June 5, 2025

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MEMO TO: HLU-4 File

F R O M: Council Chair Alice L. Lee

SUBJECT: **TRANSMITTAL OF INFORMATIONAL DOCUMENT RELATING TO 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)

The attached informational document pertains to Item 4 on the Committee's agenda.

paf:cmn:24-182h

Attachment

May 13, 2025

MEMO TO: Alice L. Lee, Council Chair

F R O M: Carla Nakata, Legislative Attorney cmn

SUBJECT: **SUMMARY OF REPORTS ON PHASING OUT TRANSIENT VACATION RENTAL USE IN APARTMENT-ZONED DISTRICTS** (PAF 24-182)

On August 23, 2024, in anticipation of receiving the Mayor's proposed bill to phase out transient vacation rental use in Apartment-zoned districts, the Council issued a Request for Proposals for a study to "include a compilation of data relevant to the units that would be impacted by the Mayor's proposal and analyses on the revenue impacts to the County, the effects on the housing market and housing supply in the County, and the economic, environmental, and societal impacts." No contract was executed in response to the RFP.

On January 16, 2025, Bill 9 (2025), entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTERS 19.12, 19.32, AND 19.37 MAUI COUNTY CODE, RELATING TO TRANSIENT VACATION RENTALS IN APARTMENT DISTRICTS," was referred to the Council's Housing and Land Use Committee.

You have directed staff to provide a brief summary of the following reports, focusing on the proposal itself and avoiding policy conclusions or alternatives:

- "An Economic Analysis of the Proposal to Phase Out Transient Vacation Rentals in Maui County Apartment Districts," dated March 31, 2025, by UHERO for Hawaiʻi Community Foundation, attached as Exhibit "1"; and

- "State of Hawaiʻi and Maui Economic and Fiscal Impacts of the Short-Term Rental Industry," dated June 12, 2024, by Kloninger & Sims Consulting LLC for the Travel Technology Association, attached as Exhibit "2".

You may also wish to consider summary information retrieved from the Planning Director's report on the Mayor's TVR phase-out proposal, dated June 25, 2024, on the attached Exhibit "3."

Additionally, you considered having a summary prepared of a phase-out study being conducted by the Realtors Association of Maui. However, to date, a copy of the report has not been received.

"An Economic Analysis of the Proposal to Phase Out Transient Vacation Rentals in Maui County Apartment Districts"

The UHERO report was prepared to "examine the Maui County proposal to phase out transient vacation rentals (TVRs) in Apartment districts"—including the effects on tourism, employment, the housing market, and county tax revenues—and to answer the question: What are the expected economic impacts of implementing the proposed ordinance?[1]

UHERO developed a model to quantify the effects of reduced visitor spending and provided the following key findings in its Executive Summary (p. 1):

- Eliminating all TVRs in the Apartment Districts could reduce visitor accommodations by 25 percent and visitor days by 32 percent.

- Total visitor spending is projected to decline by $900 million, or 15 percent, annually.

- The decline in spending could result in the loss of 1,900 jobs.

- The long-term housing inventory could increase 13 percent, or by up to 6,127 units, which is equivalent to 10 years of housing development.

- Condominium prices could decline by 20 to 40 percent.

- Eighty-five percent of the subject TVRs are owned by out-of-state investors.

- Real property taxes could fall by up to $60 million annually by 2029.

[1] Selectively culling information from this concise, 20-page report may give the appearance of bias or lack of substantiation. However, an attempt has been made to highlight facts and quantitative results. Reference to the report itself will provide the best means of understanding the methods used by UHERO to project the economic effects of the Mayor's proposal.

General Excise Tax and Transient Accommodations Tax revenues could fall by 10 percent and 8 percent, respectively.

Housing stock

- Per RPT records, the County has 63,000 housing units. (p. 2)

- Of these units, 47,400 are long-term housing units, 13,000 are TVRs, and 2,500 operate as time share units. (p. 2)

- According to UHERO, there are 8,834 units eligible to operate as TVRs under the "Minatoya List" exemptions, while 6,127 units are currently operating as TVRs in Apartment zones.[2] UHERO states it assumed all units classified as TVR-STRH in 2022 (pre-fire) are still operating as TVRs. (p. 2)

- TVRs account for 21 percent of all housing units in the County. (p. 4)

Unit characteristics (pool of 6,127) (p. 3)

- Number of bedrooms:
  - Studios (0 bedrooms) – 7 percent
  - One bedroom – 51 percent
  - Two bedrooms – 39 percent
  - Three or more bedrooms – 3 percent

- Size:
  - Median unit – a little over 800 square feet
  - Nearly three-quarters of units are smaller than 1,000 square feet

- Other:
  - Median construction date - 1977
  - Nearly all units, 99 percent, have one parking stall

[2] Staff is informed by an author of the study that the 8,834-unit count includes all units on the list, whether zoned Apartment or not. UHERO identified 6,742 Apartment-zoned units and 2,092 non-Apartment-zoned units. UHERO subtracted out the non-TVR-STRH units, leaving a total of 6,127 units.

- Appraised value (of Apartment-zoned TVRs):
    - Median - $971,500, or 15 percent higher than a median condominium on Maui ($845,000)
    - Under $750,000 - 1,593 units, or about 25 percent
    - Under $500,000 – about 500 units

- Ownership:
    - Eighty-five percent of owners who use their units as TVRs have an out-of-state mailing address. (pp. 3-4)
    - Of the 15 percent owned by an in-state resident, half are held by a Maui County resident. (p. 4)

<u>Impacts on tourism (pp. 5-6)</u>[3]

- Assuming demand for Maui vacations recover to pre-COVID and pre-fire levels, accommodation spending is projected to increase by 15 percent relative to 2023 levels. Non-lodging spending, such as for retail and dining, is assumed to remain steady at $136 per day.

- In 2022, the County had 24,685 visitor accommodation units. The proposed policy would remove up to 6,127 TVRs, reducing accommodations stock by 25 percent.

- Visitor days are expected to decline by 32 percent, from 24.25 million in 2022 to 16.43 million.

- The average daily rate for Maui TVRs in 2023 was $368, compared to $591 for hotel units. Average daily lodging costs will likely rise because of the changing mix of accommodations.

- The reduction in visitor days is projected to result in a total spending decline from $5.98 billion in 2022 to $5.1 billion after the ban.

- The report notes uncertainty around key drivers.

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[3] Projections are based primarily on data from DBEDT's Visitor Plan Inventory Report for traditional accommodations and DBEDT's Vacation Rental Performance Report for TVRs. The report does not consider global factors, including the expected decrease in Canadian visitors, that are outside the scope of the analysis.

<u>Jobs (p. 7)</u>

- In the “baseline scenario,” UHERO estimates a 15 percent decline in visitor spending, resulting in 1,900 lost jobs concentrated in accommodations, food service, arts, entertainment, and retail trade.

- In the “low-demand scenario,” visitor spending is estimated to decline by 18 percent, for a loss of 3,800 jobs.

<u>Home prices and inventory (pp. 7-8)</u>

- UHERO relies on the mix of “non-Minatoya list” properties in Apartment zones based on 2023 RPT records—37 percent Owner-Occupied, 45 percent Non-Owner-Occupied, and 18 percent Apartments and Long-Term Rentals—to base projections on the proportion of “Minatoya-list” properties that will transition to each RPT classification. UHERO breaks these projections out by units in West Maui (2,194) versus other areas (3,933).

- If every unit is sold once, the County’s condo inventory would increase by 6,127.

- The second scenario UHERO uses anticipates units converting to Long-Term Rental or Non-Owner Occupied not undergoing a sale, while units that transition to Owner-Occupied are listed for sale. This scenario results in 2,608 units being listed.

- Impacts on sales prices are covered at pp. 9-10.

- The median Apartment-zoned TVR is valued at $971,500. UHERO projects that condo prices on Maui will decrease by 25 percent by 2027, to a new median of $728,625. (p. 11)

- At current incomes, prices, and interest rates, only the top 14 percent of families in the County could afford an Apartment-zoned TVR without spending more than 30 percent of their income and 35 percent at less than 50 percent of their income. (p. 12)

- Post-policy, these proportions rise to 21 percent and 49 percent, respectively. (p. 12)

- Findings suggest that the policy could create greater homeownership opportunities for upper- and upper-middle-income households, but any effect on lower-income households would be indirect. (p. 13)

- Table 10 provides an estimate of RPT revenue loss following the TVR ban, year over year, culminating in a projected $61 million gap by 2029, as compared to 2023. (p. 15)

General Excise Tax and Transient Accommodations Tax

- County GET surcharge and TAT revenues fall by 10 percent and 8 percent, respectively, under UHERO's more conservative scenario, and by 18 percent and 24 percent under a more severe contraction. (p. 16)

UHERO also notes that a joint analysis by UHERO and the State Department of Taxation found that, in the aftermath of the 2023 wildfires, Maui's population decreased by at least 1,000 residents, leading to an estimated $50 million in annual income loss for the State. (p. 16)

Policy recommendations offered by UHERO are outside the scope of this assignment.

"State of Hawaiʻi and Maui Economic and Fiscal Impacts of the Short-Term Rental Industry"

Shortly after the Hawaii State Legislature passed a bill that gave each of the State's counties the authority to eliminate short-term rentals, Mayor Bissen proposed legislation that would become Bill 9 (2025). Kloninger & Sims was contracted by Travel Tech Association to "analyze the fiscal impact of the proposed phase-out of short term rentals in Minatoya List condominiums as well as a potential total ban on all short-term rentals in Maui County." This summary focuses only on the aspects relating to the phase-out.

Except for its analysis on Real Property Taxes, State Department of Business, Economic Development & Tourism data was used. Notably, for purposes of their study, Kloninger & Sims defines Short-Term Rental visitors as "visitors who indicated that they stayed in either a Rental House, Bed & Breakfast, Private Room in a Private Home, Shared Room in a Private Home or Short-Term Rental Condo." Visitor counts, spending, and fiscal impacts should therefore be viewed with that broader definition in mind, where appropriate. It appears the term is used for the discussion on pages 9 through 12 of the report.

Kloninger & Sims reports that in 2023, Short-Term Rental visitors accounted for 25.4 million visitor days statewide, or 29.6 percent of the State's visitor market. Of that amount, Maui County had 7,972,472 visitor days, or 38.9 percent of the statewide total. (p. 7)

Based on their analyses, Kloninger & Sims estimates the following impacts:

- Short-Term Rental condominium units on the "Minatoya List" in West Maui have a total assessed value of $2.6 billion. Taxed as Short-Term Rentals (presumably, the TVR-STRH classification), the 2,684 units would generate $34.7 million in RPT revenue in 2024. Taxing the units at "various residential property tax rates" would result in a decrease of between $14.4 million and $29.6 million in RPT revenues. (p. 5)

- The 4,264 units on the "Minatoya List" outside of West Maui have a total assessed value of $4.2 billion and would generate $55.2 million in RPT revenue in 2024. Taxing these units at "residential rates" would result in a decrease of between $23.8 million and $47.1 million in RPT revenue. (p. 5)

- Based on 2023 hotel occupancy rates, Maui's hotels do not have the capacity to accommodate visitors who would otherwise stay in a Short-Term Rental condominium on the "Minatoya List." (p. 6)

- Based on 2024 RPT rates, if all 2,820 condominium units in West Maui on the "Minatoya List" were converted to Long-Term Rentals, the RPT revenue loss would total $23.1 million, while the loss would be $29.6 million if converted to Owner-Occupied units and $14.4 million if converted to Non-Owner-Occupied units. (p. 15) Converting to a mix of residential classifications is not covered.

- Based on 2024 RPT rates, if all 4,347 units outside of West Maui on the "Minatoya List" were converted to Long-Term Rentals, the RPT revenue loss would total $37.5 million, while the loss would be $47.1 million if converted to Owner-Occupied and $23.8 million if converted to Non-Owner-Occupied. (p. 17)

The Kloninger & Sims report also reports on data for county General Excise Tax surcharges from 2023; however, Maui County did not begin levying the surcharge until January 1, 2024 (Chapter 3.100, Maui County Code).

The report makes the observation that "the residential use that would have the smallest negative impact on the county's property tax collections, the Non-Owner-Occupied classification, does not increase Maui County's housing supply."

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Attachments

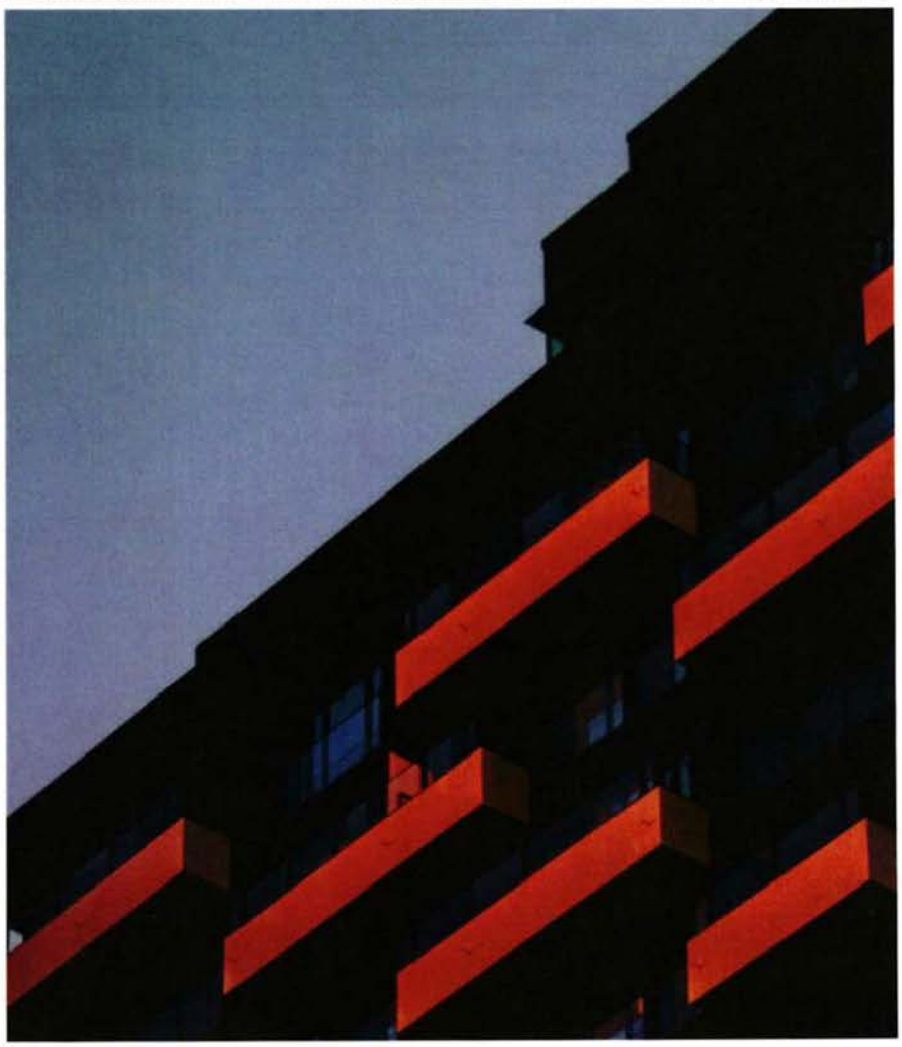
EXHIBIT "1"

UHERO

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

MARCH 31, 2025



UHERO

THE ECONOMIC RESEARCH ORGANIZATION AT THE UNIVERSITY OF HAWAIʻI

An Economic Analysis of the Proposal to Phase Out Transient Vacation Rentals in Maui County Apartment Districts

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Executive Summary

This report examines the Maui County proposal to phase out transient vacation rentals (TVRs) in Apartment districts, including removing long-standing exceptions for pre-1989 properties widely known as the "Minatoya List." The policy aims to improve housing affordability, worsened by the 2023 wildfires, by converting TVRs into long-term housing units. Our analysis includes effects on tourism, employment and output, the housing market, and county tax revenues.

