generally 4x to 5x). The county's plan is to generate and exploit what is known as a "fire-sales externality." By dumping so many more existing condominium units under future use restrictions (long-term rentals), undermining the microeconomic foundation for previous market values (short-term rentals), existing TVR owners' losses will be new buyers' gains in affordability, either as incipient owner-occupants or as landlords.

Figure 23 Annual sales of existing Maui condominiums and single-family homes



Sources: Realtors Association of Maui (https://www.ramaui.com/housing-statistics), Hawaii DBEDT (https://dbedt.hawaii.gov/economic/qser/selected-county-tables/).

In its analysis of Bill 9,[55] based on its original language, the UHERO (2025) report assumes that all units would be listed for sale over about 1.5 years from March 2025 through August 2026. Then, under three scenarios with varying sales velocities, wealth transfer cumulates over time. UHERO scenario valuation change projections include a late-2020s range of:

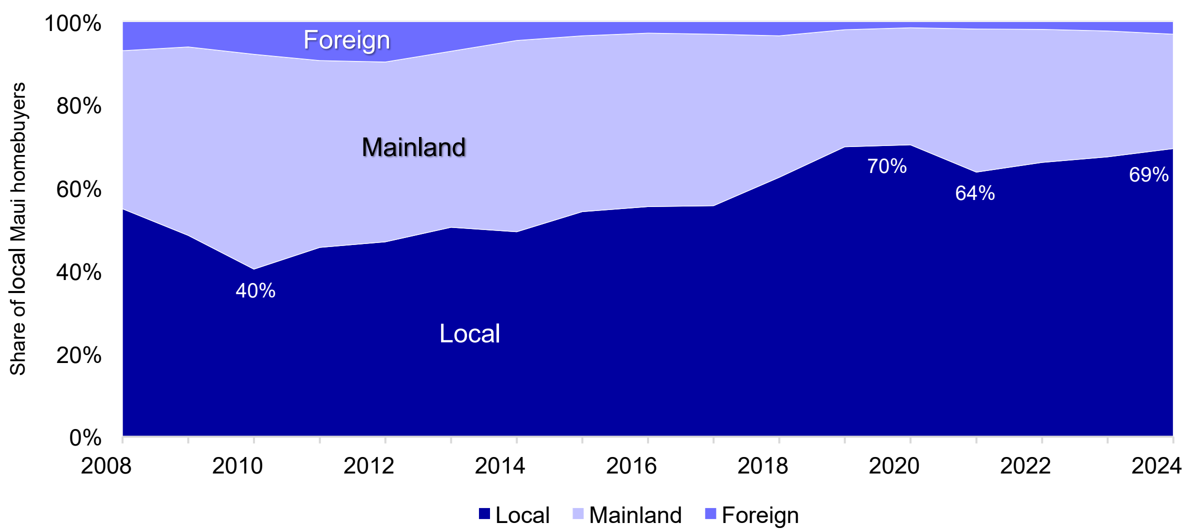
- 40 percent median condo valuation decline under high-velocity sales
- 25 percent valuation decline under middling but rapid sales, and
- 20 percent valuation decline under more modest absorption rates.

[55] See footnote 46.

The mechanism is summarized in the UHERO study as an anticipated, one-time decrease in median Maui condominium prices.[56] That is, the economic impact analysis of Bill 9 by UHERO operates primarily through median price decline, motivated by a concern for housing affordability, and affordable housing policy.[57]

There is some confusion over policy motivation. Historical context for Bill 9 *is* Maui's catastrophic wildfire destruction, but Bill 9 reboots a *pre*-wildfire proposal.[58] The original 2021 proposal arose from a pandemic surge in condominium sales after the 2020 travel shutdown, and purchases ahead of Maui's 2022 Revenge Travel rebound (left panel, Figure 23). It followed a partial, 2021 reversal of the 2010s Maui trend toward higher *resident* homebuyer shares (Figure 24), and was motivated partly by antipathy to offshore Maui real estate investors.

Figure 24 Offshore Maui homebuyers were a *decreasing* proportion of annual totals



Sources: Hawaii DBEDT (https://dbedt.hawaii.gov/economic/qser/selected-county-tables/), Table G-55, from Title Guaranty of Hawaii, Inc. based on Hawaii Department of Natural Resources, Bureau of Conveyances

[56] The UHERO (2025) report estimates that "the median Apartment-zoned TVR is currently valued at $971,500 and we project that condo prices on Maui will decrease by 25% by 2027, to a new median value of $728,625. Therefore, affordability would improve because prices decrease more than incomes." UHERO projects that incomes fall by 5-10 percent because of Maui tourism losses (visitor accommodations (−25 percent), visitor days (−32 percent), visitor spending (−15 percent), and jobs (−1,900)), while adding to the long-term housing stock. UHERO dedicates two pages to elaborating on housing affordability outcomes of Bill 9.

[57] "Maui County faces a housing affordability crisis exacerbated by the destruction of more than 3,000 housing units in the devastating 2023 wildfires," opens the UHERO (2025) report on page 2, following an introduction, by Carl Bonham *et al*. See footnote 46.

[58] See footnote 3.

Antipathy to offshore Maui investors remained a persistent thread in Bill 9 (2025).[59] Investor antipathy also was thematic in 2024 state legislation advocated by Mayor Bissen,[60] by Nativist activists,[61] and by Governor Green "to empower regulation of short-term rentals."

Neither in Bill 9 nor in testimony did the county present data on TVR ownership by geographic origin, but the county and UHERO *were* attentive to owner-occupancy and long-term renter proportions.[62] Superficially, the county appears to lump all offshore investors together, including former Maui residents (*e.g.*, members of the Maui diaspora), residents of Oahu and other islands, investor vehicles of Hawaii origin, and (full disclosure) the authors' in-laws.

