

# Planning for Sustainable Tourism



## Part IV: Socio-Cultural & Public Input Study

### Volume II: Socio-Cultural Impact, General Population

Prepared for



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**Socio-Cultural and Public Input  
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Tourism in Hawai`i –**

**Impacts on the General Population**

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## **INTRODUCTORY COMMENT**

This is the second of a two-part report on “Socio-Cultural Impacts of Tourism in Hawai'i.” The first part examined impacts on Native Hawaiians in particular, and was prepared by a Native Hawaiian Advisory Group facilitated by John M. Knox and Associates, Inc. (JMK Associates).

The present report was authored by JMK Associates alone and considers socio-cultural impact issues and impacts for the General Population of Hawai'i. The Hawai'i State Department of Business, Economic Development, and Tourism (DBEDT) requested that this effort consist of chapters addressing the following four questions:

- I. What are the socio-cultural issues associated with tourism in Hawai'i?
- II. What tourism activities “spill over” from resort areas, and how do they affect residents' everyday lives?
- III. How does tourism affect housing costs for residents, and why?
- IV. What statistical evidence either confirms or disproves a prevalent resident conception that “Tourism makes crime worse” in Hawai'i?

As explained at somewhat more length at the end of Chapter I, the focus of Chapters II through IV was determined by a series of opinion surveys indicating that these were among Hawai'i residents' top concerns about tourism.

Also as discussed more in Chapter I – but worth emphasizing in this introductory note – tourism is a constantly changing market activity. Issues and impacts tied to the sort of traditional tourism most familiar to Hawai'i residents (i.e., short-term visitors staying in hotels concentrated in resort “nodes”) may be less relevant for the sort of growth and change occurring now and in the foreseeable near future:

- Because room rates are generally not high enough to provide an adequate return on investment (and risk) in an acceptable period of time, few new hotels are currently being proposed. Rather, new resort-area developments tend to be timeshare projects.
- Outside of resort areas, the Web is fueling a proliferation of B&Bs and vacation rentals; cruise ships may again play a major role, as they did prior to World War Two; and a boom in second home construction is blurring the line between “tourist” and “resident.”

This report attempts to cover a wide variety of topics related to a wide variety of “tourism” manifestations. It must inevitably touch on some things far more lightly than they could be covered. We would hope that this report serves as a baseline analysis, and that some topics can be further researched in the future.

## **SUMMARY AND DISCUSSION POINTS**

**Chapter I: Overview of Tourism Socio-Cultural Issues in Hawai'i** – DBEDT requested this chapter as an introduction and overview of what the issues are. The chapter points out that social and cultural issues have been constantly evolving as the visitor industry has evolved, and that some socio-cultural issues may be more about the past than about the future of the visitor industry. Tourism in Hawai'i has had several distinct faces in the past 50 years. The development of Waikīkī (and to some extent other visitor-oriented towns such as Lahaina or Kailua-Kona) has generally raised issues having to do with dispossession of previous residents or entrepreneurs, as well as questions about the quality of tourism employment and the wisdom of heavy dependence on a single industry. By contrast, master-planned resorts in rural parts of the state grew so rapidly in the 1970s through the very early 1990s that it is difficult to disentangle “tourism issues” from “rapid growth issues” – e.g., family stresses associated perhaps as much with housing shortages as with hotel shift work.

However, in the current visitor industry economy, few new hotel developments are expected. Growth or change in tourism accommodations will more likely take the form of timeshare, cruise ships, bed-and-breakfasts (B&Bs) and vacation rentals, as well as the continued development of recreational real estate (vacation and retirement homes). These are raising different and discrete social, political, and cultural concerns. For example, B&Bs tend to be concentrated in a several popular coastal neighborhoods. Associated “social” issues include things like residential identity, peace and quiet, and economic concerns such as loss of revenue from “underground” operations. By contrast, timeshare projects will probably continue to be concentrated in traditional resort locations. Some key issues on Kaua'i (where timeshare has expanded most rapidly) include questions as to whether the sort of historic trade-offs and accommodations made with the hotel industry – shoreline access, use of facilities for local events, and of course substantial on-site employment – are being lost with timeshare, or if the greater levels of community interest and patronage of off-site stores and restaurants by repeat timeshare visitors will make up for what may have been lost.

**Chapter II: Tourism “Spill-Over” Effects Outside of Resort Areas** – This chapter is in some ways a continuation of the previous chapter. It is an inventory of evidence (resident surveys as well as interviews with planning officials) about the nature and level of issues stemming from visitor day trips and/or secondary tourism businesses “spilling over” from resort nodes. In the 1980s, Hawai'i planners still talked about “self-contained” resort areas. Today, it is apparent that tourism has become a pervasive presence throughout most of the islands, not just selected resort areas.

To some extent, this was actually always the case – visitors wanted to experience more than their hotels and the immediately surrounding recreational amenities. (“Traffic” has long been the most frequent resident grumble about tourism presence outside resorts.) But two factors have recently generated a noticeable increase in tourist presence outside traditional resort destination boundaries.

The first of these is the increase in a variety of types of tourists all motivated to experience more of the “real Hawai'i” – eco-tourists, cultural tourists, educational tourists, etc. (The increase may be as much due to Hawai'i's attraction of repeat visitors seeking variety as to the appearance of new types of visitors.) Visitor publications, with a major boost from the Web, are providing more and more information about where to go to enjoy what were once less-publicized recreational or community-based experiences. Impacts have been particularly felt in coastal recreational areas (beach parks, surfing and kayaking spots, etc.) and in “wilderness” areas where the increased volume of hikers or motorized visitors is changing the nature of the experience for long-time resident users and may be overtaxing the physical resources as well.

The second – more apparent on the Neighbor Islands than O`ahu – is the boom in recreational real estate developments: i.e, build-out of on-resort vacation and retirement homes, as well as growing numbers of off-resort upscale “gentleman farmer” agricultural subdivisions (although questions remain as to the extent off-resort projects are initially purchased or ultimately settled by longtime residents vs. out-of-state buyers). The business model for master-planned Neighbor Island resorts has long been based more on the sale of recreational real estate to repeat visitors than on the short-term profitability of hotels, and the U.S. Census shows the number of Hawai'i housing units held for “seasonal, recreational or other use” doubled from 1990 to 2001 (compared to just an 18% increase in total housing units). These upscale homes are generating obvious concerns about social and political consequences, while also fueling rural economies and contributing enormously to county property tax bases. In effect, they have become a new industry for Hawai'i, one which has been very little studied. There is a clear need to get better numbers about these “extended-stay tourists,” their expenditures, their actual prevalence outside resorts, and their potential for further contributions to local communities vs. actual problems generated.