To estimate the economic impacts, we built the Maui County Computable General Equilibrium (M-CGE) model. This model quantifies the effects of reduced visitor spending under two scenarios: a 15% decline (baseline) and a 25% decline (low-demand). It captures both direct and indirect impacts on tourism and related sectors. A separate regression model is used to predict year-over-year condominium price changes, accounting for factors like inflation, payroll growth, and inventory of for-sale condominium units. Key findings are as follows.

Tourism Industry Impact

- Eliminating all TVRs in Apartment zones could reduce visitor accommodations by 25% and visitor days by 32%.
- Total visitor spending is projected to decline by $900 million annually (-15%).
- The decline in spending also results in the loss of 1,900 jobs (-3% of total payroll jobs).
- Real GDP could therefore decline by 4%.

Housing Market Impact

- The policy could add up to 6,127 units to the long-term housing stock—a 13% increase, equivalent to a decade's worth of new housing development.
- Condo prices are projected to decline by 20-40%, improving affordability but also reducing household wealth and property tax revenues.
- Affected TVRs are disproportionately owned by out-of-state investors (85%), but market-wide price declines also impact owner-occupants.

Tax Revenue Impact

- Property tax revenues could fall by up to $60 million annually by 2029 due to both changes in tax class and decreasing valuations.
- General Excise Tax (GET) and Transient Accommodations Tax (TAT) revenues are projected to fall by 10% and 8% respectively, totaling to an additional -$15M annually.

We briefly explore policies and adjustments that could help mitigate the economic disruptions of the TVR phase-out while still promoting long-term housing availability. Increasing property taxes on TVRs could incentivize conversions to long-term residential use and generate revenue. Alternatively, auctioning a limited number of TVR permits would allow only the most profitable units to remain while capturing economic value for the county. A more gradual phase-in of the policy could also give property owners time to adapt and policymakers the opportunity to evaluate the policy before scaling up, reducing the risk of sudden housing market disruptions.

Introduction

Maui County faces a housing affordability crisis exacerbated by the destruction of more than 3,000 housing units in the devastating 2023 wildfires. In response, Mayor Bissen has proposed to phase out transient vacation rentals (TVRs) in Apartment districts by eliminating long-standing exceptions in the County Code granted to properties built or approved prior to 1989 (also known as the "Minatoya List") (Maui County Council, 2024). Owners wishing to continue TVR use would need to apply for a discretionary permit or seek rezoning of their parcel to a Hotel district. If enacted, the ordinance could reduce the supply of TVR accommodations on the island by up to 47%, with implications for Maui's workforce, housing market, tourism industry, and tax revenues.

This study addresses the following research question: **What are the expected economic impacts of implementing the proposed ordinance?** We use a variety of economic datasets, models, and methods to evaluate the potential impact of the ordinance on the tourism industry, housing market, and the broader Maui economy. Results are presented in ranges based on multiple plausible scenarios to reflect the inherent uncertainty in predicting the effects of an unprecedented change of this scale. The research aims to inform policymakers and stakeholders by offering insights into the costs, benefits, and trade-offs of phasing out TVR properties in Apartment districts and considering policy alternatives and variations.

Background

As a state, Hawai'i has the highest home prices and among the highest rents in the nation. Within Hawai'i, housing in Maui County commands the highest prices, with the median single-family home price currently at $1.3 million and the median condo selling for $925,000. Among renters, over half of Maui residents are "rent burdened," meaning they devote more than 30% of household income to rent. Over a quarter of Maui renters spend more than half of their income on rent.

High prices and low affordability in Maui County result in part from insufficient housing supply. In 2023, Maui County authorized only 600 units of new housing. US Census Bureau data shows that growth in residential housing supply on Maui from 2018-2022 was essentially zero, as conversions to vacation use offset the small amount of new construction.

According to recent property tax records, Maui County has a total stock of 63,000 housing units. Of these units, 47,400 are long-term housing units, 13,000 are TVRs, and 2,500 operate as time-share units[1]. There are 8,834 units eligible to operate as TVRs under Minatoya List exemptions, but only 6,127 units are currently operating as TVRs in apartment zones[2]. Theoretically, if all 6,127 units were instead used as long-term housing, the housing stock on Maui would effectively increase by 13%. Given Maui County's current construction rate of 613 new housing units per year, this transition would amount to a full decade of development, though counted in older and typically smaller units. Unlike new construction, however, this approach would not require additional water resources or infrastructure, which remain scarce in West Maui and other parts of the county.

But TVRs are also a large component of the tourism industry on Maui. The leisure and hospitality sector employed 22,600 people in 2022, roughly 26% of Maui's total labor force. Maui's visitor market currently relies on a mix of traditional and alternative accommodations, including TVRs, which appeal to different types of visitors. In 2022, Maui counted 24,685 total visitor

[1] An unknown number of the 47,400 units are vacation or "second" homes not rented as TVRs. We were unable to reliably estimate this figure from Census, property tax, or US Postal Service records.

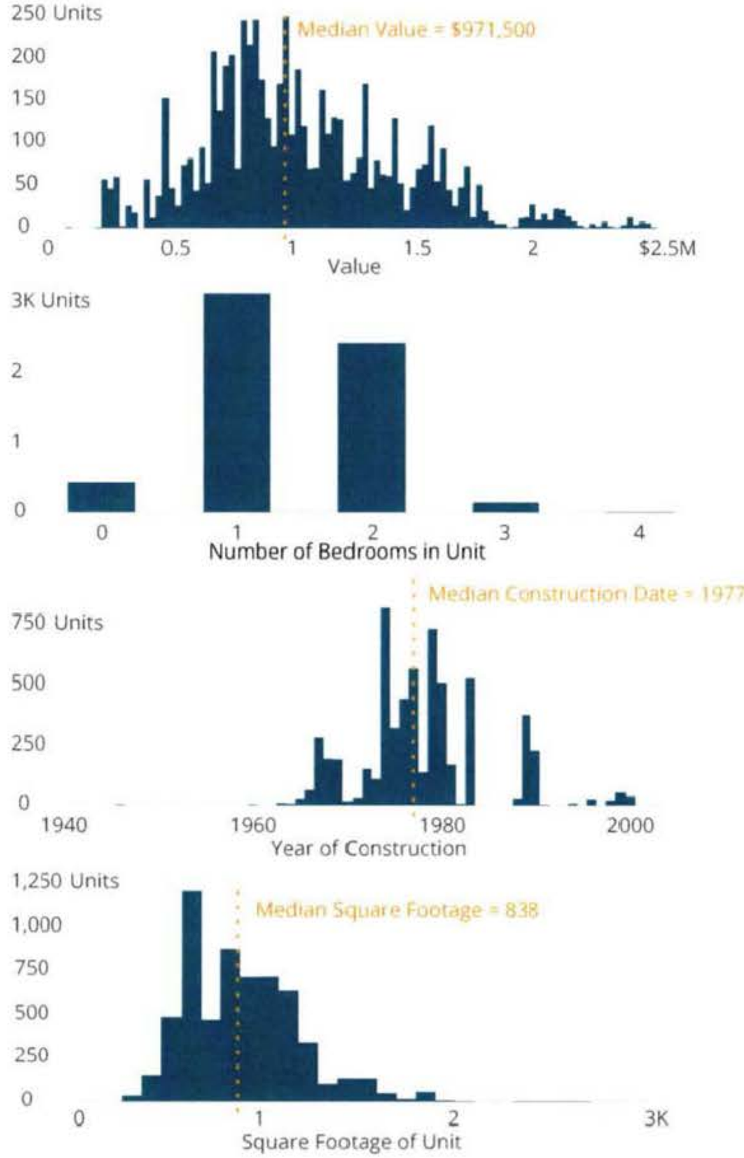
[2] For simplicity, we assume here that all units with a tax class of TVR-STRH in 2022 (pre-fire) are still operating as TVRs. In fact, the number may have changed since then.

accommodation units, over half of them TVRs. The proposal therefore also represents a major reduction in visitor accommodations that would negatively impact local jobs and incomes.

The 6,127 units are a mix of small and mid-size condominium units: 7% of the units are studios, 51% are one-bedroom units, 39% are two-bedroom units, and the remainder have three or more bedrooms. The median unit is a little over 800 square feet, and almost three quarters of the units are smaller than 1,000 square feet. Nearly all of the units (99%) include a single parking stall. The median date of construction is 1977.

While the units are generally small, there is a significant range in appraised value. The median appraised value of Apartment-zoned TVRs is $971,500, which is about 15% higher than the median condominium unit on Maui ($845,000). About a quarter (1,593) of the properties are valued under $750,000 and about 500 properties are valued under $500,000.

Figure 1: Characteristics of TVRs in Apartment Zones



Using property tax assessment data, we categorize owners of Apartment-zoned TVRs by residency and find that the large majority of the policy's direct costs would be borne by out-of-state property investors[3]. Specifically, 85% of owners who use their units as TVRs have an out-

[3] For an interactive map of TVR properties in the county color-coded by ownership, see: https://uhero.hawaii.edu/maui-short-term-rentals-the-minatoya-list-and-housing-supply/

of-state mailing address: 36% in California, 12% in Washington State, 8% in Canada, and the rest elsewhere. Among the 15% of affected TVRs that are owned by a within-state resident, only half are held by a Maui County resident. This implies that the most direct local impact of prohibiting TVR use in apartment districts will fall on the 450 Maui residents who owned and operated TVR units as of 2023.

The scale of the policy proposal is globally unprecedented. In most jurisdictions worldwide, policies to restrict TVRs affect a relatively small share of the overall housing stock. Prominent studies on vacation rental regulations have examined cities such as Los Angeles (Koster et al., 2021), Boston (Horn & Merante, 2017), Barcelona (Garcia-López et al., 2020), and London (Shabrina et al., 2021). In these studies, TVRs accounted for 0.9%, 1.1%, 2.6%, and 3.0% of the housing stock in each city, respectively. By contrast, TVRs account for 21% of all housing units in Maui County.

Table 1: Studies of TVR Impacts on Home Prices and Rents

Study	Setting	Main Finding†
Koster et al. (2021)	Los Angeles	Converting 1% of housing units from TVRs to long-term housing reduces prices and rents by 4%.
Horn & Merante (2017)	Boston	Converting 1% of housing units from TVRs to long-term housing reduces rents by 0.5%.
Garcia-López et al. (2020)	Barcelona	Converting 1% of housing units from TVRs to long-term housing reduces rents by 1% and prices by 2.3%.
Shabrina et al. (2021)	London	Converting 1% of housing units from TVRs to long-term housing reduces rents by 4%.
Barron et al. (2020)	US (National)	From 2008 to 2016, Airbnb increased monthly rent in urban areas by $72 and increased the median home price by $14,400.

† *We scale estimates to represent what the finding suggests would happen if 1% of housing stock were shifted from TVR to the long-term supply.*

The economic literature consistently finds that TVRs significantly increase home prices and rents in the markets where they operate. However, the magnitude of effects reported in these studies may not translate well to Maui, where TVRs are 6 to 20 times more prevalent than in the jurisdictions previously studied. This outsized share would also make the proposed policy the most significant reduction in TVRs to date anywhere. To address this unique situation, the next section presents novel estimates of economic impacts based on custom built models of Maui's economy.

Analysis

We estimate the overall impact of phasing out Apartment-zoned TVRs on Maui County, including direct and indirect effects, in two steps. First, we calculate the direct impact of reduced visitor spending. Second, we use the Maui County Computable General Equilibrium (M-CGE) model to assess how this spending shock alters the overall county economy. In addition to effects on economic activity, we examine how repurposing TVR units in Apartment districts might influence home prices and affordability. Finally, we combine these findings to estimate potential impacts on Real Property Tax, Transient Accommodations Tax, and General Excise Tax revenues.

Impacts on Tourism

Assumptions

This analysis assumes that demand for Maui vacations will recover to pre-COVID and pre-fire levels. We primarily use 2022–the last 'normal' year before the wildfires—as a reference point, while historical averages from 2000 to 2019 are used for metrics with greater variability, such as occupancy rates and visitors per rental (VPR). Occupancy is expected to return to its long-term average of 74%, consistent with pre-pandemic and pre-fire performance. Similarly, VPR is set at 3.3, reflecting the average over the same period.

Accommodation spending is projected to increase by 15% relative to 2023 levels, driven by price increases due to contraction in supply from the TVR policy proposal and a return to pre-COVID occupancy rates. Non-lodging spending, such as retail and dining expenditures, is assumed to remain steady at $136 per day, consistent with 2023 levels. These assumptions form the basis for estimating the policy's direct and indirect economic impacts.

Results

Accommodation Stock and Visitor Days

Our estimate of the total stock of visitor accommodations is based on two primary data sources: the Hawaiʻi Department of Business, Economic Development, and Tourism (DBEDT) Visitor Plant Inventory Report for traditional accommodations and DBEDT's Vacation Rental Performance Report for TVRs.[4] In 2022, Maui County had 24,685 visitor accommodation units, including TVRs. The proposed policy would remove up to 6,127 TVRs, reducing the accommodation stock by 25% to 18,513 units[5].

Although the 25% reduction in accommodation stock is partially offset by a return to the long-term 74% occupancy rate, the number of rented units is expected to decline by 19% compared to 2022. With an average visitors-per-rental (VPR) of 3.3, this results in a 32% decline in visitor days—from 24.25 million in 2022 to 16.43 million under the proposed policy. This steeper decline in visitor days compared to rented units reflects the normalization of unusually high VPR levels in 2022, driven by higher rental rates and a changing mix of available units, which may reduce visitor arrivals and shorten stays.

Visitor Spending

Visitor spending includes both accommodation costs and non-lodging expenditures. The decline in accommodation stock will create unmet demand and put upward pressure on accommodation prices. A similar pattern was observed during the 2021-2022 post-lockdown travel surge, when accommodation prices rose by nearly 50% compared to 2019 levels. Likewise, after the policy takes effect, a sharp reduction in available units combined with demand recovering to pre-COVID levels is expected to push accommodation prices higher.

In this analysis, per-person accommodation spending is estimated at $174 per-day—a 15% increase over 2023 spending. For context, the average daily rate for Maui TVRs in 2023 was $368, compared to $591 for hotel units (27% higher). Even without an increase in rental rates, average daily lodging costs will rise due to the changing mix of available accommodations. Non-lodging spending (e.g., retail, dining) is assumed to remain constant at $136 per day, consistent with 2023 levels. This results in an overall per-person daily spending estimate of $310, representing an 8% increase from 2023.

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[4] Statistics for the supply of visitor accommodations, average daily rental rates and occupancy rates are UHERO calculations based on data available from DBEDT. We calculate the total supply of visitor accommodations, weighted average occupancy rates and average daily rental rates that take into account the number of traditional visitor accommodations as well as TVRs. For visitor days and spending calculations we exclude cruise ship visitors.

[5] Our analysis throughout makes the strict assumption that no TVRs will remain in Apartment zones after the policy takes effect.

Despite the rise in per person spending, the sharp reduction in total visitor days will lead to a substantial decline in total visitor spending. Total spending is projected to decline from $5.98 billion in 2022 to $5.1 billion post-ban—a 15% reduction.

