

TESTIMONY IN OPPOSITION TO BILL 88 (2026)
ESTABLISHING THE H-3 AND H-4 HOTEL DISTRICTS

Chair and Members of the Housing and Land Use Committee,

My name is Edward Codelia, a long-time Maui REALTOR® and resident of Maui County, and I am in opposition to Bill 88 (2026), which proposes establishing the H-3 and H-4 Hotel Districts.

This proposal is no longer simply about transient vacation rentals. It is now about the long-term stability of Maui County's land-use laws, the integrity of the County planning process, the implementation of legislation already adopted by the County, and whether Maui County intends to stand behind the housing policy direction it already established through Bill 9.

Bill 9 was debated publicly for years. The County held hearings, received extensive testimony, conducted Planning Commission review, debated the issue through multiple Council terms, and ultimately adopted Ordinance 5909 with phased implementation timelines extending years into the future.

Whether people agreed or disagreed with Bill 9, the County already completed a lengthy legislative and public process before making a final policy decision regarding transient vacation rentals in apartment districts.

Now, before implementation has even fully occurred, Bill 88 proposes creating entirely new hotel zoning districts specifically intended to preserve transient vacation rental use in apartment-zoned properties affected by Bill 9.

The County's own Planning Department memoranda openly state that the purpose of the H-3 and H-4 districts is to allow certain apartment-zoned properties affected by Bill 9 to continue transient vacation rental use through future rezonings and community plan amendments.

At the same time, all three Planning Commissions recommended denial of this proposal.

That should matter.

The Planning Commissions exist for a reason. They are part of Maui County's land-use framework and are tasked with evaluating long-term planning consistency, zoning policy, infrastructure concerns, and community impacts. When all three commissions recommend denial, yet the Council proceeds anyway, the public naturally begins questioning whether the planning process itself still carries meaningful weight.

This issue is becoming larger than short-term rentals alone.

It is becoming a question of whether Maui County's zoning laws, planning processes, community plans, and legislative decisions remain stable once political pressure intensifies.

Bill 88 does not create certainty.
It creates years of future instability.

If Bill 88 passes, the County will create a second parallel process involving:

- future rezonings,
- community plan amendments,
- hearings,
- consultant studies,
- staff reports,
- legal analysis,
- lobbying campaigns,
- selective approvals,
- litigation threats,
- and continued political conflict between residents, owners, investors, and communities.

This process will consume enormous amounts of County staff time, taxpayer money, planning resources, legal resources, and political energy for years.

And for what?

To potentially recreate portions of the same transient vacation rental structure the County already voted to phase out under Bill 9.

At some point government must stop relitigating its own decisions and begin implementing them responsibly.

The County already passed Bill 9.
The Mayor already signed Bill 9.
The legal challenges already exist.

The proper course now is to allow the court process to move forward instead of undermining the ordinance before the courts even complete their review.

If portions of Bill 9 are ultimately found unlawful, the courts will address those issues. That is how legal disputes are resolved in this country.

But what the County should not do is reopen and weaken its own adopted housing policy before implementation has even fully begun.

That only prolongs instability and uncertainty.

The phased implementation timelines built directly into Bill 9 were already intended to serve as the transition and compromise mechanism. Reopening the process before implementation has even occurred undermines the purpose of the phased approach itself.

The market has already responded to the direction of Bill 9.

Realtors are already describing some affected properties as distressed due to anticipated changes in transient rental income potential, and some units are reportedly entering the market as short sales. Whether people agree with that market response or not, it demonstrates that investor expectations and pricing behavior have already begun changing before full implementation has even occurred.

One important point that should also be recognized honestly in this discussion is that REALTORS® will continue selling property regardless of whether a unit is valued at \$1 or \$20 million. That is the nature of the profession and the functioning of the real estate market. The issue before the County is not whether real estate transactions will continue to occur. They will. The issue is what type of housing market Maui County intends to create for the future.

If apartment-zoned properties continue functioning primarily as transient tourism investments, the market will continue pricing many of those units based on visitor income potential rather than residential affordability. If Bill 9 remains in place and is implemented consistently, the market will gradually adjust toward a different ownership and pricing structure over time. That transition may create opportunities for more resident ownership, long-term occupancy, and local investment participation.

Markets adapt to direction.

But markets cannot stabilize if government itself continuously changes direction.

A market can adapt to strict policy.

A market can adapt to permissive policy.

A market struggles when government repeatedly signals that every major policy decision remains negotiable after organized political pressure is applied.

The County should now focus on managing the transition responsibly instead of creating new loopholes and exemption pathways.

That begins with acknowledging a basic reality:

Maui's housing crisis developed over decades because existing housing stock increasingly functioned as tourism infrastructure instead of residential housing.

Maui faces:

- limited land,
- high construction costs,
- infrastructure constraints,
- water limitations,
- sewer limitations,
- long entitlement timelines,
- and a limited housing inventory relative to demand.

