HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony in Support Bill 9 (2025) –
Relating to Transient Vacation Rentals in Apartment Districts
Maui County Council - Housing and Land Use Committee
Monday, June 9th, 2025 at 10:00AM via Videoconference

Aloha Chair Kama, Vice Chair Cook, and Members of the Committee,

Hawaii Appleseed is submitting testimony in **strong support of Bill 9 (2025),** which seeks to phase out transient vacation rentals (TVRs) in apartment-zoned districts across Maui.

Hawaiʻi Appleseed Center for Law and Economic Justice is a nonprofit organization dedicated to advancing systemic change to address the root causes of economic insecurity and inequality in our state. Through research, policy development, legislative advocacy, and community engagement, we work to build a more just and equitable Hawaiʻi. Our focus areas include affordable housing, transportation equity, food security, and expanding access to economic opportunity.

Hawaii Appleseed recognizes Bill 9 (2025) as a meaningful step toward realigning housing policy with the needs of local residents.

The proliferation of TVRs has been widely identified as a significant contributor to a city's housing crisis. They negatively impact both the availability and affordability of homes for long-term residents. By directly removing units from the long-term rental market, TVRs intensify supply constraints that result in higher rents and inflated home values.[1][2][3][4]

Investors capitalize on TVR demand by buying and renting properties for exclusive TVR use, evidenced by the 13,000 TVR units on Maui - accounting for nearly 21% of Maui's housing stock.[5] According to AirDNA, a short term rental data analytics site, the average rate for a vacation rental in 2024 in Maui was $472.48 per night.[6] The average annual revenue for TVR owners this past year was $94,200 equating to $7,850/month, significantly higher than the median asking rent of $2,400 per month.[7]

This creates strong financial incentives for property owners to favor short-term rental use over long-term tenancies. Additionally, the commercialization of residential homes for use as TVRs can create market externalities that increase nearby property values by influencing comparable sales and fueling speculative expectations. This upward pressure on prices contributes to

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[1] https://marketing.wharton.upenn.edu/wp-content/uploads/2019/08/09.05.2019-Proserpio-Davide-Paper.pdf
[2] https://granicus.com/wp-content/uploads/Report-2024-STR-Benchmark-Report.pdf
[3] https://digitalcommons.law.uw.edu/cgi/viewcontent.cgi?article=5086&context=wlr
[4] https://www.researchgate.net/publication/352852365_Airbnb_short-term_rentals_and_the_future_of_housing_by_Lily_M_Hoffman_and_Barbara_Schimitter_Heisler_New_York_Routledge_2021
[5] https://uhero.hawaii.edu/wp-content/uploads/2025/03/EconomicAnalysisOfProposalToPhaseOutTVRsMaui.pdf
[6] https://app.airdna.co/data/us/airdna-610?lat=20.805524&lng=-156.336175&zoom=8&tab=performance
[7] https://app.airdna.co/data/us/airdna-610?lat=20.805524&lng=-156.336175&zoom=8&tab=performance

housing cost inflation that outpaces local income growth, making it increasingly difficult for local residents to afford homes. [8]

Housing affordability also cannot be addressed without significantly increasing the supply of homes available for local residents. Yet TVRs have fundamentally undermined this goal by preventing new affordable development from meaningfully expanding the housing stock. Even when new housing units were added, the net residential housing supply on Maui remained essentially unchanged from 2018-2022, as any marginal new construction was immediately absorbed or replaced by conversions to vacation rentals.[9]

This problem is compounded by resource constraints, particularly water availability, which further limit the feasibility of new housing construction. In water-scarce West Maui, this impact is already preventing affordable housing from being built. [10] Tourist accommodations exacerbate this problem by disproportionately consuming high amounts of water, energy, and waste services, compared to residential units.[11] Continuing to allow short-term rentals in apartment-zoned areas means that scarce water and infrastructure capacity is allocated to visitors rather than residents.

There are approximately 6,172 active STRs under the Minatoya list, primarily located in residential apartment-zoned districts, that are permitted to continue TVR operations despite their non-conforming status. By withdrawing their permitted status through Bull 9, Maui can return these properties to the long-term housing market and potentially increase Maui's long-term residential housing stock by 13%.[12] This would represent the equivalent of ten years' worth of housing production on Maui, without breaking ground or straining public infrastructure. According to UHERO, full phase out of all the Minatoya properties could also result in rents dropping by 6-14% and condo prices declining by 20-40%. [13]This would be a much-needed relief to local residents struggling to find affordable housing.

As outlined in the UHERO report, several mitigating factors may dampen the policy's expected impact on housing affordability.The phase-out of non-conforming TVRs in apartment-zoned areas does not guarantee that all affected units will immediately transition to long-term residential use, meaning the impact on housing affordability may not fully materialize. Additionally, the policy may result in only a one-time downward shock in prices, maintaining prices at a lower trajectory than they would have followed without intervention but still continuing

[8]https://www.researchgate.net/publication/307554257_Holiday_Rentals_The_New_Gentrification_Battlefront
[9]https://uhero.hawaii.edu/wp-content/uploads/2025/03/EconomicAnalysisOfProposalToPhaseOutTVRsMaui.pdf
[10] https://mauinow.com/2025/04/14/decline-in-west-maui-water-supply-means-new-housing-projects-will-have-to-wait/
[11] https://reposit.sun.ac.jp/dspace/bitstream/10561/1255/1/v9p77_ishihara.pdf
[12] https://uhero.hawaii.edu/wp-content/uploads/2025/03/EconomicAnalysisOfProposalToPhaseOutTVRsMaui.pdf
[13] Ibed.