Table 2: Estimated Tourism Industry Impacts

	2022	Post-Policy	Percent Change
Visitor Units	24,685	18,513	-25.0%
Occupancy Rate	69%	74%	
Visitor Days	24,250,806	16,434,074	-32.2%
Visitor Spending ($ thousands) *excluding cruise visitors*	$5,983,606	$5,090,421	-14.9%
Spending per Person per Day *Maui Island*	$244	$310	26.8%

Sensitivity Analysis

The estimated impacts of this policy are sensitive to the underlying assumptions about occupancy rates, visitors per rental (VPR), and spending behavior. While the analysis relies on historical averages and conservative assumptions, alternative scenarios illustrate how changes in these parameters could influence the results.

For example, if occupancy rates were to rise to 78%, as they did in 2019, the overall decline in total visitor spending would be 8%—just over half of the baseline estimate of 15%, assuming other factors remain constant. On the other hand, if visitor demand fails to fully recover, occupancy rates could stay below historical averages, and room rates may increase by less than the 15% assumed in the baseline. Under this scenario, with an occupancy rate of 69% (average during 2022), and a smaller 5% increase in rental rates, total visitor days would be 37% lower than in 2022, compared to the 32% reduction in the baseline. As a result, total visitor spending would decline by 24% relative to 2022 levels.

These scenarios illustrate the uncertainty around key drivers of the results. Predicting future demand for Maui vacations with complete certainty is not possible. Likewise, it is difficult to precisely determine how the changing mix of accommodations will affect visitor behavior—such as the number of visitors or their per-person daily spending. While the assumptions used in this analysis provide a reasonable framework for estimating the likely impacts, actual outcomes may vary depending on how visitors and the market respond to the reduced accommodation supply. Nevertheless, the sensitivity analysis demonstrates that banning TVR use in Apartment zones leads to a substantial decline in visitor spending across a wide range of plausible scenarios.

Impacts on Jobs and Incomes

Method

To assess the broader economic effects of the policy on Maui's economy, we developed the Maui County Computable General Equilibrium (M-CGE) model. This static, small open-economy framework analyzes how economic shocks, such as a decline in visitor spending, propagate through Maui's economy. Based on the Hawai'i Computable General Equilibrium (H-CGE) model structure (Coffman et al. 2022), the M-CGE uses the Maui County Input-Output (I-O) table (DBEDT, 2022) as its foundation and captures relationships among industries and the role of external trade. It aggregates local industries into key sectors and incorporates household consumption, government expenditures, and visitor expenditures as critical components of final demand. By treating external prices as fixed, the model focuses on local price and output adjustments.

A CGE approach is preferred over the alternative input-output (I-O) approach because IO models assume fixed production relationships and constant prices, meaning they cannot account for how businesses and households adjust to changing economic conditions. In contrast, the CGE model allows for price and wage adjustments, resource constraints, and behavioral responses, making it better suited for analyzing policy-induced shifts in Maui's economy.

The M-CGE model simulates expected equilibrium outcomes under two primary scenarios—baseline and low-demand—each reflecting different assumptions about the shock to visitor spending. The baseline scenario assumes a 15% decline in visitor spending compared to 2022, representing the most likely outcome if current recovery trends continue. The low-demand scenario assumes a 25% decline in spending, reflecting a slower and more prolonged recovery. Outcomes for both scenarios account for both the direct declines in visitor spending and the indirect effects across the economy including changes in prices and output.

Results

In the baseline scenario, a 15% decline in visitor spending leads to adjustments throughout the economy that imply an 11% reduction in *real* spending. The smaller *real* decline occurs because the M-CGE model estimates that the fall in visitor spending also leads to a 4% drop in overall prices. Real labor earnings fall by 5%, and payroll jobs decline by 3%, resulting in 1,900 lost jobs concentrated in accommodations, food service, arts, entertainment, and retail trade. Real Gross Domestic Product (GDP) contracts by 4%, falling from $11.8 billion in 2022 to $11.3 billion, while current-dollar GDP shrinks by 8%.

The low-demand scenario shows a more severe contraction. Real visitor spending declines by 18%, resulting in a 10% drop in real labor earnings and a 5% reduction in payroll jobs—a loss of 3,800 positions. Real GDP falls to $10.8 billion, 8% below 2022 levels, marking a reduction of over $1 billion in real output.

Table 3: Economic Scenarios Reflecting Visitor Spending Decline Due to the TVR Ban

	2022	Baseline Scenario	% Δ Baseline	Low Scenario	% Δ Low
Visitor Expenditures (Million 2022$)	5,983.6	5,316.1	-11%	4,880.4	-18%
Earnings (Million 2022$)	5,352.6	5,063.9	-5%	4,814.9	-10%
Real GDP (Million 2022$)	11,768.9	11,296.9	-4%	10,835.4	-8%
Payroll Jobs (Thousands)	74.6	72.7	-3%	70.8	-5%

These findings highlight Maui County's reliance on visitor spending. In the baseline scenario, the decline in visitor spending effectively halts the economic recovery from the August 2023 fires at current levels, particularly in terms of employment. The low-demand scenario underscores the risk of even larger losses and the uncertainty associated with assumptions about the ongoing recovery of Maui's visitor industry.

Impacts on Home Prices and Inventory

Assumptions

The proposed ordinance would withdraw permission for 6,127 TVRs in two phases. Phase 1 transitions 2,194 TVRs in West Maui, while Phase 2 transitions 3,933 in other parts of the county[6]. To assess the policy's impact on the housing market, we analyze how these units may be reallocated to other uses, using the distribution of pre-fire Apartment-zoned units not on the Minatoya List as a guide.

In 2023 property tax records for West Maui, non-Minatoya list properties in Apartment zones were 37% owner-occupied, 45% non-owner-occupied, and 18% apartments and long-term

[6] See footnote 5.

rentals[7]. We assume the 2,194 Minatoya list properties will transition to these uses in similar proportions post-policy. A similar assumption is applied for the remainder of the county. Tables 4 and 5 summarize this estimated reallocation.

Table 4: Distribution of Housing Units in Apartment Districts in West Maui by Tax Class

Tax Class	Pre-Policy (2024)	Post-Policy	Percent Change
TVR-STRH	59%	0%	-100%
Owner-Occupied	13%	37%	185%
Non-Owner-Occupied	15%	45%	200%
Apartment, Long-Term Rental	13%	18%	38%

Table 5: Distribution of Housing Units in Apartment Districts not in W. Maui by Tax Class

Tax Class	Pre-Policy (2024)	Post-Policy	Percent Change
TVR-STRH	53%	0%	-100%
Owner-Occupied	22%	45%	51%
Non-Owner-Occupied	19%	42%	121%
Apartment, Long-Term Rental	6%	13%	116%

The impact of the TVR policy on Maui's housing market depends on how many units are listed for sale as a result. We calculate inventory increases in two scenarios: a low-frequency scenario where a transaction only occurs under specific circumstances, and a high-frequency scenario in which each transitioning unit results in a property sale.

In some cases, converting an Apartment-zoned TVR into a vacant home might not involve a sale–the owner may simply retain the property for occasional personal use. Similarly, a conversion to long-term rental would not require a sale if the owner leases the property. However, many vacation rental operators may be either unwilling or financially unable to enter the long-term rental market and choose to sell the property instead. A transition to owner-occupancy would almost always involve a sale, as it is unlikely that a TVR owner would move out of their primary home to occupy their vacation rental property.

In the high-frequency scenario, we assume every transitioning property is sold once. Under this assumption, Maui County's condo inventory would increase by 6,127 units—2,194 units added in the first phase and 3,933 in the second phase. In the low-frequency scenario, we assume that units converted to long-term-rental or non-owner-occupied use do not undergo a sale, while those transitioning to owner-occupancy do. In this scenario, 2,608 units would be listed for sale—838 listings in the first phase and 1,771 in the second.

While these sales will transition properties to long-term residential uses, it is important to note that ownership and occupancy will not be restricted to current Maui residents. New owners and renters could include offshore investors, out-of-state buyers, and new residents.

Table 6: Estimated Transaction Count of Converted Units, High and Low Scenarios

Time	High Scenario (1 sale/property)	Low Scenario (1 sale/newly owner-occupied)
June 2025	2,194	838
January 2026	3,933	1,771
Total	6,127	2,608

[7] Non-owner-occupied does not necessarily mean vacant. Rather, it is the default tax class for single-family residential properties that do not claim property tax exemptions for owner-occupants or long-term rentals. See https://www.mauicounty.gov/755/Classification-for-Tax-Rate-Purposes

Method

Maui's condo market is small with only a limited number of sales occurring each month. Median prices are influenced by the mix of properties on the market and their characteristics. In the analysis, we control for these factors and explore whether condos that have operated as TVRs in Apartment zones differ significantly in price or time-on-market compared to non-TVR units. We find that median prices and days on market are similar for both groups, suggesting no meaningful differences in the quality of the median home across these two subgroups. Consequently, we treat all condo listings as a single market for modeling purposes and analyze market activity since 2005 by aggregating new listings, closed sales, inventory, days on market, and median prices (Realtors Association of Maui, Inc., 2005–2024).

We model year-over-year (yoy) growth in median condo prices as a function of overall consumer price inflation proxied using the Honolulu CPI, the year-over-year growth rate of Maui payroll jobs, and a six-month moving average of the months of inventory remaining in the market (Miller & Sklarz, 1986). The model is estimated using the pre-pandemic data from 2005 to 2019 and was selected for its accuracy in predicting price trends during the 2020-2023 period. Results indicate that condo prices tend to stabilize once inventory levels reach ten months of supply. In general, when inventory is low, competition among buyers drives prices up, whereas higher inventory levels cause prices to level off or fall as many sellers compete for fewer buyers.

To simulate the impact of the proposed policy on Maui condo prices we develop three plausible scenarios reflecting different assumptions about how many units will enter the market and how sales patterns will evolve over time. These scenarios are informed by historical patterns in the data as reported below. For example, during the rapid price decline and rising inventory seen between 2008 and 2010, new listings and closed sales averaged 210 and 78 units per month, respectively. As prices fell, the number of new listings did too, while sales gradually increased. In the second half of the decade, as sales recovered, monthly average inventory decreased. Table 7 summarizes monthly averages for new listings, closed sales, and inventory under different economic conditions, providing reference values for our scenario assumptions.

Table 7: Housing market statistics in differing economic conditions

Monthly average statistics	2008-10	2011-14	2015-19
New listings	210	156	173
Closed sales	78	103	121
Inventory	1,612	1,012	733

Results

Scenario A: High-Frequency Sales

In this scenario, more than 6000 units are added to the market between March 2025 and August 2026[8]. Sales begin at a slow pace, causing a sharp rise in inventory as many sellers compete for relatively few buyers. The resulting downward pressure on prices discourages new listings, particularly from non-TVR owners who avoid selling into a declining market. Gradually, sales increase, surpassing 170 units per month by the end of the decade[9]. The combination of a large shock to the supply of condos available for sale and the gradually rising sales rate as buyers wait for prices to stabilize would lead to a more than 40% decline in median condo prices by the end of the decade, comparable to the historical trend after the Great Recession.

Scenario B: Rapid Sales Uptake

As in scenario A, over 6000 units are added to the market; however, in this scenario the extra inventory is absorbed more quickly. Sales quickly reach a peak of 200 units per month limiting

[8] Note that this period both leads and lags the two-phased policy implementation in June 2025 and Jan. 2026. We expect that listings will increase in anticipation of the change and remain elevated afterwards.

[9] For comparison, closed sales surpassed 200 per month in 2021 and in the early 2000s.

the decline in prices. While sales taper off once prices hit their lowest point, they remain elevated through the end of the decade. Median prices stabilize after a 25% decline, with the market recovering faster than in Scenario A.

Scenario C: Low-Frequency Sales

In this scenario, only 2600 units are added to the market. Sales remain near the post-Great Recession average of 100 units per month, preventing a substantial inventory buildup. As a result, price declines are more moderate, falling by less than 20%. This more gradual market adjustment minimizes the shock and leads to greater price stability compared to Scenarios A and B.

Figure 2: History and Predicted Trend in Housing Market Statistics, 2000-2030

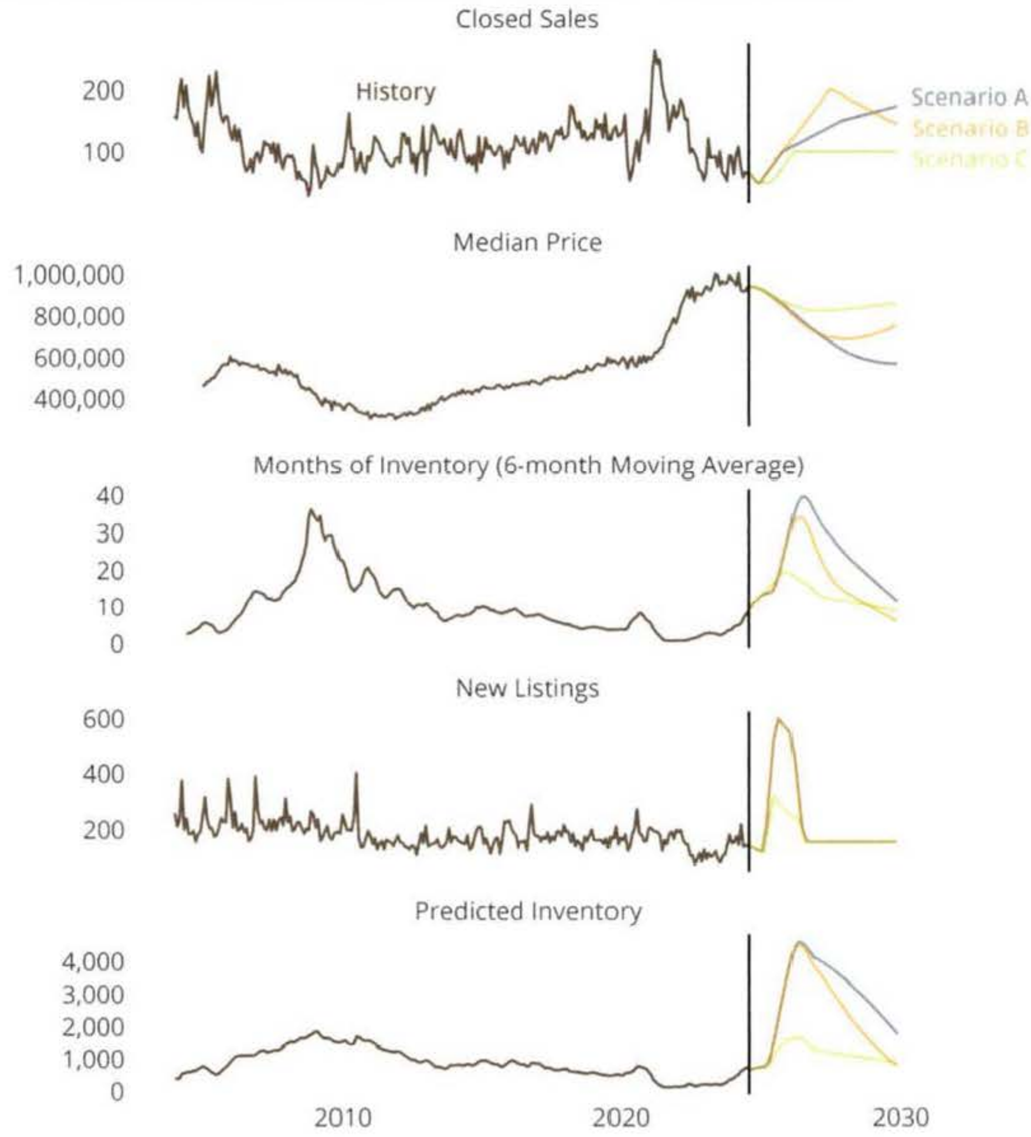

Table 8: Estimated home prices by scenario, indexed to January 2023

Scenario	Jan 2023	Jan 2024	Jan 2025	Jan 2026	Jan 2027	Jan 2028	Jan 2029
A	1.000	1.060	1.012	0.911	0.786	0.687	0.633
B	1.000	1.060	1.011	0.900	0.785	0.749	0.770
C	1.000	1.060	1.012	0.935	0.897	0.903	0.920

Interpretation and Risks

None of these scenarios describes a best-case or worst-case outcome. Together, they represent a plausible range of outcomes given historical trends and reasonable assumptions about market behavior. Broader national macroeconomic conditions, such as trade and monetary policies or a recession, could lead to more extreme outcomes. Locally, the pace of economic recovery and migration trends on Maui will also play a significant role in shaping actual market dynamics.