Under those conditions, housing naturally shifted toward its highest revenue-producing use, which became transient tourism use.

Bill 9 was one of the few policy tools available that attempted to redirect existing housing stock back toward residential use without waiting decades for major new housing construction.

The County should now focus on how to responsibly manage that transition rather than undermine it through H-3 and H-4 carve-outs.

If the County is concerned about potential revenue loss, then the County should address the revenue issue directly through financial planning and responsible governance instead of recreating the same transient rental system under different zoning labels.

That means:

- controlling spending growth,
- reassessing nonessential capital projects,
- improving operational efficiency,
- strengthening tax collection enforcement,
- diversifying revenue sources,
- and reducing long-term dependence on perpetual tourism expansion as the primary budget strategy.

Government budgets are supposed to adjust to changing economic realities.

Maui residents already do this every day in their own households and businesses.

The County should also recognize that property tax revenue does not disappear simply because a unit transitions away from transient use. Units converted to owner occupancy, long-term rental, resident investment, or second-home use remain taxable properties within Maui County's tax base.

The County should further focus on aggressively enforcing illegal transient rentals and tax compliance instead of creating new loophole zoning structures. Significant revenue may already be lost through unpermitted operations, underreported activity, and inconsistent enforcement.

Most importantly, Maui County must begin reducing its long-term overdependence on a revolving-door transient economy.

COVID and the Lahaina fire exposed how vulnerable Maui becomes when tourism disruption impacts nearly every sector of the local economy simultaneously.

Tourism will always remain important to Maui.

But housing policy cannot permanently revolve around maximizing visitor accommodation at the expense of residential stability.

The County should instead focus on:

- workforce retention,
- local ownership opportunities,
- long-term rental stability,
- healthcare,
- agriculture,
- skilled trades,
- renewable energy,
- education,
- local business development,
- and infrastructure designed around residents rather than constant visitor turnover.

The long-term impacts of an economy heavily dependent on transient tourism are already visible:

- housing inflation,
- rising cost of living,
- infrastructure strain,
- community disruption,
- environmental pressure,
- traffic congestion,
- and increasing displacement of local residents from ownership opportunities.

This does not mean tourism is bad.

Tourism will always remain part of Maui.

But there must be balance.

One of the most important questions still not clearly answered in this discussion is this:

What exactly does success look like for Maui County moving forward?

If Bill 9 remains in place but Bill 88 creates new H-3 and H-4 hotel districts, the public deserves clear answers regarding what the County is actually trying to accomplish.

How many units does the County realistically expect to transition toward residential use?

How many units are expected to remain transient vacation rentals through future rezonings?

What measurable housing outcome justifies reopening the zoning process before Bill 9 is even fully implemented?

What percentage of the affected inventory is the County ultimately attempting to preserve as tourism accommodations?

These are not minor questions.

They are the central policy questions.

Right now, the County appears to be operating inside an undefined middle ground where one side argues that failure to preserve transient vacation rentals will devastate jobs, tourism, and

County revenue, while the other side argues that Bill 9 was necessary to begin restoring housing opportunities and residential stability.

But nowhere in this process has the County clearly defined what long-term balance it is actually pursuing.

After reviewing the submitted testimony for Bill 88, a significant portion of the support testimony appears to come from anonymous “Guest User” submissions, unnamed statements, generalized ownership claims, or testimony that does not clearly establish permanent Maui residency, voter status, or full-time occupancy within the affected apartment-zoned properties.

While some support testimony identifies specific owners or complexes, much of the testimony centers around investment expectations, tourism operations, property values, and transient rental income rather than permanent residential occupancy within the affected communities.

By contrast, one of the most important questions still missing from this discussion is how many actual full-time resident occupants living within these A-1 and A-2 apartment-zoned properties are requesting permanent continuation of transient vacation rental use within their own communities.

Based on the testimony submitted thus far, only a relatively small percentage of support testimony appears to clearly identify full-time resident occupancy within the affected zones, while a substantial amount appears connected to investment ownership interests, second-home ownership, tourism operations, or off-island ownership concerns.

That distinction matters because the central issue before the County is whether apartment zoning in Maui County should primarily function as residential housing infrastructure or remain permanently tied to transient tourism investment use.

That lack of clarity matters because Bill 88 does not end this issue. It institutionalizes future conflict.

Once H-3 and H-4 zoning districts are established, every affected property owner, HOA, investor group, and attorney will begin evaluating whether their complex should qualify for future rezoning into those districts.

That means:

- additional hearings,
- community plan amendments,
- legal review,
- lobbying pressure,
- selective approvals,
- appeals,
- and accusations of unequal treatment or political favoritism.

The County is not solving instability through Bill 88.
The County is creating a long-term framework for continued instability.

The public should also ask whether Maui County even has the administrative capacity to manage this process responsibly.