**Chapter III: Tourism and Housing Costs in Hawai'i** – This chapter involves some very limited research into a very large question: To what extent does tourism affect housing costs/values for ordinary residents? Given available time and resources, our study was confined to a survey of about 40 very experienced Realtors who had been identified by the various county real estate associations as being “particularly knowledgeable” about this topic. This approach is hardly a definitive analysis. It is really intended to help better specify the questions and policy options for future applied research or conferences of policy makers interested in tackling the subject further.

Tourism has a number of “faces” that can theoretically have separate effects on housing values for ordinary Hawai`i residents:

- *Traditional resort hotel development* – Nearly half of our particular sample of “knowledgeable Realtors” thought this had a “large effect” on prices for ordinary residents ... though much more so on Maui and the Big Island than on Kaua`i or O`ahu (where hotels tended to be developed nearer to existing communities), and much more so for communities located very close to resort areas. The key reasons were seen as exposure of the islands to repeat visitors who want to buy property here, plus constraints on building affordable housing supply close to hotels. The few Realtors who saw “no real effect” argued that more systematic analysis than we were able to do would show little correlation between bursts of new hotel openings and variations in inflation-adjusted average housing costs.
- *Recreational real estate* – Almost as many of our Realtor respondents felt this tourism component has significant effects on ordinary housing prices as hotel development ... though, again, this reaction was strongest on Maui and the Big Island, and most Realtors saw effects as being greater in the immediate vicinity of such developments. Key reasons included “spill-over” effects of resort buyers into surrounding areas, as well as diversion of contractors into more profitable upscale housing projects. Dissenting voices stressed their belief that recreational real estate appeals to a separate market segment, that there is really little “spill-over” effect.
- *B&Bs and vacation rentals* – This was considered to have much less overall effect and to be confined to a limited number of (primarily oceanside) neighborhoods. To the extent that such development does have price implications for surrounding residents, Realtors thought the key reason was the increase in prospective buyers willing to pay more for income/business properties.

Realtors also provided a number of suggested policy responses that government might take, although there were marked divisions in whether the best approach is to enforce requirements on developers, provide incentives for the market to create more affordable housing supply, or plan proactively. One common theme was dissatisfaction with past government efforts but also a tendency to see county rather than State government as the appropriate level to respond.

**Chapter IV: Tourism and Crime in Hawai`i** – This chapter represented our greatest investment of original research time and analysis ... partly because it represented a more distinctly “socio-cultural” (as opposed to economic) topic and partly because considerable data and background literature seemed to be available. However, our analysis did not produce any black-and-white clear conclusion, but rather shades of gray.



Our study involved both a review of the literature about tourism-crime links (in Hawai'i and elsewhere), as well as original data analysis. Both our own work and most of the literature focuses on "serious" crime (i.e., seven offenses designated by national Uniform Crime Reporting procedures – larceny-theft, burglary, auto theft, robbery, aggravated assault, rape, and murder), for which more reliable data are kept by law enforcement agencies. While tourism may well be linked with problems like drugs and prostitution, solid data are just not available for these types of crimes.

We found that past statistics-based studies almost always turned up *some* relationship between crime and tourism, but that the exact nature of the relationship varied from time to time or place to place. For example, one study would find a link between tourism and, say, robbery, but no link with larceny. Another study – in a different time or place – would find a link between tourism and larceny, but no link with robbery. This was also generally true for the limited number of past Hawai'i studies, though there was some tendency in previous Hawai'i research to find links with burglary and (to a lesser extent) rape.

There are many ways to research possible relationships between crime and tourism. One way is to see if visitors are more likely to be victimized than are residents. Some past studies and one effort of our own suggested this is probably the case in Hawai'i, though more for larceny-theft ("rip-offs" at the beach or from cars) than any other crime. However, these studies do not indicate whether such a difference is large enough to make a real dent in crime statistics.

Our major analysis involved looking at 28 crime rate trends (seven "serious" crimes in Hawai'i's four different counties) and comparing these trends to changes in visitors as a percentage of overall population, for the period from 1975 to 2001. We found very little match between the overall long-term crime trends and the overall long-term visitor population trends. In fact, for 14 of the 28 comparisons, the correlation was moderately or strongly *negative* – crime rates tended to be decreasing while visitor rates were increasing. This does not prove that tourism decreases crime, but it is hardly consistent with the idea that tourism is a major contributor to increases in crime.

To the extent that data permitted, we looked at other possible explanations for crime – demographics, unemployment, law enforcement effectiveness – and found these were almost always more powerful predictors than tourism. Thus, while visitors probably get victimized more than residents, over time this effect is "drowned out" by more powerful forces. Tourism's effect on crime appears to be a matter of circumstance, not an inevitable outcome. It makes great sense to continue current efforts to control crimes against tourists – volunteer patrols, witness return programs, actions to reimburse victims – but probably more because crime has a negative effect on tourism than the other way around.

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\* In fact, the only tourism-crime relationships that were consistent over all four counties were *negative* relationships with murder and with the crime that had been the most consistently linked with tourism in earlier Hawai'i studies – burglary.

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# **I. OVERVIEW OF TOURISM SOCIO-CULTURAL ISSUES IN HAWAII**

# **CHAPTER I: OVERVIEW OF TOURISM SOCIO-CULTURAL ISSUES IN HAWAI`I**

## **A. Purpose and Definitional Discussion**

The purpose of this chapter is to provide a general overview of the issues relating to “socio-cultural impacts of tourism in Hawai`i.” This is a somewhat risky undertaking, because it is a subject so extensive and complex that nobody can truly claim to be an “expert” ... and yet it is also a subject about which everybody in Hawai`i has opinions, sometimes very strong opinions.