Impacts on Housing Affordability

Assumptions

The policy aims to increase the availability of housing for Maui residents, making it essential to evaluate whether local families can afford the newly available units. For owner-occupants, affordability means their income must cover all after-tax expenses related to the home, including the mortgage, maintenance, upkeep, and property taxes. Landlords might accept rent that covers less than all expenses if they anticipate the property's value will increase over time. Affordability therefore depends on four key factors: household incomes, home prices, borrowing costs, and carrying costs. In this section we estimate these components before and after the policy takes effect and combine them to produce two measures of housing affordability: (a) the ratio of home prices to incomes, and (b) the proportion of households that are able to allocate 30% or less of gross income toward monthly housing costs (Rodda & Goodman, 2005).

Household Incomes and Cost Burden

The U.S. Census Bureau's American Community Survey (ACS) provides annual estimates of median household and family income, which are widely used in housing policy decisions. According to the U.S. Census Bureau's 2023 American Community Survey 5-Year Estimates, the median family income (MFI) for Maui County was $109,882 (U.S. Census Bureau, U.S. Department of Commerce, 2023a).

The U.S. Department of Housing and Urban Development (HUD) considers a household cost-burdened if it spends more than 30% of its income on housing and severely cost-burdened if spending more than 50%. According to the 2024 Hawai'i Housing Factbook, the majority of Maui County households were cost-burdened (53%) and 28% were severely cost-burdened before the fires. At that time, the typical homeowner in Maui County spent 27% of their income on housing costs, and the typical renter spent 32% (Tyndall et al., 2024).

For a family in Maui County earning the median family income, the cost burden thresholds in 2023 were $2,747 per month (30% of income) and $4,578 per month (50% of income), respectively. Based on the results of the M-CGE model reported above, these thresholds would decline by 9% nominally to $2,500 and $4,166 after the ban.

Home Prices and Borrowing Costs

As noted above, 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.

Consider a 30-year fixed-rate mortgage at an interest rate of 6.5% with a 20% down payment[10]. At current prices, the mortgage payments to cover principal and interest alone would be $4,912 per month, or 54% of a typical family's income–unaffordable to the typical family even before factoring in carrying costs. After the projected price and income declines, the monthly payments on the same unit would be $3,684 or 37% of the new, lower MFI. Payments on units at the lower

[10] This interest rate is current and typical as of publication. Borrowing costs are also affected by individual credit scores via bank underwriting standards and interest rates as set by the Federal Reserve. Residents may also qualify for more favorable loan terms such as public down payment assistance. These factors are independent of the policy, so we treat them as constants here.

end of the distribution would be less, $2,844 per month for a unit that depreciates from $750,000 (roughly the 25th percentile) to $562,500.

Carrying Costs

We define carrying costs as the predictable expenses associated with owning a unit. These include insurance premiums, maintenance fees, HOA dues, land leases, and property taxes. To estimate these, we compile a dataset of all condominium listings in Maui County from January 2021 to August 2024 (Realtors Association of Maui, Inc., 2005–2024), which include actual expenses for each of these categories. We eliminate outliers with prices of less than $300,000 or more than $3,000,000 and retain only the latest transaction for properties sold more than once in the period. This yields a dataset of 5,395 unique condos listed in the 3.5 year period. We then standardize payments on different schedules (quarterly, annual) to a monthly average carrying cost and segment the results into 1954 units on the Minatoya List and 3441 units not on the list for cost comparison.

The median monthly carrying cost for TVRs in Apartment zones is $917 and the mean is $1,143. This is not significantly different from comparable non-ML units, with a median of $900 and a mean of $1,217[11]. Therefore, based on the 2021-2024 data, the units that would be added to the housing stock as a result of this policy would be no more or less affordable with respect to carrying costs than any other condo on Maui. However, these units may still be relatively less desirable in relative terms due to their age, small unit sizes, and limited parking, as noted in Section 2. Also, because these units are, on average, 7 years older (1977 vs. 1984) than the typical unit in Maui County, their carrying costs could grow faster in the future.

Results

Table 9: Projected Change in Housing Affordability Given Estimated Policy Impacts

	Pre-Policy (2023)	Post-Policy	Percent Change (%)
Median Value of Apt-zoned TVR ($)	971,500	728,625	-25
Median Family Income (MFI) ($)	109,882	99,993	-9
Price-to-Income Ratio	8.8	7.3	
Monthly Mortgage Payment ($)	4,912	3,684	-25
Total Housing Costs ($)	5,829	4,601	-21
Min. Income, 30% on Housing ($)	233,177	184,053	
% of Households >= that Income	14	21	+50
Min. Income, 50% on Housing ($)	139,906	110,432	
% of Households >= that Income	35	49	+29

***% of households data - (Ruggles et al., 2024)*

Homes on Maui become relatively more affordable as a result of the policy, but remain unaffordable in absolute terms. The change in home values is estimated in Section 3.3 above and the change in income in Section 3.2. The baseline is 9% here (and not 5%) because this Table is presented in nominal dollars.

At current incomes, prices, and interest rates, only the top 14% of families in Maui County could afford an Apartment-zoned TVR without spending more than 30% of their income and 35% at less than 50% of their income. After the policy takes effect, these proportions rise to 21% and 49% respectively. The price-to-income ratio falls from 8.8 to 7.3, indicating that home prices will become more accessible relative to earnings; even so, any ratio above 5.0 indicates an unaffordable market (Office of Policy Development and Research, 2021).

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[11] These figures are effectively 3-year averages and therefore may be underestimated. Condominium insurance premiums have surged across the state in the last year, and those increases may not have appeared yet in real estate listings. Even so, affordability relative to other condos will likely be consistent.

Another way to view these results is in percentage terms relative to MFI or AMI. Before the policy, a family would need to earn 212% of MFI to afford a unit while spending no more than 30% of their income. After the policy, this would decline to 182%. These findings suggest that the policy could create greater homeownership opportunities and reduce financial strain for upper- and upper-middle-income households, but any effect on lower-income households would be indirect, as discussed in the next section.

These results reflect the baseline estimates of economic effects above. If home values decline more relative to incomes, as in Scenario A of Table 8 (-37% instead of -25%), then affordability will improve further; however, outcomes will be worse if incomes decline further relative to home values, as in the Low Scenario of Section 3.2 above. The results are also based on average income decline. In practice, income losses may be concentrated in lower-income households where members are employed in disproportionately affected industries such as food service and retail trade. In that case, affordability could become worse for low earners but better for high earners, while still averaging out to the results in the chart above. These caveats underscore the uncertainty of policy outcomes and the need for continued housing support for low-income households, who would remain financially unable to purchase converted TVR units.

Additional Considerations

Rents

A 20-40% decline in condominium prices, as estimated above, would exert downward pressure on rents through both direct and indirect mechanisms. Academic research indicates that home prices and rents are closely linked over the long term, as properties are often substitutes for one another in housing markets (Lo et al., 2021). Lower condo prices could incentivize more households to transition from renting to owning, thereby reducing demand for rentals.

Adding 6,127 units to the long-term housing stock could also lower rents throughout the county through a process known as filtering (Rosenthal, 2014). Filtering occurs when additional housing supply, particularly at higher price tiers, reduces competition in the market and creates *move chains*. These move chains begin when households upgrade to newly available units, freeing up their existing home for other households, and so on. This cascading effect gradually improves access to housing across all price levels, as each move frees up another unit that is generally older and less costly than the one before it in the chain.

Over time, these dynamics could lead to a reduction in rents comparable to that of home prices. However, the effect would not be as large as the decrease in home prices if lower prices are accompanied by reduced home construction activity, an influx of second-home buyers, a surge in new household formation, or other factors, as discussed in the next section.

The size of the effect on rents compared with home prices also depends on the true carrying costs of current owners, plus mortgage payments, which is not modeled here. If many current owners bought at low prices and paid off their mortgage or are locked in at low mortgage rates, they may decide to lower rents instead of selling, creating a larger decline in rents relative to home prices. But if many owners bought at high prices or mortgage rates, they may pursue distressed sales, creating a larger decline in home prices relative to rents.

Mitigating Factors

Several mitigating factors may dampen the expected effects on housing affordability. One key consideration is the potential for increased demand from off-shore buyers seeking to capitalize on newly depreciated units. Lower prices may attract more demand from non-resident investors or second-home buyers than implied by the estimates in Tables 4 and 5 above, particularly because unlike prospective local buyers, off-shore buyers will not face the decline in Maui incomes estimated in Table 3. Property owners in Hotel Districts, where TVRs are still permitted, may also opt to convert units currently in long-term residential use to vacation rentals. Either of these possibilities could limit the number of units available to local residents, blunting the intended affordability benefits.

New household formation could also mitigate home price and rent declines by enabling individuals to leave shared housing arrangements. Many current households exist out of economic necessity, with multiple wage earners pooling resources to afford high housing costs. As prices fall, some may form separate households, increasing local housing demand and stabilizing prices at a higher level. In other words, instead of existing households paying significantly lower prices, the result of increasing supply could be the same population split into more households paying similar or somewhat lower prices.

Developer behavior presents another major uncertainty. Because the anticipated price declines would also affect market prices for new units, developers may choose to delay or cancel planned projects, or decline to propose new ones, resulting in a construction market slowdown that reduces the expected long-term increase in housing supply. Additionally, financial institutions may tighten lending to developers if price instability signals increased risk, further constraining new construction.

In the face of declining prices, lenders may tighten mortgage credit to manage risk, potentially making it harder for some buyers to secure financing. Existing homeowners, particularly TVR owners who relied on rental income to cover mortgage payments, may face higher default risks. Additionally, homeowners who become underwater—owing more than their home is worth—could experience financial strain, increasing the likelihood of distressed sales. However, given the role of the secondary mortgage market and regulatory safeguards, a broad tightening of credit is less certain, as lenders often sell mortgages rather than hold them on their balance sheets. While increased underwriting standards could prevent some renters from transitioning to homeownership despite lower prices, the overall impact on affordability will depend on how these financial pressures interact with demand, supply, and broader macroeconomic conditions.

Property owners affected by the policy may pursue legal challenges or political action to delay or overturn the restrictions. Prolonged uncertainty over the policy's future could discourage owners from selling or renting their units at lower prices, reducing the immediate supply effects. Additionally, if enforcement is weak or inconsistent, some TVRs may continue to operate illegally, limiting the conversion of units to long-term housing and maintaining upward pressure on prices.

Finally, this policy would be a one-time downward shock. Prices would permanently remain at a lower level than they would have been without the policy; however, they would continue rising at the same rate as before if demand for housing on Maui continues to exceed supply. In 2 of the 3 scenarios presented in Table 8 and Figure 2 above, prices begin to rise again by 2029. In other words, prices could return to their current levels within a decade unless the pace of housing construction on Maui also increases.

In sum, while price declines could improve affordability under ideal conditions, market responses to these changes—particularly in terms of investment, household formation, lending practices, and policy enforcement—and county decisions related to housing development will influence the policy's practical impact on housing affordability.

Impacts on Tax Revenues

Property Taxes

We also model how changes in property tax classifications could impact county real property tax (RPT) revenue over time, including both direct and indirect effects. Direct effects are changes in estimated RPT from Apartment-zoned TVRs. Indirect effects are changes in estimated RPT from all other residential condos[12]. Indirect effects arise from reductions in assessed value only, which will occur island-wide, but direct effects include reductions in both assessed value and tax rate as

[12] By "residential" condominiums, we mean the 11,177 condo units with a tax class of Owner Occupied, Non-Owner Occupied, Long-Term Rental, or Apartment. We would expect condominiums operated commercially outside of Apartment zones, such as TVRs and timeshares, to retain or even gain value.

a result of conversion from the higher TVR-STRH rate to a lower tax class (Owner-occupied, Non-owner occupied, Long-term rental, etc.).

Our model reconstructs Maui County property tax rolls for Fiscal Year 2023-2024 using official data, including TMK, assessed values, exemptions, tax classes, and tax rates. As with previous models, this year was selected for reference as the last "normal" year before the fires. As a result, this reconstructed tax roll does not consider whether units were destroyed by fire, ongoing tax waivers for affected property owners, or more recent changes in tax rates. To isolate the effects of the proposed policy change, it also holds tax class constant for all properties other than TVRs in Apartments zones, and valuations constant for all properties other than those units and residential condos. According to this reconstruction, Apartment-zoned TVRs comprised 45% of all TVRs in the County and paid 30% of all taxes assessed on the TVR-STRH tax class.

Because every unit is different and we cannot know in advance which units will convert to which use, we conducted 100 simulations where TVRs were randomly reassigned to new tax classes based on the frequency of those tax classes in comparable zones where TVR use is not allowed (Tables 4 and 5 above). Properties in West Maui were reassigned in tax year 2025, and the remainder in 2026, to align with the policy proposal. Then we multiplied the average simulated tax bill for each unit by the price indices in Table 8 to match projected changes in property values through 2029. The final results presented in Table 10 below provide a year-by-year estimate of expected tax revenue in 2023 dollars under the average of all three Table 8 scenarios, offering policymakers insight into potential fiscal impacts and helping guide decisions on tax policy and revenue planning.

Table 10: Change in Real Property Tax after TVR ban

	2023*	2025	2026	2027	2028	2029
Direct Effects (Million 2023$)	64	48	18	16	15	15
Indirect Effects (Million 2023$)	52	53	48	43	41	40
Tax Receipts from Affected Units	116	101	66	59	56	55
Net Loss (Million 2023$)		-15	-50	-57	-60	-61
Net Loss as % of all 2023 RPT	22%**	-3%	-9%	-11%	-11%	-11%

**Reconstructed from tax rolls*
***For reference: the % of total RPT revenues paid by affected units in 2023.*

In our reconstructed FY 2023-2024, TVRs in Apartment zones generated an estimated $64M in property tax revenue for Maui County and residential condos in all zones an additional $52M. This combined $116M represents roughly 22% of all RPT revenue and 11% of revenue from all sources. In tax year 2025, Apartment-zoned TVRs in West Maui convert to other tax classes, reducing tax rolls by an estimated $15M. In tax year 2026, Apartment-zoned TVRs in the rest of the County convert to lower tax classes as condo prices begin to fall, generating a net tax gap of $50M. As home prices continue to decline, this gap widens to $61M by 2029. Relative to the FY 2023-2024 baseline, this represents a 76% decline in tax receipts from the former TVRs in Apartment districts and a 23% decline in receipts from residential condos.