Curiously, enhanced housing affordability as policy motivation was rejected by its government affairs spokesperson in favor of "adding more units to the market."[63] This did not preclude

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[59] In June 25, 2024 remarks to the Maui Planning Commission, Mayor Bissen concluded. "We simply cannot continue to prioritize offshore investment over the needs of our people. As mayor, my primary responsibility is to protect our people, and that starts with providing our residents with access to the most basic human need, housing. Despite some people characterizing this as an emotional discussion, that condescending characterization ignores the realities of this 30-year-old past-due discussion. The time has come with passage of State Senate Bill 2919. And given the impact of the worst disaster our community has ever experienced, this issue can no longer be ignored. While we rebuild Lahaina, if we do not recognize the faces of those who are from there, our kupuna, our keiki, and our ohana, we will have lost this fight. We must change the trajectory of our future. And that change, that kuleana starts today." (https://www.youtube.com/watch?v=SIj_m_Sdt5I).

[60] Office of the Governor – News Release – *Gov. Green Signs SB 2919 into Law to Empower County Regulation of Short-Term Rentals, Provides Affordable Housing Progress Update* (May 3, 2024) (https://governor.hawaii.gov/newsroom/office-of-the-governor-news-release-gov-green-signs-sb-2919-into-law-to-empower-county-regulation-of-short-term-rentals-provides-affordable-housing-progress-update/).

[61] Press Conference, Office of the Governor of Hawaii (May 3, 2024) (https://www.facebook.com/watch/live/?ref=watch_permalink&v=1089182442191497; 56:20-56:45). Paele Kiakona, leader of Lahaina Strong, in Governor Green's SB 2919 press conference, opined "one of the biggest challenges we face is our housing crisis, which is exacerbated by the influx and exponential growth of short-term rentals in our neighborhoods, forcing our people to leave. Short-term rentals contribute to the housing crisis. Our people leaving Hawaii contribute to our identity crisis. Because what is Hawaii without its people? It is but another island."

[62] UHERO anticipated, upon elimination of 6,172 TVR comprising 53-59 percent of housing units in Maui apartment districts upon Bill 9 implementation, that owner-occupancy could rise from 13-22 percent to 37-45 percent, non-owner occupancy could rise from 15-19 percent to 42-34 percent, and long-term rentals could rise from 6-13 percent to 13-18 percent of units depending on location (Tables 4 and 5 of footnote 46). County Finance Director Martin reported that of 7,166 "parcels", 83.5 percent had TVR-STRH status, and only 5 percent long-term rental and 7 percent owner-occupied status before Bill 9 implementation (footnote 42).

[63] During Maui County Council HLU Committee Meeting of July 2, 2025 (https://www.youtube.com/watch?v=pB5W_1OO9YY, 7:24:00-7:24:40), Laksmi Abraham, Maui County Director of Communications and Government Affairs testified that "we have never looked at these [TVR] units as potentially affordable. We look at these units as potentially attainable and adding capacity, and moving us in the direction of adding more units to the market. As far as how many units would result in this transition, … any amount of units that we can get to convert is considered success. Any amount of units that we can bring online for long-term housing would be a success from where we're sitting."

another Maui County spokesperson from asserting that "if one condo becomes 'significantly more affordable,' all condos do."[64]

7. Concluding Maui housing market observations

Questions arise about the efficacy of a fire-sales strategy to depreciate condominium prices at the cost of significant tourism export contraction, compared the alternative of *de novo* homebuilding. Building new housing is a win-win option: more housing, unimpaired tourism. Bill 9 (2025) implies win-lose outcomes: more housing, less tourism (and the associated economic hardship).

A. *Makai is more expensive than mauka*.

- Maui lodging units are more valuable than housing units because travelers' willingness to pay for short-term habitation exceeds residents' willingness to pay for long-term habitation in the same locations. Tourists only briefly consume tropical recreational amenities in proximity to the ocean. Residents can fit ocean amenity consumption options into a permanent lifestyle with shorter travel distances and times than transpacific air travel. Generally, residential valuation gradients decline, becoming cheaper as locations move inland from makai (oceanfront) to mauka (mountainous) locations.[65]

- The first hotel/resort-zoned, beachfront condominium in Lahaina Town to reopen since the 2023 wildfires was a studio apartment with a monthly owners' cost of $3,625 and an annual cost of $43,500 at its listed price in July 2025, [66] double Maui's median rent (Figure 25). This monthly cost would be supported by TVR nightly rates around $500 at 50 percent occupancy, yielding $91,000 in annual room revenue before expenses ($111,000 at 60 percent occupancy).[67]

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[64] In testimony on behalf of the administration, Maui Count Executive Assistant Matt Jachowski testified at the Maui County HLU Committee Meeting, June 9, 2025 (https://www.youtube.com/watch?v=68rKApr8Z9c&t=2743s; 45:30-45:52), "Here's the biggest takeaway from the UHERO report. This is a direct quote: 'We project that condo prices on Maui will decrease by 25% by 2027 … Therefore, affordability would improve because prices decrease more than incomes.' So, they're saying that not only will these Bill 9 condos become significantly more affordable, but *all* condos on Maui will become significantly more affordable [emphasis in the original]."