It would no doubt be possible to write hundreds of pages and cite dozens of academic studies, and still not satisfy most readers that all “socio-cultural” topics have been adequately covered. We will not, however, attempt such a comprehensive approach.

Rather, this chapter is based on the writer’s 25 years of experience researching Hawai`i tourism social and economic impacts (for academia, government policy research, and social portions of Environmental Impact Statements). It is intended as a brief overview, and inevitably somewhat simplifies what is a complex topic.

### **1. *The Meaning of “Socio-Cultural”***

There is no universally accepted definition of this term. In practice, policy makers have tended to use the phrases “social impacts” or “socio-cultural impacts” to refer to qualitative outcomes that cannot be easily measured and that are not clearly economic or environmental in nature – things having to do with values, beliefs, preferences, traditions, psychological or spiritual considerations, family relationships, political outcomes, etc. Sometimes politicians even use “social impact” as a way to refer to the level of controversy linked to some project.

One frequent theme in socio-cultural analysis of tourism has to do with the *distribution of costs vs. benefits* – a mix of economic and political concerns. That will in fact be a prominent focus in this chapter, but not the sole one. Questions of cultural values, social organization, self-esteem, etc. are also part of the mix.



## 2. “Impacts” Vs. “Issues”

While most of this report will involve an attempt to analyze actual Hawai`i tourism socio-cultural impacts, this opening chapter will primarily focus on socio-cultural issues. Nevertheless, it is important also to ask what an “impact” really is.

**“Impacts:”** The conventional understanding of the term “impact” is that it is a synonym (perhaps with a slight negative connotation) for “consequence” or “effect” (as in “cause and effect”).

However, when the term is used for formal socio-economic or socio-cultural impact assessments – generally in the framework of Environmental Impact Statements (EIS’s) for particular projects – there is a more specific definition:

*For EIS purposes, a project’s “impact” is the difference between conditions with the project and conditions without the project.*

For example, let us assume there is a basis for forecasting that, even without some proposed new resort in a particular Hawai`i rural area, that area’s population over the next 10 years would increase by 5,000 people anyway (due to natural increase and limited additional economic activity). Let us further assume there is also a basis for forecasting that the proposed resort project would result in an in-migration of 2,500 workers, dependents, and resort residents over the same time period, above and beyond the 5,000 increase occurring anyway. Thus, with the project, the region’s future population will be 7,500 people more than today’s – but the project “impact” is just the 2,500-person increase. The benchmark frame of reference is not some point of time in the past or present, but rather a future without the project, for purposes of comparing to the future with the project.

However, the present study is not an EIS. We are trying to look at effects of “Hawai`i tourism” in general, not effects of a particular project. And we are looking at past and present consequences, not trying to estimate future ones.

Still, the point remains: *Without specific assumptions about what Hawai`i would have been like without tourism, without that clearly specified benchmark, it is extremely difficult to discuss the socio-cultural “impact” – or any other type of “impact” – of tourism development.*

Without tourism, would Hawai`i’s economy today still be based on plantation agriculture, as it was 40 or 50 years ago? Or would there have been half a century of declining employment and ongoing out-migration? Or would some unknown alternative economic activities have arisen to produce an even more prosperous, even more socially harmonious society than we enjoy today? How can we possibly know what “Hawai`i without tourism” would have been like?

Without such a frame of reference, it is impossible to conduct any sort of rigorous assessment of any sort of “impact” of tourism, if “impact” is defined this way. However, a practical solution seems possible:

*For purposes of this particular report, we can re-define “tourism impact” as the tendency of the visitor industry to cause conditions to move in a certain direction relative to societal preferences – either desired or undesired.*

This definition changes the benchmark frame of reference from “Hawai`i without tourism” to a preferred or ideal state of conditions. One problem with this approach, of course, is we have no official vision of what Hawai`i should be like. Still, we can often assume there would be widespread consensus that, say, “less crime is better,” that a crime-free Hawai`i would be preferred by most residents.

Thus, for purposes of this report, when we inquire about tourism “impact on crime,” we are simply asking whether increases in tourism seem to push us in the direction of more crime or not. We are not asking if tourism generates more crime than some other type of industry or if it generates more crime than would exist in a declining economy.

Those latter questions would be important if we were trying to decide whether to choose between tourism and some other industry for future development, or if we were trying to “judge” the goodness or badness of tourism in some overall sense. So for the reader who wants to know “Has tourism been morally good or bad for Hawai`i?” or “Would some other economic activity be socio-culturally better for Hawai`i?”, this study of socio-cultural impacts – with this definition of “impact” – may be unsatisfying and incomplete.

Rather, since we will be looking at tourism “impacts” that are *apparent tendencies*, the implicit idea is that we would want to reinforce desired tendencies and avoid or minimize undesired ones. Policy implications would have to do with shaping and fine-tuning the nature of the visitor industry (“making tourism better”) – either the existing industry or future increments – and not deciding whether to grow the industry or to divert economic growth into other areas.

**“Issues:”** By “socio-cultural issues,” we mean *questions of a socio-cultural nature that are often asked about tourism* – and/or assertions that are often made about its effects. When we talk about issues in this first chapter:

- We are concerned for the time being just with identifying concerns, not researching accuracy or validity.
- The nature of these issues is often, though not always, *negative* in nature.

Socio-cultural issues are often negative in tone simply because they represent the concerns that people have and voice about ongoing tourism development in the course of public policy debates. People who favor tourism tend to cite the jobs and income provided by the industry as key arguments, and these arguments are powerful enough that tourism proponents tend to focus on them rather than socio-cultural benefits. People who question tourism – including some in the industry who simply want to improve it – may raise some economic issues, but they are more likely to raise environmental and socio-cultural issues as well. Thus, socio-cultural “issues” often involve real or perceived *problems*, or else they would probably not be issues!

Resident surveys conducted by the Hawai`i Tourism Authority and the State Dept. of Business, Economic Development, and Tourism from 1988 to 2002 have found that 70% to 75% of the statewide population agree that “*Overall, tourism has brought more benefits than problems to this island.*” It is important to remember this when reading the following pages – and to remember as well that our implicit purpose in this study is to see if Hawai`i tourism needs improvement in certain ways, not to give it passing or failing marks on some judgmental grade card.