Despite the projected decline in property tax revenue from former TVRs in Apartment districts, several factors could mitigate the overall fiscal impact. First, while condo prices are expected to fall, other segments of Maui's real estate market may continue to appreciate, including luxury homes and properties in high-demand areas. Second, some properties in designated resort districts, which are not affected by the ordinance, may convert to TVR use, shifting some of the tax base to the highly taxed TVR-STRH classification. Additionally, development projects currently under construction will add to tax rolls if and when they are completed. These factors suggest that while the ordinance would create short-term fiscal challenges, the impact on overall county finances may be partially offset in later years. Additionally, the County Council may amend tax policy at any time, such as by rebalancing rates across classifications, tiering within classifications, or reassessing exemptions to further stabilize revenue.

General Excise and Transient Accommodations Taxes

The M-CGE model also allows us to estimate effects on Maui County revenue from the General Excise Tax (GET) and Transient Accommodations Tax (TAT) as a function of declines in visitor spending on accommodations and overall economic activity. County tax revenues experience significant declines in our baseline scenario, with GET revenue falling by 10% and TAT revenue decreasing by 8% both measured in current dollars. Under the more severe contraction, tax revenues are similarly affected, with nominal GET revenue declining by 18% and TAT revenue dropping by 24%.

Table 11: Change in GET and TAT Revenues after TVR ban

	2022	Baseline Scenario	% Δ Baseline	Low Scenario	% Δ Low
GET Revenue (Million Current $)	86.9	78.3	-10%	71.2	-18%
TAT Revenue (Million Current $)	78.6	72.4	-8%	59.8	-24%
Total Tax Revenue (Million Current $)	165.5	150.8	-9%	131.0	-21%

Follow-on Effects

Decreasing home values as a result of adding thousands of homes into Maui's housing stock would mean decreased wealth for Maui's existing homeowners. With 65% of Maui County's homes owner-occupied, a decrease in home values would result in a negative wealth shock for a significant portion of the local population. A change in property values can influence consumption, as demonstrated by Guren et al. (2020), who estimate that a $1 decline in housing wealth would result in a 3.3-cent reduction in consumption (Guren, 2021). This "wealth effect" may be due to homeowner sentiment (feeling poorer, therefore spending less) or due to new difficulties in accessing credit (Iacoviello, 2011). Applying Guren et al.'s estimates to Maui, a household with a home valued at $1 million would reduce their spending by $6,600 to $13,200 per year if their home value declined by 20% to 40%. An overall estimate of this effect is uncertain and beyond the scope of the impacts assessed in this report, but would be in addition to the wider economic effects of the decline in tourism spending estimated in subsection 3.1 above.

Discussion

The sections above estimate the economic impacts of the proposed policy to phase out TVR use in Apartment districts. Given Maui's economic dependence on tourism, a sudden reduction in visitor accommodations and spending will lead to job losses, income reductions, and lower GET and TAT revenues. Additionally, a rapid increase in condo inventory will lower home prices and RPT revenues in the short run.

At the same time, doing nothing also has economic consequences. The high cost of housing is a major factor in residents' decisions to leave the county and the state. A joint analysis by UHERO and the State of Hawaiʻi Department of Taxation found that the 2023 wildfires reduced Maui's population by at least 1,000 residents, leading to an estimated $50 million annual income loss for the state (Moore & Karacaovali, 2025). Continued out-migration could further weaken Maui's economy in similar ways to the projected effects of the policy-fewer filled jobs and lower incomes and tax revenues.

Given these tradeoffs, policymakers may want to consider policy adjustments and alternatives that balance housing affordability objectives with economic stability.

Policy Alternatives

While phasing out TVRs in Apartment districts may reduce some of the persistent housing shortages on Maui, it carries risks, including losses in visitor spending, employment, income and tax revenue. This section explores alternative strategies that may achieve similar housing benefits while reducing economic disruptions. These market-based approaches allow policymakers to incentivize conversions rather than mandating them, while also generating new revenues that could be used for affordable housing programs, infrastructure, or rental assistance.

Both increasing property taxes and auctioning licenses incentivize the conversion of TVR units to residential use by imposing a cost on TVR operators. Consequently, for less profitable units where returns do not justify the expense, leasing or selling for residential use becomes the preferred option. These approaches are likely to be less disruptive than categorical bans, as they naturally encourage the conversion of units better suited to long-term residential use.

Increasing property tax rates on TVRs would discourage short-term rentals while generating additional county revenue. A tiered tax structure could also be considered, where higher-value properties or those in high-demand areas face steeper increases. Rates could be gradually increased each year until the desired number of TVRs is reached. To implement this policy effectively, the county would need robust enforcement mechanisms to ensure compliance and prevent illegal short-term rentals. Additionally, periodic reassessments of the tax rate would be necessary to account for changing market conditions.

Rather than setting a tax increase, an auction approach would set a cap on the total number of short-term rental licenses and auction them to the highest bidders. This approach would maximize county revenue from operators willing to pay for permits while maintaining tighter control over TVR numbers. Under this approach, only the most profitable units–those with sufficient revenue to cover the auction price–would continue as short-term rentals. These are more likely to be luxury properties in high demand–units that would remain unaffordable for residents even if their use as TVRs was prohibited. Meanwhile, less profitable TVRs would be withdrawn from the market and repurposed for other uses including long-term housing.

Unlike tax-based approaches, an auction system relies on market forces to determine the true value of operating a TVR. Instead of setting arbitrary tax rates and adjusting them over time to reach policy goals, competitive bidding would reveal the value of TVR use. The auction approach provides direct control over the number and location of TVRs potentially reducing their impact on housing supply more effectively than taxation alone. Like the property tax alternative, proceeds from an auction could be used to fund affordable housing initiatives, reinvesting TVR-generated revenues into programs that directly benefit local residents.

Both taxes and auctions apply a similar principle for reducing TVRs by putting a price on the privilege of operating a TVR and letting market forces determine which units actually operate. Property taxes set a price that can be adjusted until the desired number of units is achieved, while auctions set a limit on the target number of TVR units and allow prices of TVR licenses to reflect owners' willingness to pay.

Policy Complements

Banning the use of housing units as transient vacation rentals (TVRs) alone may not always result in their transition into long-term residential use. Without additional policies, some units may remain vacant or be resold as second homes rather than entering the local housing market. To maximize the availability of housing for residents, a combination of financial incentives, land use reforms, and homeownership support programs can help facilitate the transition. This section outlines three key policy complements: an empty homes tax to discourage prolonged vacancies, rezoning and permitting reforms to encourage redevelopment, and homeownership support programs to help local buyers access newly available housing.

Empty Homes Tax

An empty homes tax targets properties that remain vacant for most of the year, particularly those held as vacation homes or speculative investments. By discouraging prolonged vacancies, an empty homes tax incentivizes property owners to rent or sell underutilized housing, potentially easing housing shortages in high-demand areas.

Cities such as Vancouver and Paris have adopted such policies to reduce housing vacancies, increase the availability of long-term residences, and generate public revenue. In Vancouver a 3% property tax surcharge on homes vacant for more than six months per year coincided with a 54% reduction in vacancy rates and raised $47 million CAD in new revenue (Tyndall, 2024). Recently, Bill 46 proposed a similar tax in Honolulu County.

Maui County's high housing vacancy rate suggests that a similar policy could be particularly impactful. An empty homes tax would complement TVR restrictions by increasing the likelihood that former vacation rentals transition into long-term housing rather than seasonal or occasional use. Additionally, such a policy could generate significant public revenue, which could be reinvested in housing initiatives, infrastructure, or other community needs.

Zoning and Permitting Reform

To further support the transition of TVR units into long-term housing, the county could update its land use and permitting policies to improve development potential and streamline approvals in affected areas. Many of the condominium complexes affected by new TVR restrictions were built decades ago and may be candidates for redevelopment in the future, particularly if their design, infrastructure, or unit layouts no longer meet modern housing needs or expectations.

Amending Apartment zoning regulations to allow for denser mixed-use developments could create new commercial opportunities, encourage reinvestment in aging properties, and facilitate additional housing development. This could include allowing greater floor area ratios (FAR), easing parking minimums, and streamlining permitting for multifamily projects in areas that previously contained large concentrations of short-term rentals.

Given Maui's constrained land supply, enabling more intensive use of already-developed properties could be more cost-effective and environmentally sustainable than greenfield construction. Developed parcels are already served by sewer, water, and transportation infrastructure, reducing the need for costly new public investments. Additionally, revitalizing older properties rather than expanding into undeveloped areas could help preserve agricultural lands, open spaces, and culturally significant sites, aligning with broader sustainability and community planning goals.

Homeownership Assistance Programs

Homeownership assistance programs could help Maui residents take advantage of the increased housing supply and accelerate the filtering process. For example, the county could expand its down payment assistance program for first-time homebuyers and prioritize newly available condo units for consideration. The county could also pursue a partnership with HHFDC to make newly available units eligible for similar state programs, creating additional opportunities for locals to purchase them at lower income levels and at lower effective prices.

Another approach is the use of deed restrictions, where the state or county purchases a permanent workforce housing restriction on a unit. This restriction lowers the unit's market price, making it more affordable for local buyers, while ensuring that it remains part of the workforce housing stock. This year, the State Legislature considered HB 739, the "Kamaʻāina Homes" bill, which would have provided state matching funds for such a program. Proponents of the measure envisioned that buyers willing to impose a deed restriction could use the money they receive toward their down payment, making it easier to qualify for financing (Mizuo 2025). Implementing such a program for former TVR units could help keep them accessible to Maui's workforce and provide a larger pool of buyers for condo owners trying to sell. Maui County has already experimented with this approach with its ʻohana assistance program, which provides a grant in exchange for a 10-year deed restriction limiting occupancy to long-term residents and maximum rent to HUD affordability standards.

Finally, loan guarantees, such as those recently launched by the Office of Hawaiian Affairs, could also help homebuyers overcome financing barriers (Office of Hawaiian Affairs, 2025). Currently, most lenders require private mortgage insurance (PMI) for buyers who cannot provide a 20% down payment, increasing the monthly cost of homeownership, and making it difficult for local families to purchase units. If the county guaranteed mortgages with its deposits in local banks, lenders could waive PMI requirements, reducing overall borrowing costs and increasing the likelihood that units will be purchased by current residents for long-term residential use.

Policy Adjustments

The proposed policy to phase out TVR use in Apartment districts could also be adjusted to ease the transition for property owners, stabilize tax revenues, and prevent sudden disruptions in the housing market. Since home price effects are highly sensitive to the amount and timing of inventory entering the market, a phased implementation would allow the county to monitor and adjust the policy before applying it across all Apartment districts.

Potential adjustments include:

- **Gradual Implementation**: Extending the transition period and phasing out TVRs more slowly in smaller increments or geographic areas, instead of 2 large phases.
- **Lottery-based Phase-out**: Randomly selecting a subset of properties each month for transition over a 12-month period, for more precise management of inventory levels.
- **Rezoning or Special Use Permits**: Allowing limited TVR use to continue in designated areas where it aligns with long-term planning goals.

These approaches would offer property owners and operators more time to adapt and give the county more control over implementation and certainty about the effects. They could also stabilize condo prices at a higher level than we project above.

Conclusion

This study examines the economic implications of Maui County's proposed ordinance to phase out transient vacation rentals (TVRs) in Apartment districts, focusing on its effects on visitor spending, employment and earnings, housing affordability, and county tax revenues. Our analysis finds that the policy would have far-reaching economic effects, with both intended benefits and unintended consequences. On the one hand, the potential conversion of up to 6,127 TVRs into long-term housing represents an increase in available housing stock equivalent to a decade's worth of new development. This increased supply would improve housing affordability by lowering condo prices by 20–40% and by putting downward pressure on market rents. On the other hand, the reduction in visitor accommodations is projected to decrease total visitor spending by $900 million annually, resulting in job losses and a contraction in household income and GDP. Additionally, a decline in property values and economic activity would shrink county tax revenues, contributing to an estimated $75 million annual gap by 2029.

While expanding Maui's housing supply is a critical policy objective, the proposed intervention is unprecedented in scale worldwide. Without reliable comparisons, predictions of exact economic outcomes are more uncertain. The magnitude of economic disruption depends on how quickly former TVRs transition into new uses, the extent to which displaced visitor demand is absorbed by remaining accommodations, and whether external economic conditions amplify or mitigate declines in home prices. Moreover, the benefits of lower home prices may not be evenly distributed. Higher-income households may benefit from lower purchase prices, while lower-income renters may see only indirect benefits through the process of filtering—when new housing supply enables higher-income households to move into newly available units, thereby freeing up more affordable housing options for others further down the housing ladder.

Given these complexities, policymakers may wish to prepare a range of strategies to balance housing affordability with economic stability. Policy alternatives such as higher property taxes on TVRs or an auction-based permit system could reduce short-term rental activity while generating revenue for affordable housing initiatives. If a full phase-out is pursued, phased implementation—such as sub-regional rollout or lottery-based selection—could smooth out economic disruptions.

Additionally, complementary policies could help to ensure that former TVRs transition into long-term housing rather than for speculation or occasional use. An empty homes tax could incentivize year-round occupancy, while rezoning and permitting reforms could support the redevelopment of aging properties and surrounding areas into higher-density mixed-use communities. Homeownership assistance programs, such as down payment support, deed restrictions, and loan guarantees, could expand opportunities for current residents to purchase newly available units.

The proposed policy represents a bold attempt to rebalance Maui's housing market. However, given the scale of the potential economic disruption, careful implementation, monitoring, and flexibility will be essential to maximize benefits while minimizing unintended harm.

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EXHIBIT "2"

KLONINGER & SIMS
CONSULTING LLC

State of Hawai'i and Maui Economic and Fiscal Impacts of the Short-Term Rental Industry

Prepared by Kloninger & Sims Consulting LLC
for

TRAVEL TECH
The Travel Technology Association

June 12, 2024

KLONINGER & SIMS
CONSULTING LLC

June 12, 2024

Ms. Laura Chadwick
President & CEO
Travel Technology Association
3033 Wilson Blvd., Suite 700
Arlington, VA 22201

Dear Ms. Chadwick,

In the aftermath of the tragic August 8, 2023 wildfires that claimed at least 101 lives and destroyed hundreds of structures in West Maui, policy makers in state and county government in Hawaii are considering new regulations on the short-term rental industry. A law recently passed by the state legislature gives each county the authority to phase out short-term rentals.

The Travel Technology Association ("Travel Tech") represents the leading innovators in travel technology, including global distribution systems, online travel agencies, metasearch companies, travel management companies, and short-term rental platforms. Travel Tech has asked Kloninger & Sims Consulting ("K&S") to analyze the economic impact of Hawaii's short-term rental industry, as well as the fiscal impact of Maui County's proposed phase-out of about 7,000 short-term rental condominium units in Maui County. This report summarizes our approach and findings.

Thank you for the opportunity to study this important issue. Please let me know if you have any questions or would like to discuss our findings further.

Regards,

Erik Kloninger
Kloninger & Sims Consulting LLC

Contents

Background

Visitor spending is a major driver of Hawai'i's economy. During 2023, visitors spent $20.8 billion, according to the State of Hawai'i Department of Business, Economic Development & Tourism ("DBEDT"). Tourism is Hawai'i's largest export sector, representing 17.2% of the state's GDP when including direct and indirect spending, rising to 23.6% when induced spending is included, according to the most recent DBEDT analysis.