to rise at the same rate as before. The phase out may also carry risks associated with losses in visitor spending, employment, income and tax revenue.[14]

Although the phase-out of non-conforming TVRs may affect visitor-related revenue, it is reasonable to assume that a portion of the visitor demand displaced by the residential conversion of Minatoya List condominium units could be absorbed by existing hotel capacity. In 2023, Maui hotels operated at an average occupancy rate of 66.1% across a total supply of 13,730 rooms, leaving approximately 4,660 hotel rooms vacant each night. While hotel accommodations may not meet the needs of all visitors previously served by vacation rentals, and hotel inventory may not fully offset the volume of STR units, a substantial share of visitors could still be accommodated. As a result, visitor spending and some local employment would likely shift rather than disappear entirely, helping to mitigate the broader economic impact on the visitor industry.

Additionally, housing can function as critical economic infrastructure. When housing is scarce or unaffordable, businesses across all sectors - not just tourism - face challenges in hiring and retaining employees. Hawaii has experienced consistent net out-migration of working-age adults, with housing unaffordability cited as the primary reason.[15] This exodus has created severe workforce shortages across critical sectors. Hawaii faces one of the worst physician shortages in the U.S., across all specialties;[16] The Department of Education reports significant teacher vacancies;[17] and DBEDT continues to report slow labor growth.[18] Continued out-migration of families and workers such as teachers, healthcare professionals, first responders, and cultural practitioners could pose a far greater long-term threat to Maui's economy than a calibrated reduction in the number of tourist accommodations.

While Bill 9 will not resolve Maui's housing crisis alone, this does not justify continued permitting of non-conforming TVRs - especially when additional policy tools are available to address these concerns without compromising zoning integrity. The TVR ban creates a critical window of opportunity by temporarily reducing housing prices, allowing time to implement complementary measures - such as those recommended by UHERO - that can work in tandem with the phase-out. These policies can help maximize the conversion of units into long-term housing and maintain or even exceed current levels of tax revenue, serving as a supplement to the TVR phase-out rather than a replacement for it.

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[14] ibed
[15] https://uhero.hawaii.edu/wp-content/uploads/2024/05/HawaiiHousingFactbook2024.pdf
[16] https://pmc.ncbi.nlm.nih.gov/articles/PMC9036453
[17] https://www.hsta.org/news/recent-stories/teacher-shortage-differentials-will-continue-for-sy-2024-25
[18] https://dbedt.hawaii.gov/blog/23-67/

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Maui County's effort to phase out non-conforming STRs also rests on a solid legal foundation. State law explicitly grants this power and encourages its use to address housing shortages.[19] Courts have also consistently upheld the authority of local governments to regulate land use through zoning, including the right to prohibit certain uses such as TVRs. Evidenced in rulings such as *Short Term Rental Alliance of San Diego vs City of San Diego (2021)*[20] and *Hignell-Stark v. City of New Orleans* (2022)[21] federal courts ruled in favor of the cities and found no constitutional takings as long as owners retained core property rights (such as living in it, selling it, or renting it long-term) and that property owners do not have a vested right to operate transient vacation rentals. Additionally, a federal judge also ruled that San Diego's amortization period of 2 years was sufficient in providing fair notice and transition time to property owners.

However, the proposed exemption of timeshares from the TVR ban may weaken the county's legal position. Although timeshares differ structurally from other short-term rentals, their continued allowance could invite equal protection claims from STR owners who argue they are being treated unfairly compared to similarly situated properties. In the previously mentioned New Orleans case, the city's initial TVR regulations requiring owner occupancy were struck down by the courts due to violations of the Dormant Commerce Clause - discriminating against non local property owners when nondiscriminatory alternatives existed. Because the STR regulation was not uniformly applied, the cities' TVR provisions were deemed favoring certain classes of transient accommodations. The ruling found that the provisions also undermined the jurisdiction's legal rationale to protect housing affordability which increased their vulnerability to other constitutional challenges. An unexplained exemption for timeshares could be construed as undermining the county's stated purpose of preserving residential housing and preventing the overconsumption of limited resources like water and infrastructure capacity. To maintain the legal integrity of Bill 9, Maui County should reconsider the exemption entirely.

Bill 9 represents a step to reclaim housing for Maui residents and realign our land use policies with community needs. While no single policy can solve the housing crisis, phasing out non-conforming TVRs in apartment-zoned areas addresses a major structural barrier to affordability and opens the door to additional solutions. By advancing this measure, Maui County has the opportunity to protect its residents and preserve its housing. **Hawaii Appleseed respectfully urges the Council to pass Bill 9 without exemptions** and promote a more equitable housing landscape.

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[19] https://governor.hawaii.gov/newsroom/office-of-the-governor-news-release-gov-green-signs-sb-2919-into-law-to-empower-county-regulation-of-short-term-rentals-provides-affordable-housing-progress-update/
[20] https://law.justia.com/cases/federal/district-courts/california/casdce/3:2022cv01831/747216/11/
[21] https://www.ca5.uscourts.gov/opinions/pub/21/21-30643-CV0.pdf