### **3. Differences in “Tourism” That Generate Different “Issues”**

Hawai`i tourism is not some sort of unilateral, monolithic activity. Tourism has different faces in Waikīkī vs. the Neighbor Islands (or rural O`ahu):

- Waikīkī is not only urban in nature, but is also a collection of independently developed hotels and commercial complexes. It depends primarily on direct visitor expenditures for both short- and long-term profitability. (On a smaller scale, Neighbor Island “tourist towns” like Lahaina also fit this description.)
- Most Neighbor Island visitor units are now located in integrated, master-planned resorts including hotels, recreational amenities, commercial centers, and resort residential property. Indeed, because of the expense of infrastructure development in rural areas, it is the sale of resort residential property (e.g., vacation homes) that provides the real profit to resort developers. Some hotels have actually been built as loss leaders.

Tourism is a market activity, and markets change over time. Recent examples of such changes (not intended to be a complete catalogue):

- In Waikīkī, the Japanese market surged and then, to some degree, receded. The Mainland market, meanwhile, became more cost-conscious as luxury travelers shifted to the Neighbor Islands.

- In Neighbor Island resorts, the resort residential market 30 years ago was for middle- to upper-middle-class investors in multi-family condominium apartments that largely functioned as hotels with limited amenities. In the 1980s and 1990s, that market shifted to high-end single-family vacation or retirement homes, and hotels built to lure that market were more likely to be in the luxury class.

Thus, the socio-cultural issues (and, for that matter, the actual “impacts”) of Hawai'i tourism have varied from place to place and time to time.

## **B. Typical Socio-Cultural Issues in Recent Decades**

As previously noted, this inventory is derived from professional experience and is thus somewhat subjective in nature. It is based largely on involvement in EIS's and other permit applications for proposed new resort or recreational activity, as well as policy research for State and local government.

The following summary tables attempt to place issues in the context of:

- (1) Impact “Triggers” – Specific characteristics of tourism development that seem to be associated with tendencies for social effects.
- (2) Levels of Social Functioning – Some issues have to do with consequences for individuals or families, while others are more at the community level. There are also transcendent issues involving systems of social organization, including shifts in power structures.

*Some of the following may well prove to be issues more of the past than of the present or future.* Hawai'i tourism continues to undergo change, and the subsequent Section C will quickly sketch some of these very recent changes and emerging issues associated with them. What follows in the present Section B is a review of issues that frequently cropped up in public hearings and other forums over the past 30+ years and are still likely to be influencing public perceptions.

### **1. Rural-Area Master-Planned Resort Developments**

The following Exhibits I-1 and I-2 look at two “phases” of tourism development on Neighbor Islands (or rural O`ahu) since the late 1960s or early 1970s – (a) initial introduction, generally when local labor was able to fill most if not necessarily all new jobs; and (b) subsequent expansion during the investment “boom” of the 1980s and 1990s, when there was often an accompanying population boom because labor demand exceeded local supply. At this time, tourism for the most part completely supplanted agriculture as the primary local economic base.

**Exhibit I-1: Issues Often Associated with Initial New Rural-Area Hawai'i Resort Projects, Mid/Late 20<sup>th</sup> Century**

Defining Characteristics of Situation: First one, or first several, resort projects in areas where large-scale agriculture still survived or had just died – usually initial phases of self-contained master-planned resorts in rural areas, most often during the mid 1960s through the early or mid 1980s. At this time, tourism employment was a <i>new experience</i> for much of the labor force, and there was still relatively <i>little in-migration</i> of workers.						
Impact “Triggers”	Levels of Social Functioning					Systems of Social Organization
	Individual	Family	Small-Group Networks/ Organizations	(Geographic) Communities	(Ethnic/Cultural Social Class) Communities	
Loss of past access to recreation or food-gathering sites due to development	Individual frustration/alienation, interference with family or group subsistence, recreation, or social/cultural activities				Interference with cultural practices, traditions	<ul style="list-style-type: none"> <li>•Reduced isolation; greater exposure to values of outside (“modern”/ “Western”) world</li> </ul>
Initial congestion of beach parks				Loss of recreational venues; start of theft and fights at parks		
Initial experiences in <u>service</u> employment	Problems with pride/dignity; insecurity about speech, dress	More family income, but problems with overuse of credit			Echoes of ethnic/class distinctions of past years	<ul style="list-style-type: none"> <li>•Trade-off: Fewer rigid social constraints, but also reduced community cohesion</li> </ul>
Increase in female employment	Confidence, empowerment	Male discomfort; divorces increase				
Weekend/evening shift work; part-time and seasonal	Financial and psychological uncertainties	Family time; child supervision; juvenile delinquency	Reduced participation in organizational/community events, due to fewer people always having same time off from work			<ul style="list-style-type: none"> <li>•Labor-management patterns from plantation or ranch carried over, but more formalized – more social distance between unions and managers</li> </ul>
Encounters with Mainland or foreign managers; new work “culture”	Adjusting to new employer expectations; concern that best jobs closed to “locals”				Carry-over of plantation ethnic stereotypes	
Use of cultural elements in tourist entertainment/sales	Pride vs. discomfort (depending on degree of authenticity)				Concerns about “commodifying” living cultures	<ul style="list-style-type: none"> <li>•Pace of life starts to quicken; fewer informal/subsistence practices in daily life</li> </ul>
Resident-visitor personal encounters (on or off resorts)	Pride vs. discomfort (depending on circumstances)		Initial concerns about crime, sexual morality, “demonstration effect” of wealthy travelers’ lifestyles and values			

**Exhibit I-2: Issues Often Associated with Regional Transition from Agriculture to Tourism, Late 20<sup>th</sup> Century**

Defining Characteristics of Situation: Additional resorts and/or continuing build-out of initial resorts completely supplanted ranching or plantation agriculture – as prime regional economic bases. Larger portions of previously open space became *urbanized*, and there was significant population growth as regional labor demand exceeded supply, encouraging *extensive worker in-migration*. Much of this happened very *rapidly* during the “boom” investment period of the mid 1980s through the early 1990s.