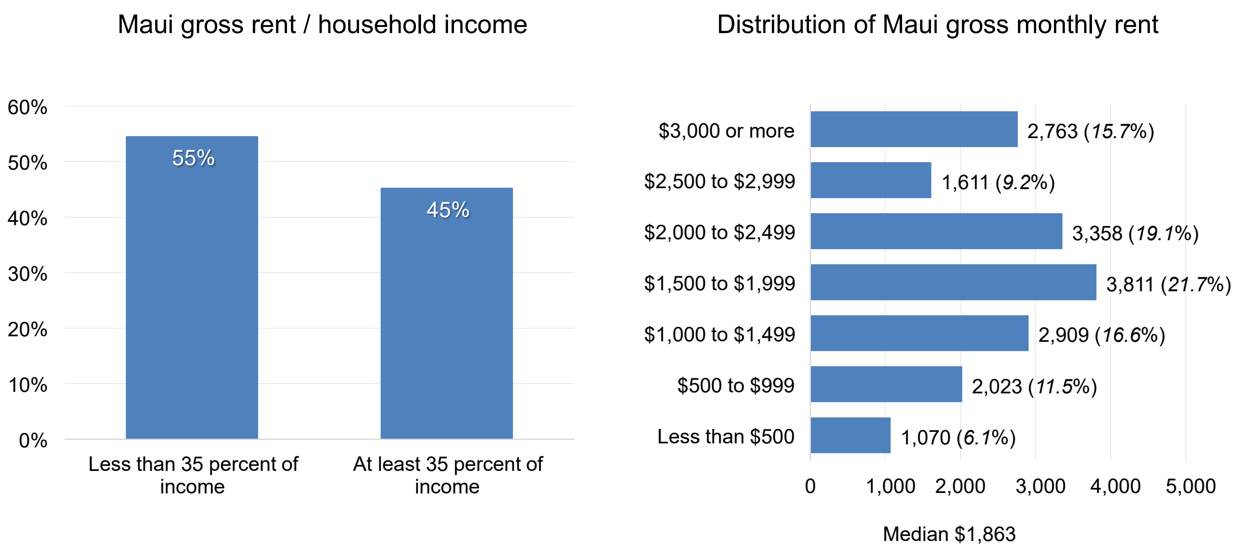
[65] Notable regional Maui exceptions include mauka-to-makai Kapalua Resort, some other West Maui areas where gradual elevation gain preserves distant vistas, and in certain Upcountry Maui locales on the slopes of Haleakala.

[66] The MLS number is 406410, a 483 square foot, fee simple, beachfront, 1974 vintage, studio condominium with kitchenette at 475 Front Street (Unit 332), in Lahaina listed at $435,000 in the 199-unit Lahaina Shores Beach Resort. Based on a prevailing 30-year fixed rate mortgage rate and a 20 percent down payment, it would have a monthly mortgage expense of about $2,200 and a monthly maintenance fee of about $1,425. The listing accessed on July 15, 2025 was posted by Jesse G. Wald & Associates (https://www.hirealestateexperts.com/listing/406410-475-front-st-unit-332-lahaina-hi-96761/).

[67] Revenue estimates are based on a two-night stay in mid-January 2026 at occupancy rates calibrated to 2024 (52%) and 2023 (62%) annual average experiences of vacation rentals in Lahaina/Kaanapali/Napili/Kapalua (January 2024 occupancy was 61%) (https://www.hawaiitourismauthority.org/media/13969/december-2024-hawaii-vacation-rental-

- Condominium prices per square foot on Maui are higher than single-family home prices per square foot. Maui County may have picked the wrong housing unit (Figure 26).

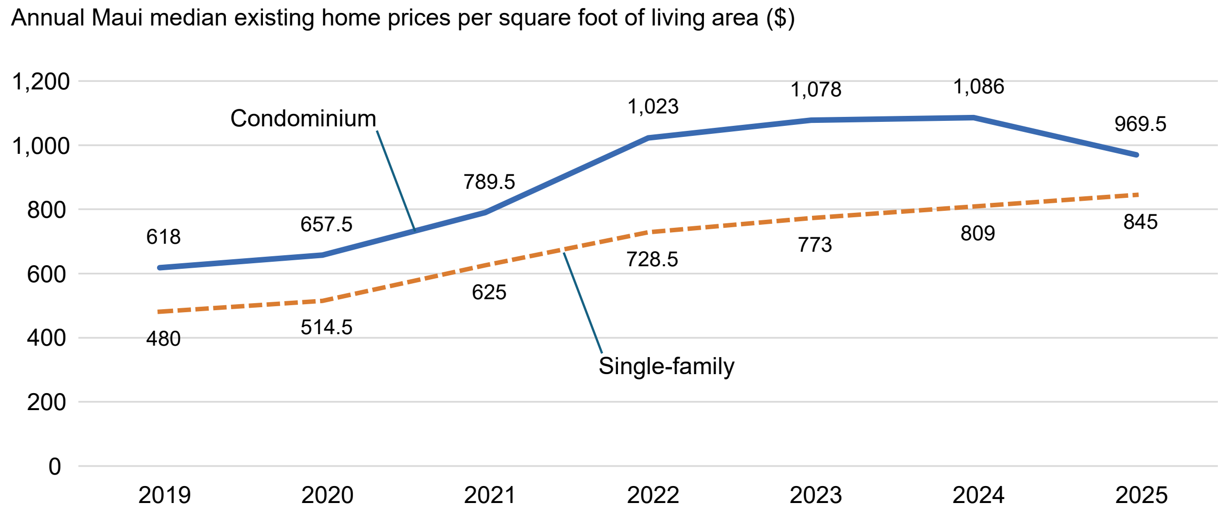
Figure 25 Maui gross rent as a percentage of household income and in distribution



Source: U.S. Bureau of the Census, *American Community Survey* 2023 5-year estimates for Maui County (https://www.census.gov/acs/www/data/data-tables-and-tools/data-profiles/).

performance-final.pdf), at room rates inferred from a Southwest Airlines package including round-trip airfare from Honolulu, Oahu (HNL) to Kahului, Maui (OGG) (https://res.southwestvacations.com), applied to the listing in footnote 66, excluding lodging network services and ground transportation costs.