In recent years, increasing numbers of Hawai'i visitors have chosen to stay in vacation rentals. While vacation rentals have long been a component of Hawai'i's accommodation mix, the advent of vacation rental platforms such as Airbnb and VRBO has contributed to the growth of Hawai'i's vacation rental market. Our analysis of vacation rental visitors' spending provides an understanding of the role that vacation rentals play in Hawai'i's visitor industry.

In the aftermath of the August 8, 2023 wildfires, Hawai'i's state legislature passed a bill that gives each of the state's counties the authority to eliminate short-term rentals. Shortly after Governor Green signed the law, Mayor Bissen of Maui County proposed legislation that would phase out short-term rental usage of approximately 7,000 condominium units zoned for residential use. Mayor Bissen has stated that the purpose of the proposed legislation is to increase the supply of housing for Maui residents. Units in the condominium projects in question have been operated as legal short-term rentals for decades under a state law, HRS §46-4, prohibiting counties from phasing out this activity. The condominium projects in question are identified on a list known as the "Minatoya List".

Maui County's proposed legislation would eliminate short-term rental usage in the Minatoya List projects located in West Maui effective July 1, 2025. Effective January 1, 2026 short-term rental usage would be eliminated from the balance of the approximately 7,000 units in condominium projects on Minatoya List throughout the rest of the county. You have asked K&S to analyze the fiscal impact of the proposed phase-out of short-term rentals in Minatoya List condominiums as well as a potential total ban on all short-term rentals in Maui County.

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Key Findings

- Visitors staying in Hawai'i short-term rentals represent a significant share of our state's total tourism market.
- On any given day in 2023, about 29.6% of the visitors in the state stayed in a short-term rental.
- In 2023, Hawai'i visitors staying in short-term rentals spent an estimated $6.1 billion.
- Spending by short-term rental visitors in 2023 generated an estimated $675 million in $554 million in General Excise Tax ("GET") and Transient Accommodations Tax ("TAT"). Of the $675 million total, $554 million was tax revenue for the State of Hawaii, while the county surcharges to the GET and TAT generated an estimated $121 million for the counties.
- The short-term rental condominium units in projects on the West Maui Minatoya List have a total assessed value of $2.6 billion. Taxed as short-term rentals, these 2,684 condominium units would generate $34.7 million in property taxes in 2024. Taxing these units at the various residential property tax rates would generate between $5.1 million and $20.3 million in property taxes, resulting in a decrease of between $14.4 million and $29.6 million in real property tax collections per year.
- The 4,264 short-term rental units in projects listed Minatoya List projects outside of West Maui have a total assessed value of $4.2 billion. These units would generate $55.2 million in real property taxes in 2024, compared with between $8.1 million and $31.4 million in property taxes if taxed at residential rates. This would translate into a decrease in property tax collections of between $23.8 million and $47.1 million.
- Phasing out all of the condominium units in projects on the Minatoya List would result in a decrease in real property tax revenue of between $38.2 million and $76.7 million. The total Maui County tax loss including GET and TAT revenue would be between $53.3 and $91.8 million.
- Maui County's 14,475 units currently taxed as short-term rentals have a total assessed value of $20.6 billion and would generate $284.5 million based on 2024 tax rates for short-term rentals. If taxed at residential property tax rates, these properties would generate between $49.1 million and $201.7 million, resulting in property tax collection decreasing between $82.8 million and $235.4 million.

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- In 2023, Maui visitors staying in a short-term rental property spent a total of $2.2 billion in Maui County. This spending generated $33.7 million in county TAT and $11.8 million in county GET or a total of $45.5 million. Taking into account the county TAT and GET surcharges, elimination of all of Maui's short-term rentals would result in a decrease of county tax collections of between $128.3 million and $280.9 million.

- In 2023, hotels on Maui averaged 66.1% occupancy at an average daily rate ("ADR") of $591. Based on the total supply of 13,730 hotel rooms, this means that on average there were 4,660 vacant hotel rooms each night. We note that Maui's hotels do not have the capacity to accommodate visitors who would otherwise stay in a short-term rental in a condominium unit in a project on the Minatoya List.

2023 Hawaii Short-Term Rental Visitor Market, Visitor Spending & GET/TAT

In 2023 Hawai'i welcomed about 9.5 million visitors, which translated to about 85.6 million visitor days. Short-Term Rental visitors accounted for 25.4 million visitor days statewide, or 29.6% of the state's visitor market. Short-Term Rental visitors accounted for 17.7% of visitor days on Oahu during the year, the lowest share among the counties. Hawai'i Island had the highest short-term rental market share in 2023, representing 43.7% of the market. For the purpose of this study, we have defined Short-Term Rental visitors as visitors who indicated that they stayed in either a Rental House, Bed & Breakfast, Private Room in a Private Home, Shared Room in a Private Home or Short-Term Rental Condo.

Table 1: 2023 State of Hawai'i Visitor Days, Vacation Rental Visitor Days by County & Share of Short-Term Rental Market

County	Total Visitor Days	Vacation Rental Visitor Days	Vacation Rental Visitor Days Percent of Total
Oahu	40,627,690	7,171,614	17.7%
Maui	20,478,555	7,972,472	38.9%
Kauai	10,544,252	4,132,337	39.2%
Hawai'i Island	13,945,651	6,092,977	43.7%
State	**85,596,149**	**25,369,399**	**29.6%**

Source: Kloninger & Sims analysis of DBEDT data

Table 2: 2023 Total State Short-Term Rental Visitor Spending by Category

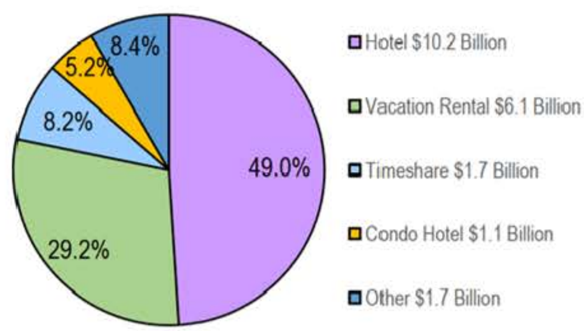
Category	2023 Vacation Rental Visitor Spending
Lodging	$2,939,800,000
Food & Beverage	$1,274,700,000
Entertainment	$570,200,000
Transportation	$706,700,000
Shopping	$524,500,000
Other	$54,700,000
Total	**$6,070,400,000**

Source: Kloninger & Sims analysis of DBEDT data

2023 Hawaiʻi Visitor Spending by Accommodation Type

Visitors spent $20.8 billion in the State of Hawaii in 2023. Visitors staying in hotels accounted for the largest share of the spending, 49.0% of the total. Vacation rental visitors spent an estimated $6.1 billion, or about 29.2% of all visitor spending for the year. Timeshare visitors accounted for 8.2% of spending, while Condo Hotel visitors accounted for 5.2%.

Figure 1: 2023 Hawaiʻi Visitor Spending & Share by Accommodation Type

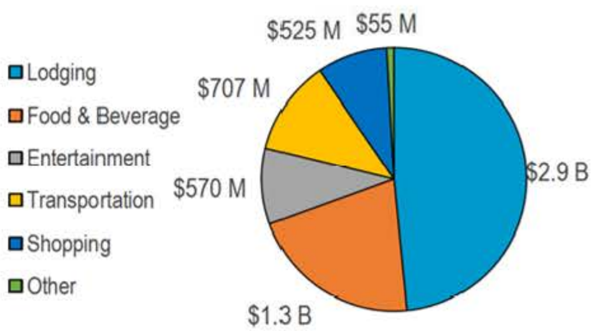


Source: Kloninger & Sims analysis of DBEDT data

2023 Hawai'i Visitor Spending by Category

Lodging accounted for the largest share of short-term rental visitor spending, at $2.9 billion. Short-Term Rental visitors spent $1.3 billion on food & beverage, followed by $707 million on transportation and $570 million on entertainment. Shopping accounted for $525 million of the $6.1 billion in total spending.

Figure 2: 2023 Vacation Rental Visitor Spending by Category

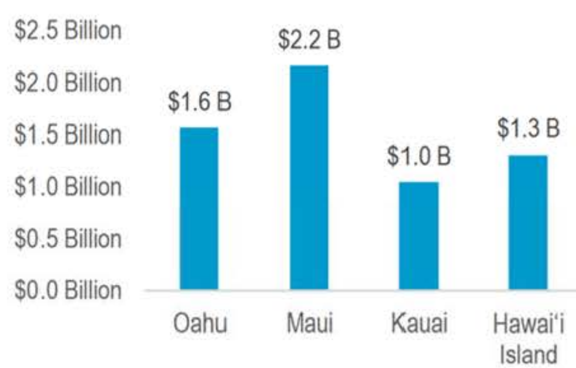


Source: Kloninger & Sims analysis of DBEDT data

2023 Hawai'i Visitor Spending by County

Maui County short-term rental visitors spent an estimated $2.2 billion in 2023, followed by Oahu's short-term rental visitor spending of $1.6 billion. We note that spending in Maui County achieved the highest short-term rental visitor spending despite the temporary pause in tourism to West Maui following the catastrophic wildfire that destroyed Lahaina on August 8. Governor Josh Green paused West Maui tourism following the fire, with a phased reopening that started in October. Spending by short-term rental visitors topped the $1 billion mark on both Kauai and Hawai'i Island.

Figure 3: 2023 Total Short-Term Rental Visitor Spending by County



Source: Kloninger & Sims analysis of DBEDT data

Short-Term Rental Visitor Spending Economic & Fiscal Impact

Economic Impact

Applying the multipliers developed by DBEDT, $6.1 billion in 2023 spending by Hawaii visitors staying in short-term rentals generated $11.3 billion in total economic activity, $3.1 billion in personal earnings and supported about 66,000 jobs. The calculations of these figures is in the appendix to this report.

Fiscal Impacts

Based on the high end of our estimates of 2023 spending by visitors staying in Hawaii short-term rentals, we have calculated the associated GET and TAT. According to this analysis, the GET and TAT associated with 2023 spending by visitors staying in Hawaii short-term rentals totaled $675 million. State GET and TAT generated by short-term rental visitor spending in 2023 totaled $554 million, while the counties' share totaled $121 million. The tables below detail the spending and GET/TAT tax generation by category and county.

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Table 3: 2023 Estimated Short-Term Rental Visitor Total State Taxes by Category

State of Hawaiʻi

	2023 Estimated Spend	State TAT	State GET	Total State GET & TAT
Lodging	$2,939,700,000	$301,319,250	$122,487,500	$423,806,750
Food & Beverage	$1,274,650,000	$0	$53,110,417	$53,110,417
Entertainment	$570,200,000	$0	$23,758,333	$23,758,333
Transportation	$706,640,000	$0	$29,443,333	$29,443,333
Shopping	$524,600,000	$0	$21,858,333	$21,858,333
Other	$54,610,000	$0	$2,275,417	$2,275,417
Total	**$6,070,400,000**	**$301,319,250**	**$252,933,333**	**$554,252,583**

Source: Kloninger & Sims analysis of DBEDT data

Table 4: 2023 Estimated Short-Term Rental Visitor Total County Taxes by Category

Oahu		**3.0%**	**0.545%**	
	2023 Estimated Spend	**County TAT**	**County GET Surcharge**	**Total Oahu GET & TAT**
Lodging	$672,680,000	$20,180,400	$3,668,630	$23,849,030
Food & Beverage	$358,180,000		$1,953,425	$1,953,425
Entertainment	$148,990,000		$812,555	$812,555
Transportation	$151,710,000		$827,389	$827,389
Shopping	$216,320,000		$1,179,756	$1,179,756
Other	$15,110,000		$82,406	$82,406
Total	**$1,562,990,000**	**$20,180,400**	**$8,524,160**	**$28,704,560**

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Maui County

	2023 Estimated Spend	County TAT (3.0%)	County GET Surcharge (0.545%)	Total Maui GET & TAT
Lodging	$1,124,500,000	$33,735,000	$6,132,744	$39,867,744
Food & Beverage	$439,040,000		$2,394,415	$2,394,415
Entertainment	$192,450,000		$1,049,575	$1,049,575
Transportation	$222,170,000		$1,211,660	$1,211,660
Shopping	$158,740,000		$865,729	$865,729
Other	$21,050,000		$114,801	$114,801
Total	**$2,157,950,000**	**$33,735,000**	**$11,768,925**	**$45,503,925**

Kauai

	2023 Estimated Spend	County TAT (3.0%)	County GET Surcharge (0.545%)	Total Kauai GET & TAT
Lodging	$551,760,000	$16,552,800	$3,009,162	$19,561,962
Food & Beverage	$200,860,000		$1,095,441	$1,095,441
Entertainment	$102,840,000		$560,864	$560,864
Transportation	$125,270,000		$683,192	$683,192
Shopping	$56,720,000		$309,337	$309,337
Other	$7,290,000		$39,758	$39,758
Total	**$1,044,740,000**	**$16,552,800**	**$5,697,753**	**$22,250,553**

Hawaiʻi Island

	2023 Estimated Spend	County TAT (3.0%)	County GET Surcharge (0.545%)	Total Hawaiʻi County GET & TAT
Lodging	$590,760,000	$17,722,800	$3,221,859	$20,944,659
Food & Beverage	$276,570,000		$1,508,344	$1,508,344
Entertainment	$125,920,000		$686,736	$686,736
Transportation	$207,490,000		$1,131,599	$1,131,599
Shopping	$92,820,000		$506,217	$506,217
Other	$11,160,000		$60,864	$60,864
Total	**$1,304,720,000**	**$17,722,800**	**$7,115,620**	**$24,838,420**

Source: Kloninger & Sims analysis of DBEDT data

Method of Analysis

For the 2024 tax year, Maui taxes short-term rental properties at the TVR-STRH ("short-term rental") tax rates of between $12.00 and $15.00 per $1,000 of assessed value, depending on the value of the property. The proposed action to convert about 7,000 condominium units from short-term rental to residential will result in the properties being taxed at one of the residential tax rates. As the residential property tax rates are lower than the short-term rental rates, the proposed conversion will reduce the real property tax collected by Maui County. We note that the highest property tax rate levied by Maui County is the $15.00 per $1,000 of assessed value paid by short-term rentals with assessed values higher than $3 million. As shown in the table below, Owner-Occupied properties are taxed at between $1.80 and $3.25 per $1,000 of assessed value. Properties that are used as long-term rentals are taxed at a rate of between $3.00 and $8.00 per $1,000 of assessed value. Non-Owner Occupied properties, which includes second homes that are not rented when not being used by the owner, are taxed at rates ranging between $5.87 and $14.00 per $1,000 of assessed value.

We analyzed the proposed conversion of short-term rental condominium units in Minatoya List projects from their current tax classification of Short-Term Rental to three different residential property tax rates. We identified the affected condominium projects using a copy of the Minatoya List dated March 22, 2024 that was posted on Maui County's website.

Table 5: Maui County 2024 Tax Rates

Classification	2024 Tax Rate per $1,000 of Assessed Value
Owner Occupied	$1.80-3.25
Tier 1 <$1,000,000	$1.80
Tier 2 $1,000,001-$3,000,000	$2.00
Tier 3 $3,000,001>	$3.25
Non-Owner Occupied	$5.87-$14.00
Tier 1 <$1,000,000	$5.87
Tier 2 $1,000,001-$3,000,000	$8.50
Tier 3 $3,000,001>	$14.00
Apartment	$3.50
Hotel & Resort	$11.75
Timeshare	$14.60
Short Term Rental	$12.5-$15.00
Tier 1 <$1,000,000	$12.50
Tier 2 $1,000,001-$3,000,000	$13.50
Tier 3 $3,000,001>	$15.00
Long Term Rental	$3.00-$8.00
Tier 1 <$1,000,000	$3.00
Tier 2 $1,000,001-$3,000,000	$5.00
Tier 3 $3,000,001>	$8.00
Agricultural	$5.74

Source: Maui County

After downloading Maui County real property tax data from the county's website, we identified the condominium units located in Minatoya List projects that are currently taxed as short-term rentals.