Impact “Triggers”	Levels of Social Functioning					Systems of Social Organization
	Individual	Family	Small-Group Networks/ Organizations	(Geographic) Communities	(Ethnic/Cultural Social Class) Communities	
Proposals for major change/controversy			Social disruption as various factions/classes take opposing positions – splits in community associations, churches, etc.			<ul style="list-style-type: none"> <li>• Tourism allows preservation of communities losing traditional economic base, but changes their size and nature</li> <li>• Major land-owners retain political/economic power, but some loss of prestige/power for those who had held next tiers of community leadership</li> <li>• Labor unions somewhat less influential</li> <li>• Pace of life <u>much</u> more rapid</li> </ul>
Development of large parts of previously open land	Intensified impacts on food gathering, etc. ... favorite places/views “lost” to development			<ul style="list-style-type: none"> <li>• Sudden transformation, loss of “sense of place” – social and physical surroundings more like Mainland</li> </ul>		
Disruption from construction & imported construction crews	Annoyance from dust, noise, etc. ... some concern over affairs/divorces			<ul style="list-style-type: none"> <li>• New faces, locked doors at night, reduced social familiarity/security</li> </ul>		
Increase in 2 <sup>nd</sup> home, retiree pop. (on & off resorts)	Resentment of wealth, privilege	Tax pressure to sell family homes near these areas	Increased financial support for community causes	<ul style="list-style-type: none"> <li>• Economic and political leadership roles sought by assertive newcomers; tendency of “locals” to resent quietly, drop out of formal groups</li> </ul>		
Major worker in-migration, resident population boom				<ul style="list-style-type: none"> <li>• More social stratification, value and lifestyle conflicts (e.g., roosters, late-night parties)</li> <li>• Political shift to conservatism</li> </ul>		
Housing shortages, cost increases	More household members working more jobs ... less time for family, relaxation ... physical or mental health stress, including drug/alcohol intake			Crowding, fiscal impacts at all levels of functioning		
Traffic/infrastructure overload						
More males taking resort-related jobs	Lower wages, service work impact on male pride and authority in family					

**Note:** Most issues cited in Exhibit I-1 also remain concerns in this phase – sometimes intensified, sometimes fading relative to growth issues.

These two phases are of course somewhat artificial, as different things happened at different paces in different places. In Lāna`i, for example, the issues of both phases arose together in the early 1990s, when the island's corporate ownership ended pineapple production just as new resorts were opened. However, areas such as South Kohala more clearly experienced different perceived impacts and thus different issues during different "phases" of the late 20<sup>th</sup> century.

**Initial Introduction:** When tourism was first introduced in areas that had ample local labor supply (Exhibit I-1), public concerns tended to focus on *individual and family* adaptation of previously isolated rural populations to the demands of employment in new and relatively "sophisticated" resort work settings. A widely circulated, though anecdotal and unpublished, report by a Honolulu psychiatrist discussed the effects of initial female employment at the Mauna Kea Beach Hotel. Women were seen as gaining confidence and social skills, which in turn threatened their husbands, resulting in more divorces.<sup>1</sup>

This period also saw the beginning of ongoing rural-area debate about the extent to which juvenile delinquency can be attributed to child supervision issues associated with seasonal and shift work, as well as concerns about whether "local people" – accustomed to more relaxed dress and pidgin English – could hope to get advancement to better jobs in positions where they were expected to behave more like Mainland Americans. On O`ahu's North Shore, the initial operator of the Kuilima Resort's first hotel (now the Turtle Bay Hilton) angered the community by rejecting many former Kahuku Sugar Plantation workers for the hotel's initial workforce, ca. 1970, reportedly because of different cultural values regarding self-presentation and interaction with guests and managers. The problem was resolved, in large part through basic skills training, but the seeds of suspicion were planted in many areas undergoing economic transition.

**Expansion and Regional Transition from Agriculture to Tourism:** Such transition became largely complete in the next phase (Exhibit I-2), when resort development outstripped local labor supply and generated rapid in-migration, housing shortages, and infrastructure overload in the mid 1980s through the early 1990s. While there was continuing discussion of the previous issues, as well as concerns about individual/family stress, there was also far more attention to *community-level* effects – both geographical and cultural/class "communities." Both the physical development and the in-migration of many Mainlanders (as well as many people from O`ahu) led to concerns that the previous "sense of place" had been altered almost overnight. People who had once been community leaders no longer enjoyed as much respect or recognition from newcomers.

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<sup>1</sup> Cottington, F. *Socio-Psychiatric Effects of Luxury Hotel Growth and Development on a Rural Population*. Unpublished photocopied manuscript available at University of Hawai'i, Hamilton Library, Hawaiian Collection. 1969. A subsequent report suggested that divorces were relatively few and confined to previously-shaky marriages. See Smith, M. H. "Socioeconomic Transition in North Kohala." In R. W. Armstrong and H. T. Lewis (Eds.), *Preliminary Research in Human Ecology, 1970: North Kohala Studies*. Pp. 103-115. Honolulu: University of Hawai'i, Social Science Research Institute. 1972.

Some of these issues and concerns would no doubt have arisen from any type of economic development that generated rapid growth and in-migration. However, tourism made what were probably several unique contributions:

- With the exception of some limited employee housing projects, the economics of real estate values near resort areas have often produced a lasting need for established residents to find familiar family-oriented housing far from work, so that long-distance commuting is now part of “rural lifestyle” for many Neighbor Islanders.
- Resort development has transformed the landscape in ways that are at once more visually agreeable to most people than, say, light industrial complexes – but also tend to emphasize the wealth required to visit or purchase property in these areas. The “spill-over” of second-home development from resorts to outside subdivisions (see Chapter II) seems to have further reinforced public concern over affordability and consequent sense of loss of local control and identity.

## **2. “Tourist Towns”**

Hawai'i's predominant visitor-oriented community is Waikīkī, but there are also many smaller, different “tourist towns” on the Neighbor Islands. Kailua-Kona, Lahaina, and Kapa`a were already in this mode prior to the development spurt of the 1970s and 1980s, and thereafter tended to service even more visitors – though the subsequent growth was more in commercial activities than in hotels. They also hosted an expanding population of longtime or newcomer residents commuting to resorts or providing off-resort support activities to both residents and visitors.

Exhibit I-3 summarizes some of the issues for these rural “tourist towns,” while Exhibit I-4 discusses Waikīkī socio-cultural issues.