Figure 26 Maui condominium prices per square foot of living area are *higher* than houses'



Source: Realtors Association of Maui (by special arrangement).

B. *Uncongenial valuations and valuation dynamics*

- Acceleration of new homebuilding instead of forced sales of existing TVR should yield similar but more gradual valuation dynamics without suffering losses of tourism revenues and employment.

- An increment of 6,000 new housing units elsewhere Maui away from expensive resorts could be integrated into the urban fabric of existing, more affordable communities that better meet the needs of Maui's families than the traditionally smaller, hotel room-like condo units located in or near expensive resorts.

- A 25 percent decline in median Maui existing condominium sales prices *already* was unfolding by the time the UHERO report was published in March 2025. Median Maui condominium prices decreased 36.8 percent from $1.3 million March 2024 to $822,500 in March 2025,[68] *without* a forced sale of 6,000 TVR.

- Maui condo prices already were falling more than simulated in the middle scenario of the UHERO report, and on a faster timetable, but Maui County is not celebrating improved housing affordability, nor do county officials appear inclined to acknowledge that the predicted outcome already has occurred without acknowledging that the inevitable impacts of Bill 9 would be to double losses that have already occurred.

[68] Median condo prices decreased 35.0 percent from $1,000,000 in August 2024 to $650,000 in August 2025. Realtors Association of Maui (August 2025) *Monthly Indicators* (https://www.ramaui.com/housing-statistics and https://media.salecore.com/GetFile.ashx?p=NeQPcvFXVyf-a).

- Mid-2025, mortgage lending conditions remained unhelpful, posing an impediment to presumptive absorption of 6,000 fire-sale TVRs. The average 30-year fixed-rate mortgage interest rate in the U.S. was 6.79 percent,[69] including a mortgage "call premium" almost 0.5 percentage point higher than its historic average around 1.70-1.75 percent, relative to yields on the 10-year U.S. Treasury Note.

- The valuation overshoot of the early-2020s had a fundamental determinant: remote work. Post-pandemic single-family home demand experienced a preference shift towards suburban and exurban locales. One quarter of Hawaii workers, the more highly educated with higher household incomes, continue to work at home or hybrid.[70]

- Maui condo appreciation after 2020 primarily was induced by tourism-related factors, but during the year in June 2025, Maui condo prices sharply unraveled. Precipitous price decline was *idiosyncratic* to Maui condos, not shared with single-family home market conditions in Maui. Signaling intent to backtrack on TVR regulation, Maui County undermined its credibility. Condo investors swarmed to abandon their positions.[71]

Condo price decreases have already retraced back to pre-pandemic stationary trend (Figure 27), falling faster than in the collapse of the Subprime Bubble after 2007 (Figure 28). Listed inventories for both detached single-family and multifamily condominium units in Maui have been rising since the August 2023 wildfires, but the condo inventory overhang by mid-2025 was substantially larger than for single-family homes (Figure 29). The pile-up of condo inventories began after the introduction of Hawaii Senate Bill 2919, which paved the way for Maui's introduction of Bill 9. Investors are paying attention, and they are headed for the exits. Median Maui condominium prices have fallen during the *last* year by more than UHERO projected would occur due to Bill 9 *two years from now*, yet still nobody is talking about how affordable condos are and we have not seen supposed benefits of increased affordable housing supply. The explanation is unique to condos: the condo inventory pile-up is twice as large as the rise in Maui single-family months of inventory remaining attributable to higher mortgage interest rates (Figure 30). Condo valuations are in free-fall, not single-family home valuations.

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[69] Freddie Mac, retrieved from FRED, Federal Reserve Bank of St. Louis (https://fred.stlouisfed.org/series/MORTGAGE30US).

[70] See Arjun Ramani & Nicholas Bloom (May 2021), "The Donut Effect of Covid-19 on Cities," *NBER Working Paper 28876* (https://www.nber.org/papers/w28876) and John Mondragon and Johannes Wieland (May 2022), "Housing Demand and Remote Work" *NBER Working Paper No. w30041* (https://www.frbsf.org/wp-content/uploads/sites/4/wp2022-11.pdf).

[71] The county signaled: "we don't allow investors to build new housing units, and we *renege* on investors' longstanding agreements." Facing uncertainty and asymmetric information, moves that *other* investors make convey more information than may be acquired independently. Herding becomes investors' optimal strategy. She who sells first gets the higher price.

Figure 27 Maui median existing home sales prices bifurcated in the year ending in mid-2025

