HAWAII NEWS

Report: Maui short-term rental ban would bring big economic shocks

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ANDREW VLIET / SPECIAL TO THE STAR-

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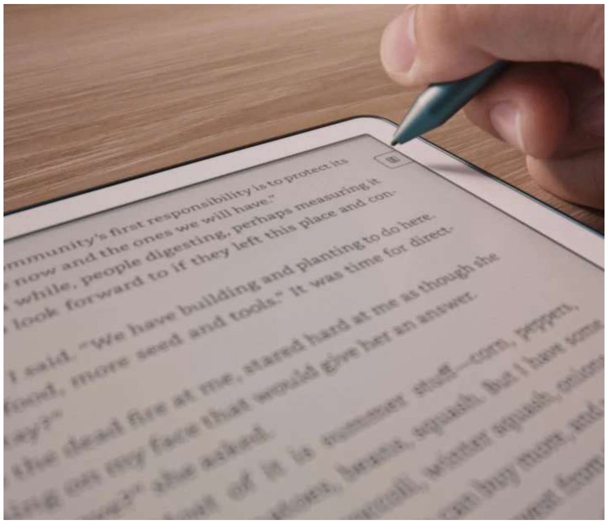
A report from the University of Hawaii Economic Research Organization said the conversion plan to turn Maui vacation rentals into housing, proposed in 2024, could increase the island's long-term homes inventory by about 6,127 units. The Kapalua Golf Villas on Maui are shown.

Maui could pay a hefty price that includes losing close to 2,000 jobs and $1 billion in annual visitor spending for turning a special class of vacation rental units into housing.

A new study on the economic impacts of a proposed ordinance to outlaw short-term rental use of roughly 7,200 units in apartment-zoned districts on Maui estimates that the move could make housing on the island significantly more affordable and available, but at a cost that equates to a 4% contraction for Maui's economy.

The report from the University of Hawaii Economic Research Organization said the conversion plan, proposed in 2024 by Maui Mayor Richard Bissen following the August 2023 Lahaina wildfire, which destroyed around 3,500 homes, could increase Maui's long-term housing stock by up to 6,127 units and reduce condominium values by 20% to 40% by the end of the decade.



Making 6,127 condos available for residential use on Maui would represent a 13% gain equivalent to a decade’s worth of new development that would put downward pressure on rental rates to a lesser degree than anticipated property value decreases, according to the report released Monday.

UHERO’s report also estimates that banning transient short-term rental use of such properties could result in losses on Maui of 1,900 jobs, $900 million in annual visitor expenditures and $60 million in property tax revenue by 2029.

In addition, general excise tax and hotel room tax revenues on Maui are projected to fall by 10% and 8%, respectively, totaling $15 million annually, according to the study.

"These are large effects," Trey Gordner, a UHERO policy researcher who helped produce the study for the Hawaii Community Foundation, said during a virtual media briefing on the report.

A loss of 1,900 jobs would be equivalent to freezing Maui's post-fire job recovery where it's at currently, Gordner said.

The UHERO report gives the Maui County Council more information to consider when it takes up the proposed change, which already has received unanimous approvals by planning commissions on Maui, Molokai and Lanai.

"These trade-offs have to be decided by the policymakers," Carl Bonham, UHERO executive director, said during Monday's briefing. "Obviously, it's a very tough decision."

Bissen, in a written statement, said

UHERO's analysis provides important insight on possible economic effects but does not measure other impacts on Maui residents, including families crowded into multigenerational homes because younger generations can't afford their own, workers commuting long distances, and others leaving Maui in moves that result in the loss of culture, knowledge and the fabric of communities.

"This is not just a matter of land use — it's about restoring housing to residents, honoring the intent of our residential zones, and reducing our overdependence on tourism," he said. "We welcome visitors — but not at the cost of displacing those who call Maui home. The cultural and social costs of inaction are too high. Protecting our people and preserving our quality of life is not just good policy — it's a moral responsibility."

Bissen acknowledged that his proposed change brings challenges, but called it the right decision at the right time for the right reasons.

"This phaseout is not anti-tourism — it is pro-resident," he said. "It aligns with our community plans, our zoning laws, and the clear, consistent message we've heard from the people of Maui: our residents must come first."

Under Bissen's plan now awaiting Council action as Bill 9, legal short-term rental use in apartment districts would be terminated for about 2,200 units in West Maui on July 1, followed by the other roughly 4,800 units across the rest of Maui County, including some units on Molokai, by Jan. 1.

Bissen initially said that most, if not all, of the affected units in West Maui were developed as workforce housing and that his goal was to return them to their "intended purpose."

However, most units were originally condominiums developed for resort use under zoning rules in effect prior to 1989, and later received a county exemption for continued transient vacation rental use after permitted uses on land zoned for apartment use were changed.

Revoking the exemption for 7,167 properties on what became known as the "Minatoya List" is expected to result in litigation if mplemented.

Bissen said Monday that he recognizes some units might function more like hotels than homes, and for these properties he urges owners to seek rezoning or special use permits.

The 6,127 Minatoya List units that UHERO said could be converted to long-term housing represent units on the list that are used for short-term rentals.

UHERO said in its report that 90% of these units have one or two bedrooms and that the median appraised value of units on the list is $971,500, compared with $845,000 for all condos on Maui.

Study authors said 85% of the affected units are owned by out-of-state investors, but also noted that expected property value declines would affect all residential real estate on Maui, including single-family homes.

UHERO did not make recommendations to county officials, but said in its report that policymakers might want to consider alternatives that balance housing affordability objectives with economic stability.

One alternative is to more gradually phase out short-term rental use for Minatoya List properties to reduce anticipated shocks to Maui's economy and housing market.

Two other alternatives mentioned in the report were increasing property taxes for short-term vacation rentals or auctioning licenses for Minatoya List property owners to continue renting their units in the short-term vacation market.

This, UHERO said, would prompt some Minatoya List property owners to convert their units to long-term rentals while also generating tax revenue that the county could use to develop housing.

“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,” the report said.

By the numbers

A University of Hawaii study estimates big impacts from a proposed phase-out of 7,167 legal vacation rental units on Maui:

6,127

Maximum number of units added to housing stock

20% to 40%

Condo price decline

4%

Economic contraction

$900 million

Annual visitor spending loss

1,900

Fewer jobs

Source: The report can be found at uhero.hawaii.edu.

42 COMMENTS

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