**Smaller “Tourist Towns:”** Concerns over local control and identity have also been voiced in many of these towns, especially if people from outside Hawai'i have succeeded in claiming ownership and/or management of many small businesses. A frequent rural Hawai'i lament is that the plantation system did little to encourage entrepreneurial skills, so that business opportunities have been (according to perception) disproportionately seized by Mainlanders.

Hawai'i's smaller “tourist towns” vary in the extent to which they still possess many traditional local residential neighborhoods (e.g., Lahaina has some; Kailua-Kona has little), but there is a general sense that local residents either have been or are being priced out of the market in these particular areas – and that business interests trump residential interests.



**Exhibit I-3: Issues Associated with Transformation of Small Communities to “Tourist Towns”, Latter 20<sup>th</sup> Century**

Defining Characteristics of Situation: Replicating the earlier experience of Waikīkī on smaller scales, various rural communities have grown and changed – from sleepy little towns with limited amenities for residents, to <i>bustling areas primarily serving visitors and a growing newcomer population</i> . Some, like Kīhei and Kapa`a, have numerous stand-alone hotels and condominiums. Others, like Lahaina and Kailua-Kona, are shaded more toward retail and restaurant activity, though still with some accommodations. Timeframe: various, 1960s through 1990s.						
Impact “Triggers”	Levels of Social Functioning					Systems of Social Organization
	Individual	Family	Small-Group Networks/ Organizations	(Geographic) Communities	(Ethnic/Cultural Social Class) Communities	
Increase in visitors as primary customer base for <u>core town</u> business, with resident business on outskirts	Feeling that favorite places “lost” to tourists; less resident-visitor interaction			<ul style="list-style-type: none"> <li>Loss of “sense of place” – social and physical surroundings more like Mainland, less centered on original unique attributes</li> <li>More large structures, chains; fewer traditional local “Mom ‘n’ Pop” stores</li> <li>More owners, managers from outside Hawai`i</li> </ul>		<ul style="list-style-type: none"> <li>Community planning and improvement associations formed to combat problems, though these tend to optimize <i>business</i> rather than <i>resident</i> welfare</li> <li>In some cases, feeling that <u>local control</u> of towns has been lost to visitors and/or newcomer businesspeople</li> <li>Is there a “there” there? Some have retained centers/identities; others have lost battle to sprawl</li> </ul>
Original historic/ cultural centers may be “swamped” by commercial activity						
Pressure/opportunity to convert old, smaller <u>commercial</u> operations to ones with higher returns	Former local lessees sometimes unable to keep businesses		Leadership roles in business or community groups often assumed more by newcomers			
Economic pressure/ opportunity to convert older <u>residential</u> areas to commercial or accommodations	Many longtime residents unable to continue affording to live in such towns – some consequent resentment			Change in residential population composition		
“Street scene” attracting younger people (both visitor and resident)		Parental concerns about effects on local children		Concerns over crime, drug sales, alcohol, disorderly behavior		

**Exhibit I-4: Issues Associated with Changes in Waikīkī, Latter 20<sup>th</sup> Century**

Defining Characteristics of Situation: By 1960, much of Waikīkī’s local-born population (which had once occupied off-beach residential neighborhoods) was gone, although a substantial in-migrant and part-time residential population remained. Thus, there are still social issues related to people living there, but possibly even greater concerns attach to workforce issues and the extent to which Waikīkī is a place that is “attractive” vs. “alien” to the wider O`ahu resident population.						
Impact “Triggers”	Levels of Social Functioning					Systems of Social Organization
	Individual	Family	Small-Group Networks/ Organizations	(Geographic) Communities	(Ethnic/Cultural Social Class) Communities	
Working conditions, benefits	In addition to impacts of seasonal/ shift work (Ex. I-1), emerging issues of job stability when ownership changes					<ul style="list-style-type: none"> <li>• Extent to which business owners or managers are “part of” Hawai`i (e.g., business community split between Waikīkī and Downtown)</li> <li>• Waikīkī seen as island’s “economic engine,” with consequent questions about whether area residents or unionized workers are assets or are somehow impediments to general public welfare</li> </ul>
Prostitution, other “street scene”		Parental concerns about children		Concerns about crime, morality		
Economic pressure/ opportunity to convert older residential areas to commercial or new accommodations	Some full-time residents need to move away from Waikīkī, replaced by more affluent and/or increasing numbers of part-time residents (in timeshares or vacation homes)		Concerns about maintaining sense of “community,” services for residents	Composition and political influence of Waikīkī residential community vs. business interests	Residential community now primarily consists of people born outside Hawai`i; few “local” ties	
Increase in Japanese visitors, owners	Worker adjustment to Asian corporate culture			Altered “sense of place” for Waikīkī	Effects on demand for traditional Hawaiian entertainment	
Decrease in “local” entertainment venues until recent City-sponsored activities	Pride/discontent issues for both workers and residents			Extent to which outside residents do or do not feel alienated from Waikīkī ... implications for level of “Aloha Spirit” toward visitors and political support for tourism in general	Recognition of selective support for preserving some culture, history – but concerns about cultural authenticity	
Cultural content of entertainment/sales						
Availability of conference and banquet facilities for local events		Social function as frequent venues for large events (e.g. wedding receptions) and local meetings/conferences				

**Waikīkī:** Socio-cultural issues related to Waikīkī are diverse. As a hub of tourism employment, it is the center of ongoing discussion about the quality of tourism employment, including the fate of workers when hotel or other businesses change ownership (as often occurred when new Japanese owners acquired properties during the investment “boom” of the late 1980s and is still occurring today as some of those owners re-sell the properties). Surveys taken by the Hawai'i Tourism Authority and DBEDT since 1988 show residents have very mixed impressions about the economic and social quality of tourism employment, and people in those surveys considering themselves “visitor industry workers” hold similar mixed feelings.

In recent years, there has been particularly lively debate about the extent to which Waikīkī feels attractive vs. alien to residents living in the rest of O`ahu – due to factors such as the sheer size of the visitor plant, reduction in entertainment with “local flavor,” perhaps to some extent the increase in high-end retail outlets oriented to the Japanese market, prostitution and other objectionable “street scene” activities, and the loss of historic/cultural flavor. The City and County of Honolulu has spearheaded a partnership with other government, business, and community groups to make Waikīkī more attractive to local residents, through events such as “Sunset on the Beach” and attempted restoration of historical markers and statues.