The Planning Department already faces:

- permit backlogs,
- staffing shortages,
- infrastructure review demands,
- long-range planning obligations,
- enforcement challenges,
- and major development applications competing for limited resources.

How many additional years of rezonings, hearings, reports, legal disputes, and administrative review is the County now voluntarily creating for itself?

And for what outcome?

At the same time, the County is now advancing two fundamentally conflicting narratives.

On one hand, supporters of Bill 88 argue that many of these properties were never realistic housing opportunities for local residents because they are:

- too expensive,
- too tourism-oriented,
- too heavily amenitized,
- too operationally complex,
- or too financially burdensome.

On the other hand, the County and supporters of Bill 88 also argue that the County cannot afford to lose the tax revenue generated from these same properties.

That contradiction deserves serious discussion.

Because if apartment-zoned tourism properties became so financially important to County operations that government now feels compelled to preserve them indefinitely, then Maui County has effectively built structural budget dependence around transient tourism activity occurring inside apartment zoning.

That is not a long-term housing strategy.
That is evidence of long-term economic overdependence.

The answer to that problem cannot simply be preserving every transient revenue stream forever.

At some point the County must confront larger questions involving:

- budget priorities,

- fiscal discipline,
- economic diversification,
- infrastructure limitations,
- housing stability,
- and long-term sustainability.

Even if Bill 88 passes, Maui County will still face:

- a housing crisis,
- infrastructure constraints,
- water limitations,
- sewer limitations,
- workforce shortages,
- rising living costs,
- and dangerous economic overdependence on tourism.

Bill 88 does not solve those underlying structural problems.

It simply postpones the moment when the County must fully confront them.

At its most basic level, this issue also involves a fundamental zoning and land-use question that should not be ignored: whether apartment-zoned residential properties should continue functioning primarily as commercial visitor accommodation operations indefinitely.

Transient vacation rentals are not simply residential occupancy by another name. They involve recurring commercial lodging enterprise activity occurring inside apartment-zoned residential property, including transient guest turnover, booking operations, commercial management, cleaning services, hospitality activity, tax collection, advertising, and ongoing visitor accommodation use.

That is materially different from long-term residential occupancy and neighborhood stability.

Apartment-zoned infrastructure was not originally designed to permanently function as unlimited commercial visitor accommodation infrastructure. Commercial visitor activity places different demands on roads, parking, utilities, wastewater systems, public safety resources, beaches, parks, and surrounding communities than long-term residential occupancy.

That distinction is one of the primary reasons zoning classifications historically separated residential and commercial lodging uses in the first place.

Hotels, resorts, and other visitor accommodations are treated as commercial uses for a reason. They are regulated differently because they operate differently and impact surrounding communities differently.

The larger policy issue is whether apartment-zoned housing in Maui County should continue operating primarily as visitor accommodation infrastructure indefinitely, even after the County

already adopted legislation intended to move those properties back toward residential purpose and residential stability over time.

If the County believes transient vacation rentals are fundamentally commercial visitor accommodation operations, then they should be planned, regulated, zoned, and evaluated honestly as commercial activity rather than continuously blurring the distinction between residential housing and tourism business operations.

The County should also avoid attempting to justify weakening or rolling back Bill 9 based on speculative future housing projections tied to recently accelerated large-scale development proposals in Central Maui, Pa‘ia, or other areas of the island.

Many of those projects remain years away from actual occupancy, still require substantial infrastructure coordination, and continue generating significant public concern regarding planning consistency, infrastructure capacity, community plan alignment, and the manner in which certain council-initiated land-use actions have been advanced despite Planning Department concerns.

Those separate development proposals do not eliminate the underlying issues surrounding housing availability, tourism dependency, infrastructure strain, or long-term residential stability that Bill 9 was intended to address.

Future housing projections cannot become the justification for reopening and weakening a law that was already debated publicly for years, adopted by the County, signed by the Mayor, and phased specifically to allow transition and adjustment over time.

At its core, this issue is also about public trust.

Maui County spent years debating Bill 9, adopted the ordinance, established phased implementation timelines, and represented to the public that the County was serious about restoring apartment-zoned housing toward residential purpose over time.

Reopening and weakening that policy direction before implementation has even fully occurred risks sending the message that major land-use laws in Maui County remain negotiable after sufficient political pressure is applied.

That perception alone further weakens public confidence in long-term planning stability, zoning consistency, and the integrity of the County decision-making process.

The County now faces a choice.

Either:

implement the law it already adopted, allow the courts to address the legal questions, responsibly manage the transition over time, and begin planning for a more stable long-term housing and economic structure;

Or:

create years of exemptions, rezonings, political carve-outs, legal battles, and continued instability that further divide an already divided community.

Bill 88 moves Maui County further into the second path.

For these reasons, I respectfully urge the Committee to reject Bill 88 and instead focus County resources on implementation, enforcement, budget planning, transition planning, economic diversification, and long-term housing stability.

Mahalo for the opportunity to testify.

Edward Codelia, Maui Resident