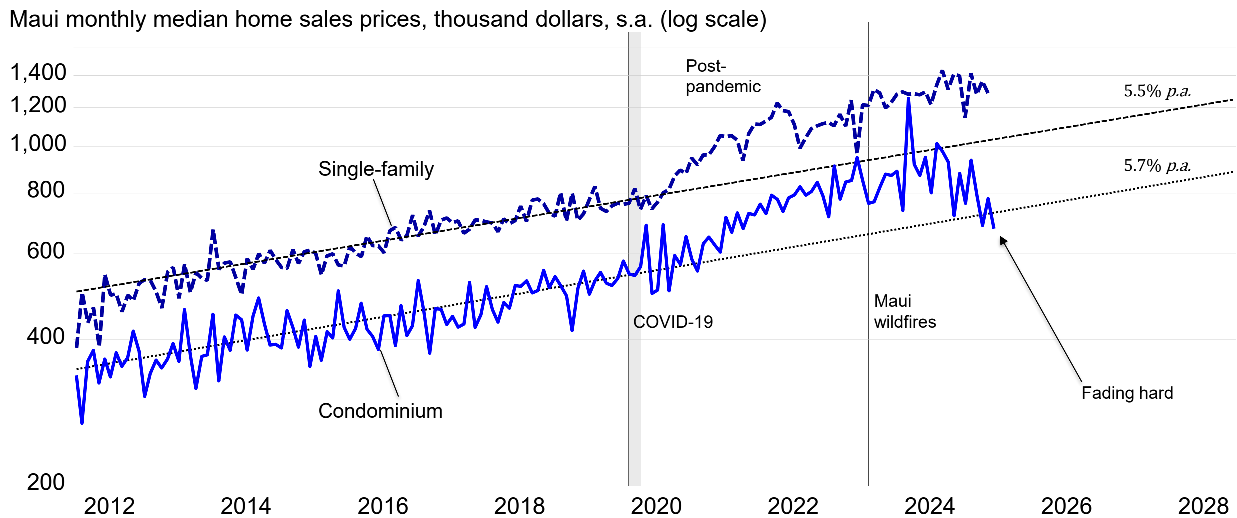
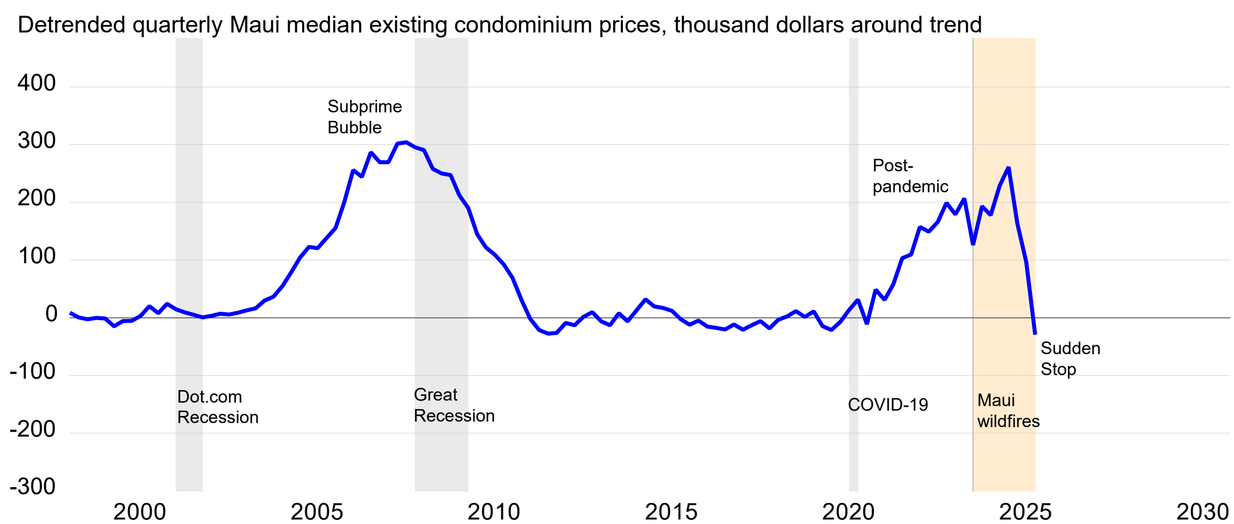
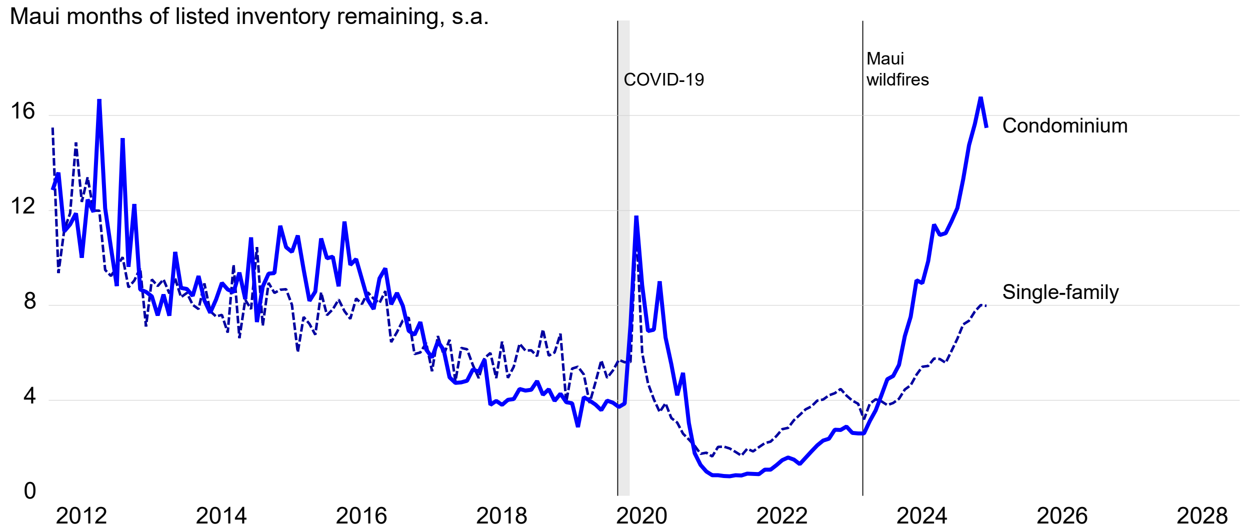


Figure 28 A Maui condominium valuation Sudden Stop: median price declines relative to trend