The question of residential vs. business interests – as well as loss of “local” identity in the residential population – have also been among the more prominent socio-cultural issues for Waikīkī over time. Some Hawai'i senior citizens recall an earlier Waikīkī including many residential side streets, while the middle-aged generation may remember the “Waikīkī Jungle” of somewhat dilapidated single-family rental homes that housed a mix of young newcomers and some (often lower-income) longtime local residents.

A 1999 survey of Waikīkī residents<sup>2</sup> suggested their principal concerns center on *urban congestion* – the need for more parks/open spaces, pedestrian walkways, and better landscaping – as well as traffic, noise, and Ala Wai canal pollution.

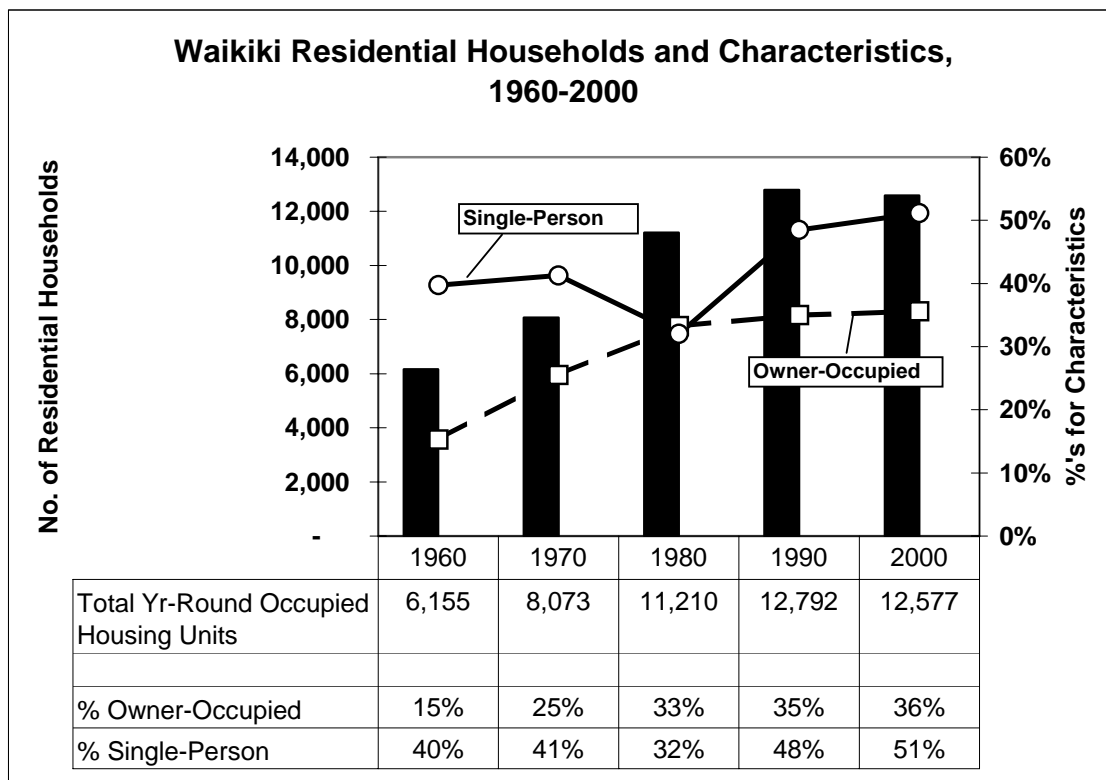
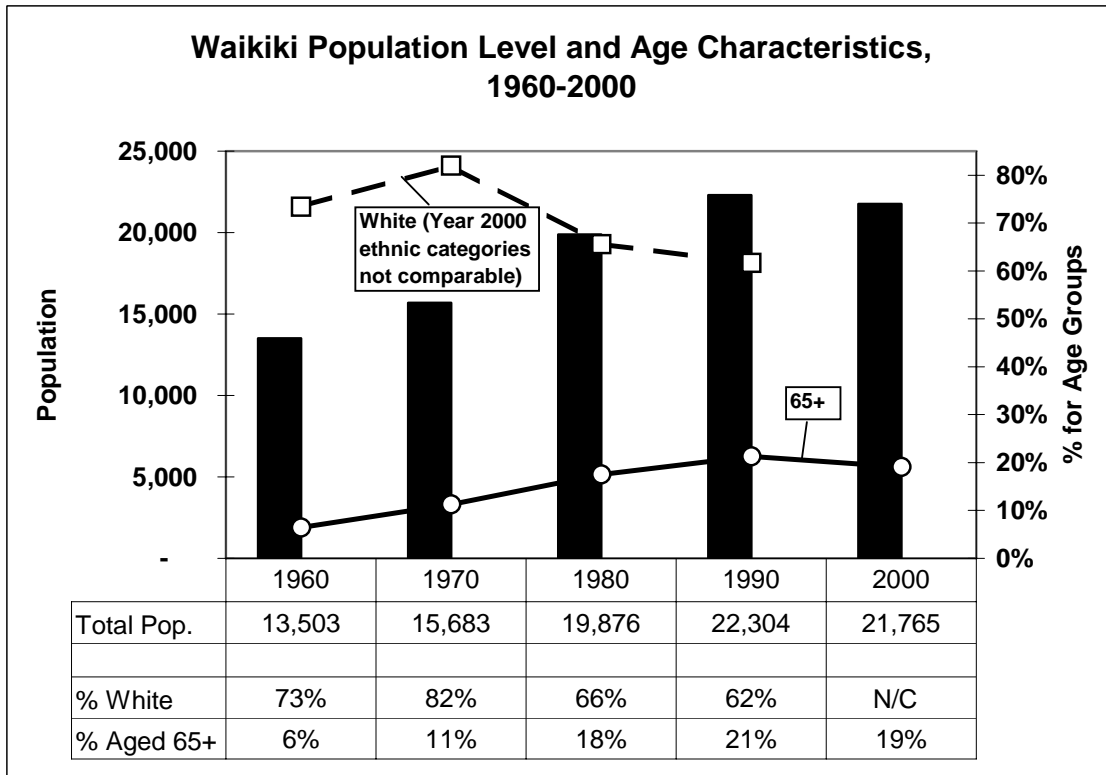
Although this is a departure from “inventorying issues,” it may be instructive to present some factual information about the Waikīkī residential population, since developments in Waikīkī are seen as a bellwether for similar “tourist towns” on other islands. By 1970, there was in fact little ethnic diversity in Waikīkī, where 82% of the resident population characterized themselves as “White” on the U.S. Census.<sup>3</sup> Partly due to changes in Census methodology, this percentage figure dropped to 66% and 62% in 1980 and 1990, respectively. (Year 2000 ethnic figures are totally non-comparable to previous years.)