For each condominium unit we applied the applicable Owner-Occupied, Long-Term Rental and Non-Owner Occupied tax rates, which vary depending on the value of the property. Each of these residential uses has a tiered scale of property tax rates. Tier 1 properties are valued at less than $1 million; Tier 2 at between $1 million and $3 million; Tier 3 properties are valued at more than $3 million. Calculating each unit's property taxes based on three alternate residential uses results in a range of potential property taxes for each unit. We then calculated the net loss in property taxes that would be generated under each of the three residential uses considered.

We first estimated the impact of the conversion to residential use on property taxes generated by West Maui condominiums in projects on the Minatoya List, which would convert to residential use on July 1, 2025 under the Mayor's proposal. Secondly we calculated the expected decrease in property tax generation for the non-West Maui Minatoya list projects. We note that our analysis did not consider possible changes in assessed values that could be associated with the transition from short-term rental use to residential use.

We also calculated the decrease in property tax collections if all short-term rentals on Maui were eliminated and taxed at a residential property tax rate. There are currently 14,475 properties in Maui County that are taxed at the Short-Term Rental tax rate. In addition to the estimated decrease in county property tax generation, this analysis also considered the fiscal impact of visitor spending generated by visitors staying in short-term rentals. This visitor spending generates county taxes in the form of the county TAT surcharge of 3.0% and the county GET surcharge of 0.5%. Our estimate of 2023 visitor spending by Maui visitors staying in a short-term rental was based on our analysis of visitor characteristics and spending data provided by DBEDT.

Estimated Impact on Real Property Taxes – West Maui Minatoya List Properties

Our analysis shows that the West Maui condominium units in Minatoya List projects have a current assessed value of about $2.6 billion. Based on the 2024 rates for short-term rentals in Maui County, the West Maui Minatoya List condominium units will generate about $34.7 million in property taxes this year. If all 2,820 condominium units in West Maui Minatoya List projects were converted to and taxed at the Long-Term Rental tax rates, they would generate about $11.5 million in 2024 property taxes, or about $23.1 million less than they would generate if used and taxed as short-term rentals. If all of the West Maui Minatoya List condominium units were converted to owner-occupied units and taxed at the owner-occupied tax rates, they would generate about $5.1 million in property taxes, or about $29.5 million less than they would if taxed at the short-term rental rates. If all the West Maui Minatoya List condominium units were to become second homes taxed at the Non-Owner Occupied tax rates, they would generate about $20.2 million in property taxes, or about $14.4 million less than if they were used and taxed as short-term rentals.

It is likely that there will be a mix of long-term rentals, owner occupied units and non-owner occupied units after short-term rental use is terminated as of July 1, 2025. The total decrease in Maui County's real property tax revenue from these units will depend on what that mix is.

Table 6: West Maui Minatoya List – 2024 Property Taxes at Short-Term and Residential Property Tax Rates

	Unit Count	Total Assessed Value	Average Assessed Value	2024 Property Tax Based on Short-Term Rental Tax Rates	2024 Real Property Taxes, Applying Residential Property Tax Rates		
					Long-Term Rental	Owner-Occupied	Non-Owner occupied
West Maui Minatoya List	2,684	$2,632,100,000	$981,000	$34,700,000	$11,600,000	$5,100,000	$20,300,000
Decrease of RPT due to Residential Conversion					$(23,100,000)	$(29,600,000)	$(14,400,000)

Source: K&S analysis of Maui County RPT Data

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Table 7: Summary of West Maui Condominium Projects on the Minatoya List

PROJECT PROPERTY	YEAR BUILT	COUNTY ZONING	COUNT OF LISTINGS	TOTAL ASSESSED VALUE	TOTAL PROPERTY TAX AT SHORT TERM RENTAL RATE
Papakea	1977	A2/H2	364	$372,100,000	$5,020,000
Hale Kaanapali	1967	A2/H/OS	258	$228,700,000	$2,860,000
Maui Eldorado	1968	A2	205	$125,600,000	$1,570,000
Kapalua Golf Villas	1979	A2/AG/OS/GC	186	$260,300,000	$3,510,000
The Ridge	1979	A2/PK-4	161	$247,400,000	$3,340,000
Kapalua Bay Villas	1977	A2	141	$285,000,000	$3,850,000
Wavecrest	1975	A2/Interim	126	$29,400,000	$370,000
Kenani Kai	1983	A-1	120	$32,500,000	$410,000
Kaanapali Royal	1980	A2	105	$133,800,000	$1,810,000
Kuleana	1974	A1	100	$60,100,000	$750,000
Kahana Reef	1974	A2	88	$68,700,000	$860,000
Paki Maui I & Ii	1975	A2	80	$51,200,000	$640,000
Hale Ono Loa	1969	A2	67	$49,800,000	$620,000
Kaleialoha	1973	A2	67	$56,900,000	$710,000
Maui Sands I	1966	A2	56	$57,600,000	$780,000
Hale Mahina Beach	1981	A2	53	$59,900,000	$810,000
Polynesian Shores	1972	A1	52	$55,900,000	$760,000
Noelani	1974	A2	50	$55,200,000	$750,000
Mahina Surf	1969	A1	44	$54,800,000	$740,000
Kahana Village	1978	A1	42	$58,800,000	$790,000
Hale Kai I	1967	A2	40	$31,000,000	$390,000
Lokelani	1971	A2	36	$40,000,000	$540,000
Mahinahina Beach	1979	A1	32	$21,600,000	$270,000
Honokowai Palms	1965	A2	30	$30,500,000	$410,000
Makani Sands	1974	A2	30	$11,600,000	$150,000
Nohonani	1974	A2	28	$34,600,000	$470,000
Paki Maui Iii	1978	A2	28	$35,800,000	$480,000
Maui Sands Ii	1969	A2	20	$10,200,000	$130,000
Kuleana	1972	A1	18	$13,800,000	$170,000
Hoyochi Nikko	1973	A1	17	$17,100,000	$230,000
Lahaina Beach Club	1971	A2	12	$3,700,000	$50,000
Pikake	1966	A2	12	$13,000,000	$180,000
Kahana Outrigger	1981	A1	8	$11,900,000	$160,000
Kahana Outrigger	1981	A1	4	$5,600,000	$80,000
Kahana Outrigger	1981	A1	4	$7,900,000	$110,000
			2,684	**$2,632,100,000**	**$34,700,000**

Estimated Impact on Real Property Taxes – Other Maui Minatoya List Properties

The balance of the Minatoya List condominium projects, with a total of 4,347 units, would convert from short-term use to residential use by January 1, 2026 under the Mayor's proposal. Based on 2024 property tax rates, these condominium units will generate an estimated $48.5 million in property taxes. When converted to and taxed as residential units, these units would generate between $7.1 million and $27.2 million in property taxes. The conversion to residential use and taxation would result in a loss of between $21.2 million and $41.4 million in annual property taxes.

Table 8: Other Maui Minatoya List – 2024 Property Taxes at Short-Term and Residential Property Tax Rates

	Unit Count	Total Assessed Value	Average Assessed Value	2024 Property Tax Based on Short-Term Rental Tax Rates	2024 Real Property Taxes, Applying Residential Property Tax Rates		
					Long-Term Rental	Owner-Occupied	Non-Owner occupied
Other Maui Minatoya List	4,264	$4,217,300,000	$989,000	$55,200,000	$17,700,000	$8,100,000	$31,400,000
Decrease of RPT due to Residential Conversion					$(37,500,000)	$(47,100,000)	$(23,800,000)

Source: K&S analysis of Maui County RPT Data

Table 9: Summary of Other Maui Condominium Projects on the Minatoya List

PROJECT PROPERTY	YEAR BUILT	COUNTY ZONING	COUNT OF LISTINGS	TOTAL ASSESSED VALUE	TOTAL PROPERTY TAX AT SHORT TERM RENTAL RATE
Kamaole Sands	1983	A2	440	$474,800,000	$6,410,000
Maui Vista	1980	A2	280	$227,300,000	$2,840,000
Maui Kamaole Iii	1994	A1	240	$291,200,000	$3,930,000
Maui Sunset	1974	A2	225	$160,000,000	$2,000,000
Grnd Champ Villas	1989	A2	188	$266,300,000	$3,590,000
Hale Kamaole	1974	A1/A2	188	$188,300,000	$2,540,000
Kauhale Makai	1976	A2	169	$116,600,000	$1,460,000
Palms At Wailea I	1990	A1	150	$235,400,000	$3,180,000
Wailea Ekolu	1979	A1/OS-GC/PUD	148	$271,800,000	$3,670,000
Maui Hill	1981	A1	140	$66,600,000	$830,000
Pacific Shores	1979	A2	136	$96,900,000	$1,210,000
Kihei Bay Surf	1980	A1	118	$49,900,000	$620,000
Luana Kai	1979	A2	113	$104,600,000	$1,310,000

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PROJECT PROPERTY	YEAR BUILT	COUNTY ZONING	COUNT OF LISTINGS	TOTAL ASSESSED VALUE	TOTAL PROPERTY TAX AT SHORT TERM RENTAL RATE
Wailea Ekahi Iii	1976	A1/H1/OS/PUD	104	$182,100,000	$2,460,000
Wailea Ekahi I	1976	A1/BR/OS/PUD	100	$191,700,000	$2,590,000
Wailea Ekahi Ii	1976	A1	92	$178,800,000	$2,410,000
Kihei Garden Estates	1979	A1	84	$61,200,000	$760,000
Island Sands	1975	A2	83	$57,200,000	$720,000
Kanai A Nalu	1977	A2	80	$55,100,000	$690,000
Maalaea Kai	1974	A2	79	$70,900,000	$890,000
Maalaea Banyans	1987	A2	78	$59,000,000	$740,000
Haleakala Shores	1974	A2	76	$55,300,000	$690,000
Kihei Resort	1981	A1	64	$45,800,000	$570,000
Maui Parkshore	1974	A2	64	$57,100,000	$710,000
Kalama Terrace	1972	A2	61	$30,000,000	$380,000
Kihei Bay Vista	1989	A1	60	$39,300,000	$490,000
Hale Kai O'kihei	1969	A1	59	$52,800,000	$660,000
Koa Resort Ii	1980	A1	54	$47,400,000	$590,000
Waiohuli Beach Hale	1979	A1/PU	52	$51,200,000	$640,000
Shores Of Maui	1975	A1	50	$34,800,000	$430,000
Maui Kamaole Ii	1989	A1	48	$55,400,000	$750,000
Lauloa Maalaea	1979	A2	47	$40,800,000	$510,000
Hono Kai	1972	A2/A1	46	$26,600,000	$330,000
Milowai-Maalaea	1977	A2/M1	42	$26,200,000	$330,000
Waipuilani	1975	A2	42	$9,000,000	$110,000
Kuau Plaza	1973	A2	30	$14,300,000	$180,000
Maui Kamaole	1988	A1	28	$40,200,000	$540,000
Makani A Kai	1974	A1	24	$22,700,000	$280,000
Leinaala	1975	A2	24	$15,400,000	$190,000
Hana Kai-Maui	1974	A1	19	$13,500,000	$170,000
Keawakapu	1976	A1	18	$10,300,000	$130,000
Kanoe Apts	1982	A-1	18	$2,500,000	$30,000
Kihei Parkshore	1974	A1	16	$10,600,000	$130,000
Punahoa Beach Apts	1970	A1	15	$18,800,000	$250,000
Kamaole One	1973	A1	12	$25,300,000	$340,000
Leilani Kai	1974	A1	9	$1,000,000	$10,000
Lihikai Apts	1963	A1	8	$4,400,000	$60,000
Hale Mahialani	1976	A1	7	$2,300,000	$30,000
Wailea Inn	1985	A1	6	$3,900,000	$50,000
Kihei Cove	1980	A1	6	$2,300,000	$30,000
Hale Iliili	1978	A1	4	$2,100,000	$30,000
Aloha Villas	1980	A-1	4	$8,000,000	$110,000
1444 Halama St	1968	A-1	4	$7,000,000	$90,000

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PROJECT PROPERTY	YEAR BUILT	COUNTY ZONING	COUNT OF LISTINGS	TOTAL ASSESSED VALUE	TOTAL PROPERTY TAX AT SHORT TERM RENTAL RATE
1194 Uluniu Rd	1964, 1979	A-1	2	$4,000,000	$50,000
Kapu Townhouse	1980	A1	2	$3,700,000	$50,000
Waiohuli Bch Duplex	1977	A1	2	$2,100,000	$30,000
My Waii Beach Cottage	1970	A1	1	$6,900,000	$100,000
Indo Lotus Beach Hse	1970	A1	1	$4,200,000	$60,000
2131 Iliili Rd	1946	A-1	1	$1,300,000	$20,000
Moana Villa	1973	A1	1	$3,200,000	$50,000
1440 Halama St	1946	A-1	1	$4,900,000	$70,000
1470 Halama St	1960	A-1	1	$5,000,000	$70,000
			4,264	**$4,217,300,000**	**$55,200,000**

Source: K&S analysis of Maui County RPT Data

Estimated Fiscal & Economic Impacts – TOTAL Minatoya List Properties

Property Taxes: Our analysis indicates that conversion of all Minatoya List properties to residential use and taxation would result in decreased property tax revenue ranging from $38.2 million to $76.7 million, as summarized below.

Table 10: Total Minatoya List – 2024 Property Taxes at Short-Term and Residential Property Tax Rates

					2024 Real Property Taxes, Applying Residential Property Tax Rates		
	Unit Count	Total Assessed Value	Average Assessed Value	2024 Property Tax Based on Short-Term Rental Tax Rates	Long-Term Rental	Owner-Occupied	Non-Owner occupied
Full Minatoya List	6,948	$6,849,400,000	$986,000	$89,900,000	$29,300,000	$13,200,000	$51,700,000
Decrease of RPT due to Residential Conversion					$ (60,600,000)	$(76,700,000)	$(38,200,000)

Source: K&S analysis of Maui County RPT Data

County GET & TAT Surcharges: We estimated the county GET & TAT Surcharges generated by visitors staying in Minatoya List short-term rentals to be $15.1 million in 2023. We allocated the estimated total Maui County GET & TAT surcharges to the Minatoya List properties based on total assessed value. The total Maui County tax loss including GET and TAT revenue would be between $53.3 and $91.8 million.

Economic Impacts: We estimate the following economic impacts of the Minatoya List short-term rentals, again based on an allocation of the estimates for all Maui County short-term rentals:

- $1.3 billion in economic output,
- $370 million in earnings,
- 7,800 jobs.

Estimated Fiscal & Economic Impacts – All Maui Short-Term Rental Properties

Property Taxes: According to our analysis of Maui County RPT data, the 14,475 properties taxed at the short-term rental rate will generate about $284.5 million in property taxes this year. The decrease in property tax collections associated with the conversion of *all* Maui County short-term rentals to residential use would range between $82.8 million and $235.4 million.