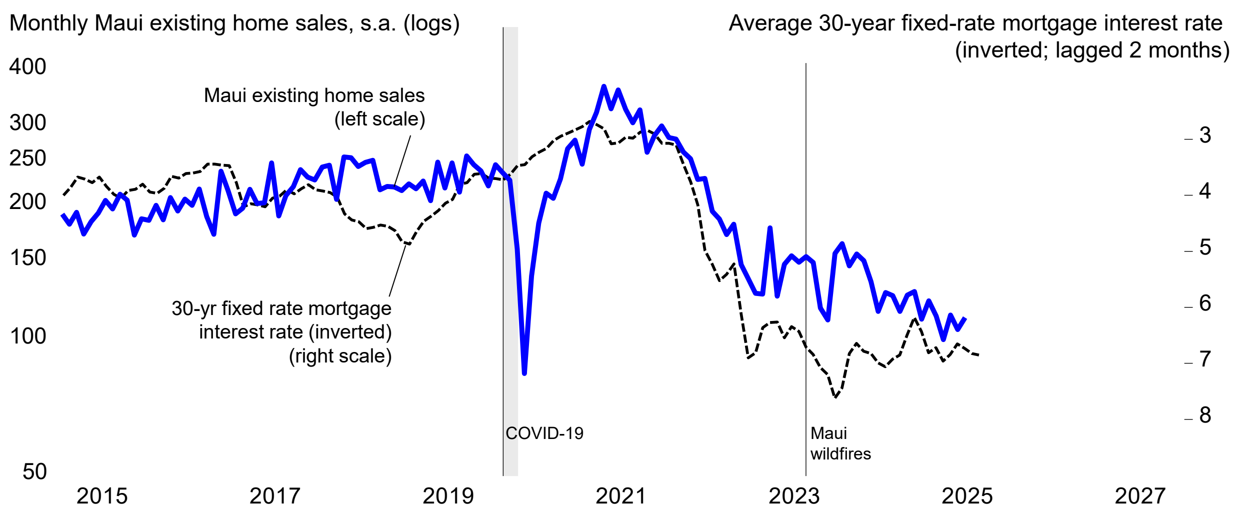
Sources: Hawaii DBEDT (https://dbedt.hawaii.gov/economic/mei/), and Realtors Association of Maui (https://www.ramaui.com/housing-statistics). Monthly data through June 2025 seasonally adjusted using Census X-13 ARIMA filter. Stationary trend regressions from 1998(Dec.) – 2018(Dec), projected through 2028.

Figure 29 Maui inventory/sales ratio—months of inventory remaining—condos jumping



Sources: Realtors Association of Maui (https://www.ramaui.com/housing-statistics), seasonally adjusted through June 2025.

Figure 30 Maui existing home sales move inversely with mortgage interest rates



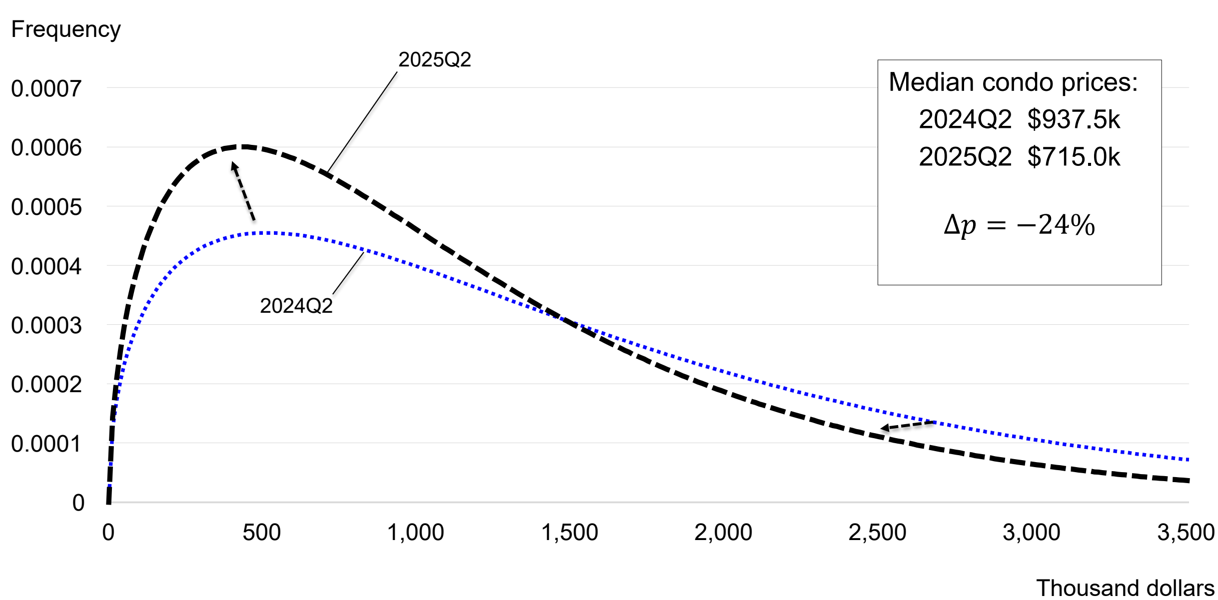
Sources: Hawaii DBEDT (https://files.hawaii.gov/dbedt/economic/data_reports/mei/2025-05-maui.xls), both seasonally adjusted through June 2025, and Freddie Mac, retrieved from FRED, Federal Reserve Bank of St. Louis (https://fred.stlouisfed.org/series/MORTGAGE30US).

8. Nuances of Maui residential condominium wealth erosion

Falling prices from Maui existing condominium sales between 2024Q2 and 2025Q2 were nuanced, under the surface. Prices in different quantiles of the valuation distribution did not change proportionately. Between 2024Q2 and 2025Q2, high-end condo transactions volumes fell, and low-end transactions volumes rose. This yielded mean and median price declines but with a more complex shapeshifting in the distribution than anticipated under Bill 9, not yet enacted.

- Quarterly mean condo prices fell 25 percent (first moment of distribution).
- Quarterly median condo prices fell 24 percent (the distribution's halfway point).
- Dispersion—the second moment, standard deviation—*decreased* (from 1,971 to 1,547).
- Skewness *increased* (from 3.7 to 5.0) (the third moment).
- Kurtosis increased (from 19 to 34) (the fourth moment).
- Quarterly transaction volumes fell from 244 to 187 units.

Figure 31 Median Maui condo prices fell 24 percent from 2024Q2 to 2025Q2, *not* uniformly



Source: Underlying raw transactions data from Realtors Association of Maui by special arrangement (July 2025); empirical gamma distribution estimates by the author.

That is, although Maui condo sales collapsed *towards* the affordable end of valuations, low-end prices didn't fall as much as high-end prices. Empirical gamma distributions of the two quarters' data are illustrated in Figure 31.

Median prices are popularly referenced because home prices do not have Normal distributions. The Normal distribution is the only case in which first (mean) and second moments (standard deviation) of the distribution are *sufficient* statistics. Otherwise, higher-order moments contain information which, during just the last four quarters, tell a more complex story than the simple narrative, "median prices declined; therefore, housing became more affordable." During the last four quarters, second, third, and fourth moments suggested that the home price distribution "twisted" (in Figure 31). High-end prices fell by more than low-end prices, proportionately.[72] Distributional complexity complicates simplistic of affordability-enhancement if not all prices fall in equal proportions, even if affordability is not the county's objective (footnote 6363).

House price depreciation has adverse knock-on effects which may undermine success of the Bill 9 strategy. Collateral values are tied to market prices. For borrowers, collateral erosion impairs access to credit. Lenders are required to mark-to-market their available-for-sale portfolio, so collateral erosion can impair bank capital and limit bank lending. Either borrowers or lenders pulling back investment can throttle economic activity. Collateral erosion can compound higher interest rates from anti-inflationary monetary policy or increased federal government borrowing.

The current U.S. monetary and fiscal policy environment may be unsuitable for the valuation experimentation implied by Bill 9 for these reasons and will be less fruitful even if successful. Global financial crisis in 2007 was precipitated by falling U.S. home prices, mortgage delinquencies and defaults leading to falling mortgage-backed securities prices and propagation of those losses through derivatives prices. A Maui home price decline will have more localized adverse effects, but success inducing further decline in condominium valuations could risk invoking the same mechanisms translating wealth destruction into macroeconomic recession.

9. Longer-term asset price dynamic equilibrium

Ultimately, forced depreciation of condominium prices cannot be sustained in spatial and temporal contexts of long-term equilibrium returns to housing. Risk-adjusted returns on housing as an asset class are constrained to a long-term, arbitrage-free trajectory consistent with rival geographic housing markets sharing high degrees of capital mobility. (This principle underpinned the property tax calculations in Table 9.) For Maui, rival condo geographies are primarily resort areas in West Hawaii Island and Kauai. For single-family homes, Maui prices move synchronously with those in West Hawaii and Kauai, as well as prices on Oahu and in coastal California metro areas.

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[72] Between 2024Q2 and 2025Q2 the median price for the lower half of the distributions declined 16 percent, and its mean declined 19 percent. The median for the upper half declined 23 percent and mean 26 percent. Measures of central tendency in the upper half of the distribution remained high, the median at $1.3 million and mean at $1.9 million in 2025Q2. Lower half measures declined from $650k to $546k (median), and from $635k to $512k (mean), improvements in affordability, but less than the overall 24-25 percent price decreases. One size does not fit all.

Figures 32 and 33 illustrate common long-run paths for housing valuation indexes in Maui and in two Southern California housing markets in Orange County, CA and San Diego County, CA. Co-movements are not perfect—cycles can persist out of phase for some time—but their apparent longer-term convergence is striking.

Sudden, artificial, discrete lowering of home prices could induce a Maui capital inflow of investors seeking *above*-average returns more likely to follow a valuation overshoot to the downside precipitated by Bill 9. The most likely cohort of Maui TVR replacement investors in these circumstances are second-home buyers *not* from Maui. Ironically, aspiring Maui owner-occupants could face competition from even *more* offshore investors than before.

Curiously, the policy strategy in Bill 9 is *designed* to impoverish thousands of Maui households by extinguishing tourism-related jobs and incomes. The premise is that condo prices will fall by more than incomes, so "it's all good." Thousands of people whose jobs and incomes are extinguished by Bill 9 may have to leave Maui, but remaining Maui residents can take comfort knowing that—theoretically—involuntary reduction of their household wealth is proportionately larger than aggregate Maui household income losses. (Wealth declined by more than income, what a relief!) Renters can celebrate landlords getting "owned" by Maui County. By design, *non*-occupant investors' wealth destruction is designed to be the *largest*, so homeowner-occupants can take comfort in the fact that, for them, things could have been even worse.

Maui County officials assert that *any* TVR converted to residential use constitutes policy success. But additional Maui housing units could be built *without* foregoing Maui tourism exports, and without associated loss of jobs and incomes, *creating* jobs and incomes instead. A win-win alternative to Bill 9 would be for Maui County to engage in generalized housing regulatory policy reform, zoning for greater density in Maui's Kahului-Wailuku conurbation, streamlining county approval processes, restoring rather than undermining credibility of its commitment to investment rules of the game, thereby accelerating homebuilding flows, restoring Maui's *own* production rates from one half century ago.