Table 11: All Maui County Short-Term Rentals – 2024 Property Taxes at Short-Term and Residential Property Tax Rates

	Unit Count	Total Assessed Value	Average Assessed Value	2024 Property Tax Based on Short-Term Rental Tax Rates	2024 Real Property Taxes, Applying Residential Property Tax Rates		
					Long-Term Rental	Owner-Occupied	Non-Owner occupied
RPT List Maui Total	14,475	$20,636,700,000	$1,426,000	$284,500,000	$114,900,000	$49,100,000	$201,700,000
Decrease of RPT due to Residential Conversion					$(169,600,000)	$(235,400,000)	$(82,800,000)

Source: K&S analysis of Maui County RPT Data

County GET & TAT Surcharges: The 7,167 units located in condominium projects on the Minatoya List represent about one half of the total number of properties taxed at the short-term rental tax rate. For the purposes of this study we have assumed that the 14,475 units taxed by Maui County at the short-term rental tax rate represent the entirety of the short-term rental market. In addition to estimating the lost RPT revenue attributable to the decrease in property tax rates associated with conversion of short-term rentals to residential use, we have also estimated the 2023 spending by visitors staying in a Maui County short-term rental.

We estimate that short-term rental visitors to Maui spent about $2.2 billion during 2023, as presented in the table below. About half of the short-term rental visitor spending in 2023 was for accommodations. That $1.1 billion in lodging spending generated $33.7 million in county TAT via Maui County's 3.0% county TAT and an additional $6.1 million in GET via the county GET surcharge. Visitor spending generated by short-term rentals in Maui County generated a total of $11.8 million in GET for the year. Combined, the county TAT and GET associated with 2023 spending by Maui visitors who stayed in a short-term rental was $45.5 million.

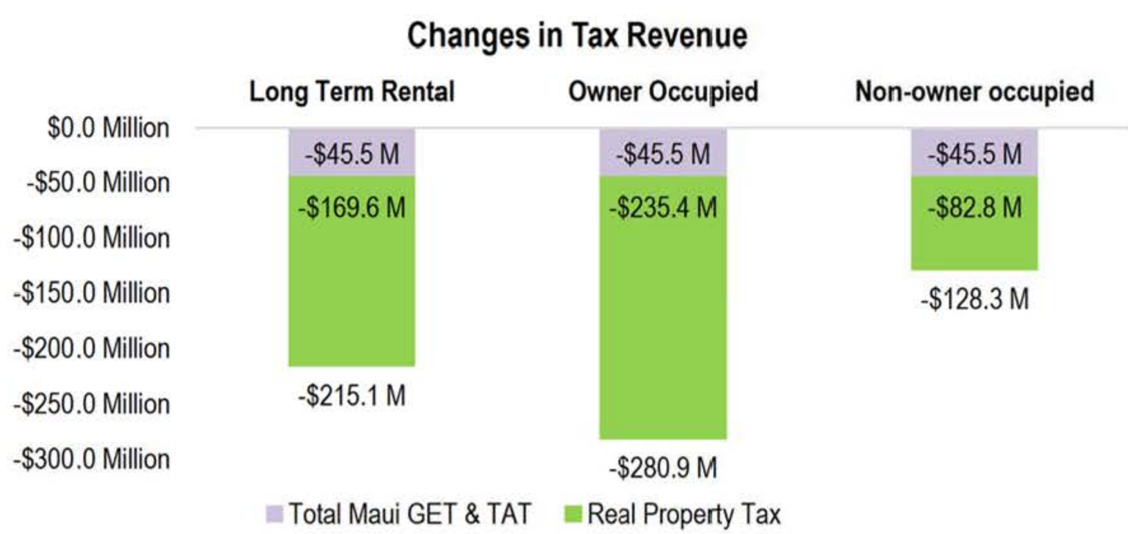
The total decrease in property tax revenues that would be expected if the county eliminated all vacation rentals ranges between $82.8 million and $235.4 million. Adding the county TAT and GET surcharges results in a total fiscal impact of between $128.3 million and $280.9 million.

Table 12: Estimated Vacation Rental Visitor Total County Taxes by Category

Maui County		**3.0%**	**0.545%**	
	2023 Estimated Spend	**County TAT**	**County GET Surcharge**	**Total Maui GET & TAT**
Lodging	$1,124,500,000	$33,735,000	$6,132,744	$39,867,744
Food & Beverage	$439,040,000		$2,394,415	$2,394,415
Entertainment	$192,450,000		$1,049,575	$1,049,575
Transportation	$222,170,000		$1,211,660	$1,211,660
Shopping	$158,740,000		$865,729	$865,729
Other	$21,050,000		$114,801	$114,801
Total	**$2,157,950,000**	**$33,735,000**	**$11,768,925**	**$45,503,925**

Source: K&S Analysis of DBEDT Data

Figure 4: Decreases in Maui County Tax Revenue Based on Conversion of Short-term Rentals to Residential



Source: K&S analysis of Maui County RPT Data

Economic Impacts: According DBEDT's multipliers, Maui County's $2.2 billion in spending by visitors staying in a short-term rental results in:

- $4.0 billion in economic output,
- $1.1 billion in earnings,
- 23,000 jobs.

We have included the worksheet calculating the output, earnings and jobs supported by spending by visitors staying in a Maui short-term rental in the Appendix.

Hotel Market Analysis

In 2023, hotels on Maui averaged 66.1% occupancy at an average daily rate ("ADR") of $591. Based on the total supply of 13,730 hotel rooms, this means that on average there were 4,660 vacant hotel rooms each night. There were on average 2,381 vacant hotel rooms each night in West Maui, where hotel occupancy averaged 63.6%.

It is reasonable to assume that some of the demand for accommodations that would be displaced by the residential conversion of Minatoya List condominium units would be accommodated by Maui hotels. There are not enough hotel rooms in Maui County to accommodate visitors who would otherwise stay in a short-term rental property. In addition, since short-term rentals have kitchens and often multiple bedrooms, hotel rooms will not meet the needs of some visitors.

Table 13: Summary of 2023 Maui Hotel Room Supply and Demand

	Daily Supply	Daily Demand	Occupancy Rate	ADR	Daily Vacant Rooms
West Maui	7,473	5,092	68.1%	$525	2,381
Other Maui	6,257	3,978	63.6%	$676	2,279
Total Maui	13,730	9,070	66.1%	$591	4,660

Source: STR, Inc. data published by DBEDT

Conclusion

The proposed conversion of units in condominium projects on the Minatoya List from short-term rental to residential use would reduce Maui County's tax revenue. The expected impact on real property tax revenues have been presented as ranges, because residential real estate on Maui is taxed at different rates depending on whether the property is owner-occupied, a long-term rental or a second home. We note that the residential use that would have the smallest negative impact on the county's property tax collections, the Non-Owner Occupied classification, does not increase Maui County's housing supply. Rather than being rented out short-term during periods when owners are not using them, these units would sit empty, generating none of the visitor spending that is the lifeblood of Maui's economy. Conversion to owner-occupied units would increase the available housing supply but result in the greatest decrease in property tax revenue.

Our analysis of the impact on real property taxes is based on no changes in the assessed value of the units. Any decreases to the assessed values of Minatoya List units would further reduce the county's property tax revenue. Since the intent of the proposed legislation is to increase the supply of housing on Maui, the suitability of Minatoya List properties to address Maui's housing shortage should also be considered. Papakea, a 364-unit project on 13 oceanfront acres in West Maui built in 1977, has a mix of studios, one-, two- and three-bedroom units. Units in Papakea would generate about $5 million in 2024 based on being taxed at the Short-Term Rental tax rates. While the studio units could house individuals or couples, families with children will require multiple bedrooms. Whether the mix of unit types in Papakea and other projects matches the residential needs of the community should be evaluated.

APPENDIX

2017 Condensed Input-Output Transactions Table for Hawaii (in $million excpet for employment, which is number of jobs)

				Type II final-demand multipliers (from Table 2.4)			Economic Impacts		
Industry	Visitor expenditures	Expenditures Shares	Expenditures ($	Output	Earnings	Jobs	Output ($ Millions)	Earnings ($ Millions)	No. of Jobs
1 Agriculture	26.0	0.14	8.28	2.08	0.70	24.00	17.22	5.79	198.66
2 Mining and construction	0.0	-	-	2.12	0.69	10.70	-	-	-
3 Food processing	65.0	0.34	20.69	2.21	0.50	12.40	45.73	10.35	256.60
4 Other manufacturing	63.0	0.33	20.04	1.34	0.20	4.00	26.85	4.01	80.16
5 Transportation	3,434.7	18.00	1,092.66	1.89	0.50	9.70	2,065.12	546.33	10,598.78
6 Information	21.5	0.11	6.85	1.84	0.39	6.90	12.60	2.67	47.24
7 Utilities	0.0	-	-	1.69	0.31	4.60	-	-	-
8 Wholesale trade	125.0	0.66	39.77	1.88	0.50	8.90	74.77	19.88	353.95
9 Retail trade	2,396.3	12.56	762.29	1.85	0.55	14.10	1,410.24	419.26	10,748.33
10 Finance and insurance	0.0	-	-	2.16	0.54	10.60	-	-	-
11 Real estate and rentals	1,668.6	8.74	530.80	1.55	0.23	4.70	822.74	122.08	2,494.75
12 Professional services	143.0	0.75	45.51	2.21	0.81	13.90	100.57	36.86	632.54
13 Business services	371.7	1.95	118.24	2.18	0.80	16.90	257.76	94.59	1,998.26
14 Educational services	162.7	0.85	51.76	2.00	0.86	23.40	103.52	44.51	1,211.22
15 Health services	172.2	0.90	54.78	2.21	0.77	14.10	121.06	42.18	772.37
16 Arts and entertainment	604.9	3.17	192.42	1.89	0.74	23.30	363.67	142.39	4,483.29
17 Accommodation	6,461.2	33.86	2,055.44	2.17	0.57	10.20	4,460.31	1,171.60	20,965.52
18 Eating and drinking	1,854.4	9.72	589.91	2.17	0.66	16.80	1,280.10	389.34	9,910.47
19 Other services	152.2	0.80	48.41	2.37	0.80	17.10	114.73	38.73	827.76
20 Government	96.8	0.51	30.79	1.84	0.79	12.80	56.66	24.33	394.15
Total intermediate input	17,819.2	93.4	5,668.6				11,333.6	3,114.9	65,974.1
Imports	1,261.7	6.6	401.4						
Earnings (Labor income)									
Compensation of employees									
Proprietor's income									
TOPILS									
Other capital costs									
Total Value added									
Output	19,080.9	100.00	6,070.00						
Wage and salary jobs									
Proprietors' jobs									
Total jobs									
Earnings (RIMS II)									
State total taxes									
State individual income tax									
State GET									
State TAT									
State other taxes									

Note. TOPILS = Taxes on production and imports less subsidies.

2017 Condensed Input-Output Transactions Table for Hawaii (in $million excpet for employment, which is number of jobs)

				Type II final-demand multipliers (from Table 2.4)			Economic Impacts		
Industry	Visitor expenditures	Expenditure s Shares	Expenditure s ($	Output	Earnings	Jobs	Output ($ Millions)	Earnings ($ Millions)	No. of Jobs
1 Agriculture	26.0	0.14	2.94	2.08	0.70	24.00	6.12	2.06	70.63
2 Mining and construction	0.0	-	-	2.12	0.69	10.70	-	-	-
3 Food processing	65.0	0.34	7.36	2.21	0.50	12.40	16.26	3.68	91.22
4 Other manufacturing	63.0	0.33	7.12	1.34	0.20	4.00	9.55	1.42	28.50
5 Transportation	3,434.7	18.00	388.45	1.89	0.50	9.70	734.17	194.23	3,767.98
6 Information	21.5	0.11	2.43	1.84	0.39	6.90	4.48	0.95	16.80
7 Utilities	0.0	-	-	1.69	0.31	4.60	-	-	-
8 Wholesale trade	125.0	0.66	14.14	1.88	0.50	8.90	26.58	7.07	125.83
9 Retail trade	2,396.3	12.56	271.00	1.85	0.55	14.10	501.36	149.05	3,821.15
10 Finance and insurance	0.0	-	-	2.16	0.54	10.60	-	-	-
11 Real estate and rentals	1,668.6	8.74	188.70	1.55	0.23	4.70	292.49	43.40	886.91
12 Professional services	143.0	0.75	16.18	2.21	0.81	13.90	35.75	13.10	224.87
13 Business services	371.7	1.95	42.04	2.18	0.80	16.90	91.64	33.63	710.40
14 Educational services	162.7	0.85	18.40	2.00	0.86	23.40	36.80	15.83	430.60
15 Health services	172.2	0.90	19.47	2.21	0.77	14.10	43.04	15.00	274.58
16 Arts and entertainment	604.9	3.17	68.41	1.89	0.74	23.30	129.29	50.62	1,593.86
17 Accommodation	6,461.2	33.86	730.73	2.17	0.57	10.20	1,585.69	416.52	7,453.47
18 Eating and drinking	1,854.4	9.72	209.72	2.17	0.66	16.80	455.09	138.41	3,523.28
19 Other services	152.2	0.80	17.21	2.37	0.80	17.10	40.79	13.77	294.28
20 Government	96.8	0.51	10.95	1.84	0.79	12.80	20.14	8.65	140.12
Total intermediate input	17,819.2	93.39	2,015.26				4,029.23	1,107.38	23,454.48
Imports	1,261.7	6.61	142.69						
Earnings (Labor income)									
Compensation of employees									
Proprietor's income									
TOPILS									
Other capital costs									
Total Value added									
Output	19,080.9	100.00	2,157.95						
Wage and salary jobs									
Proprietors' jobs									
Total jobs									
Earnings (RIMS II)									
State total taxes									
State individual income tax									
State GET									
State TAT									
State other taxes									

Note. TOPILS = Taxes on production and imports less subsidies.

Source: DBEDT

Source: DBEDT

EXHIBIT “3”

- 7,167 – the number of dwelling units on the Department’s list of Apartment District Properties Allowed to be Used for Short-Term Occupancy” (Planning Director’s report dated June 25, 2024 (PD, p. 2)) From that list:

    - Parcel breakdown by RPT classification:

        - 6,208 – TVR-STRH
        - 307 – Time Share
        - 19 – Non-Owner-Occupied
        - 140 – Long-Term Rental
        - 481 – Owner-Occupied
        - 6 – Commercialized Residential
        - 2 – Hotel and Resort
        - 8 – Commercial
        - Total = 7,171 (difference of 4) (Acting Director of Finance’s response dated May 29, 2024 (DF, p. 2))

    - Estimated RPT revenue of $82,115,696 for FY 2025, as follows:
        - $4,218,169 in Time Share RPT revenue
        - $76,985,134 in TVR-STRH revenue (DF, p. 2)

- 6,364 – the number of units within the Apartment Districts assigned an RPT classification of TVR-STRH in the 2024 assessment year (PD, p. 7)

- Number of bedrooms for 6,143 units as follows: 432 with 0 bedrooms, 3,147 with 1 bedroom, 2,420 with 2 bedrooms, and 144 with 3 bedrooms (PD, p. 12)

- 46 percent of the units are oceanfront with an average assessed value of $937,300 (PD, p. 10)

- 54 percent are not oceanfront but are near the ocean with an average assessed value of $1,074,200 (PD, p. 10)

- $38,359,541 - estimated RPT revenue loss assuming a change in RPT classification for 6,208 units from TVR-STRH to Non-Owner-Occupied, using FY 2025 rates. A change to Owner-Occupied or Long-Term Rental instead will result in higher RPT revenue loss. (PD, p. 11)