Maui County today could be engineering the timing and amplitude of the *next* homebuilding wave from the 2020s through the 2040s. Instead, Maui risks precipitating a local financial crisis, or credit crunch, from deliberate erosion of collateral values, while rotating ownership from one class of offshore investors to another through constitutionally dubious takings without compensation. A decomposition of Maui new housing authorized by building permits since 1961 (Figure 22) suggests that 2025 is the moment to begin outlining its next, great, long-frequency homebuilding wave, the fifth since statehood. But investment waves are the main thing Maui has gotten especially good at suppressing.

Figure 32 Real (inflation-adjusted) housing valuations cycle back to stationary long-run trend

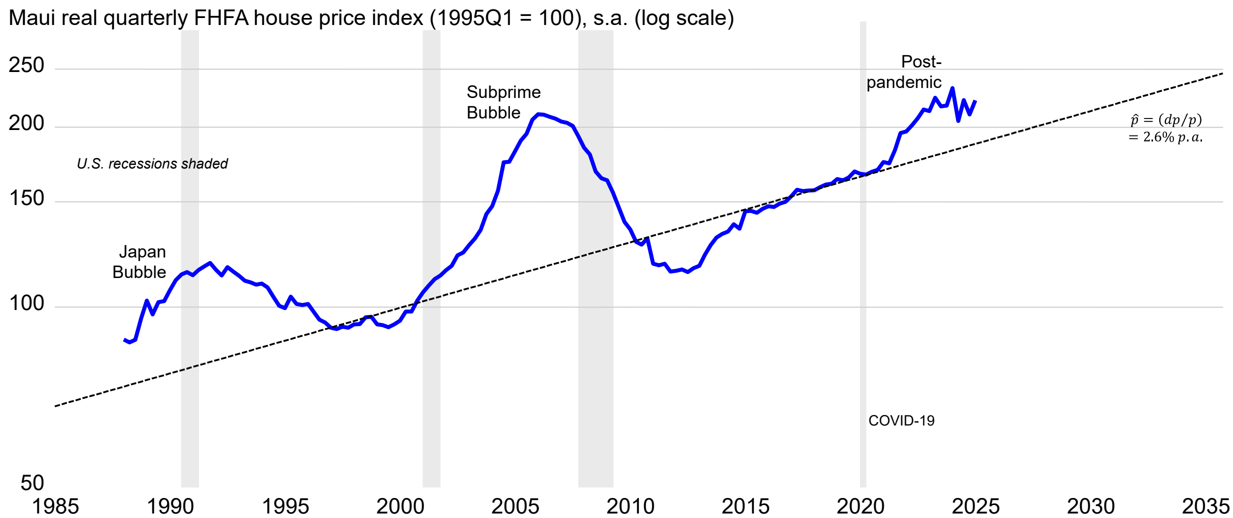
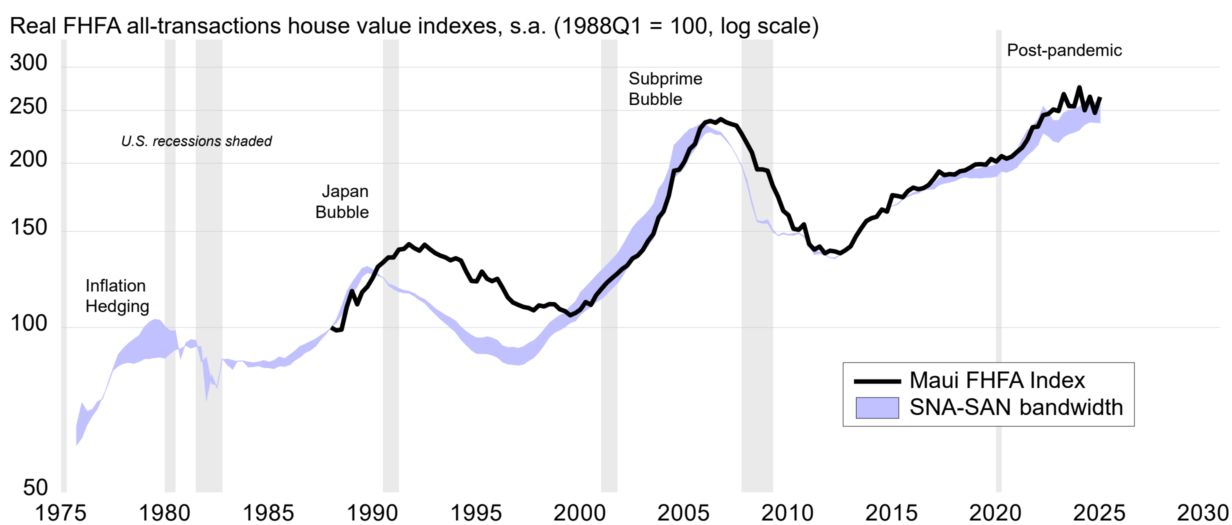


Figure 33 Real Maui housing valuations share dynamics with Southern California valuations



Sources: Federal Housing Finance Agency (https://www.fhfa.gov/data/hpi/datasets?tab=quarterly-data), U.S. Bureau of Labor Statistics (https://data.bls.gov/toppicks?survey=r9, and https://fred.stlouisfed.org/series/CPIAUCSL); quarterly data through 2025Q1 for Kahului-Wailuku, HI, Anaheim-Santa Ana-Irvine, CA, and San Diego-Chula Vista-Carlsbad, CA, seasonal adjustment using Census X-13 ARIMA filter, deflation using U.S. and quarterly interpolated Urban Hawaii CPI-U, stationary trend regression 1997Q1-2019Q4.