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<sup>2</sup> Sheldon, P. J. and Abenoja, T. Resident Attitudes in a Mature Destination: The Case of Waikīkī. *Tourism Management*. Volume 22, pp.435-443. 2001

<sup>3</sup> For purposes of this discussion, U.S. Census figures have been summed for Waikīkī Census Tracts 17 through 20.02. (Interestingly, Waikīkī is not one of Hawai'i's “Census Designated Places,” so there are no ready-made profiles for the area as there are for, say, Hāna or Kailua.)

Exhibit I-5: U.S. Census Data on Waikiki Population and Households



Since 1960, as may be seen in Exhibit I-5, Waikīkī's residential population and number of residential households grew rapidly until 1980. The general maturation of the area and the imposition of zoning controls resulted in slower growth from 1980 to 1990, and then some residential units were eliminated or converted to other uses between 1990 and 2000, resulting in actual slight loss of full-time residential population. Waikīkī's increasing tendency for full-time residents to consist both of owner-occupants and of older residents leveled off after 1980. Today, however, residents are still far more likely than those of O`ahu in general to be renters, to be single-person occupants of their housing units, to be slightly older, to lack children, and to have lived elsewhere five years earlier:

<b>YEAR 2000 CENSUS DATA</b>		
	<b><u>Waikīkī</u></b>	<b><u>O`ahu</u></b>
% Renters	64%	45%
% Single-Person Households	51%	22%
% Multi-Person Family HH's	36%	72%
% Aged 65+	19%	13%
% Aged Under 18	9%	24%
% Living Same House 5 Yr. Earlier	41%	56%
% Living Out of State 5 Yr. Earlier	29%	16%

While this picture suggests a fairly transient community in Waikīkī, it may also be noted that the 1990 percentage living in the same housing unit five years earlier had been just 36%, so there has been some increase (i.e., up to 41% in 2000) in the proportion of "long-term, rooted" residents. Thus, Waikīkī residents – while far from typical for the island – appear to be developing a greater measure of stability in their community.

### **3. *Tourism as a Pervasive "Presence" in Hawai'i***

Most O`ahu residents and many Neighbor Islanders neither work in what they consider to be tourism jobs nor live in (or even very close to) large resort areas. However, as will be discussed in Chapter II, many live near smaller-scale tourism activities. Many have held tourism jobs in the past. Most have availed themselves of frequent inter-island flights and the opportunity to visit or relax on other islands. And virtually all are aware that Hawai'i's economy depends heavily on the visitor industry.

Exhibit I-6 attempts to capture some of the issues associated with this ubiquity of the visitor industry. Some – like the sense of growing "Americanization" of Hawai'i, the reduction of both provincialism and unique local character – are shared with more specifically tourism-impacted resort areas, and arguably have as much to do with "globalization" forces that *produce* tourism as with tourism itself.

**Exhibit I-6: Issues Associated with Statewide Tourism Infrastructure and Industry Prevalence**

Defining Characteristics of Situation: The visitor industry is ubiquitous in Hawai'i. State surveys indicate around 40% of residents either now or once held what they consider "tourism jobs;" hotels on all island offer kama`aina discounts; and airlines serving visitors provide more and cheaper flights than would be possible with a resident customer base alone.						
Impact "Triggers"	Levels of Social Functioning					Systems of Social Organization
	Individual	Family	Small-Group Networks/ Organizations	(Geographic) Communities	(Ethnic/Cultural Social Class) Communities	
Large number and diversity of businesses within (or dependent) on the "visitor industry"	Feelings of alienation vs. acceptance of dependence: Are islands "run for tourists" or for residents?		Extent that visitor industry does or does not sufficiently participate in local causes and organizations	Issues about character of communities – appropriate mix of "visitor-oriented" vs. "resident-oriented" business or neighborhood activities		<ul style="list-style-type: none"> <li>• Ongoing struggles – in government and business groups – to reconcile different political and economic interests of various industry segments (e.g., hotel vs. airline, large vs. small business)</li> <li>• Both resident self-image and economic over-dependence on tourism leading to efforts to sell Hawai'i to world as a more "serious" place than just a resort destination</li> </ul>
Many attractions or amenities supported by visitor market	<ul style="list-style-type: none"> <li>• Issues related to greater visitor ability to pay; questions about "kama`aina" discount fairness</li> </ul>					
Availability of inter-island flights and accommodations on all islands	<ul style="list-style-type: none"> <li>• Given Hawai'i's remote location, increased resident ability to experience recreational opportunities, travel to, or visit family on other islands or overseas – and be visited in return</li> </ul>					
Availability of overseas flights					<ul style="list-style-type: none"> <li>• More Mainland-born residents living in Hawai'i, full- or part-time</li> </ul>	
Exposure of Hawai'i as desirable living place to tourists	Pride vs. concern over displacement				<ul style="list-style-type: none"> <li>• Greater influence of mainstream American values and/or sense of conflict with traditional Hawaiian or Asian values</li> </ul>	
Large percentage of residents who have worked in tourism	<ul style="list-style-type: none"> <li>• Increased contact with foreign or American visitors</li> <li>• Sensitivity to Hawai'i's image in marketing</li> </ul>					

Other issues, however, have to do with the way that Hawai'i's dependence on tourism affect self-image and pride in living in Hawai'i. Tourism appears to have had a double-edged effect: It makes many residents realize, to quote a familiar old Hawai'i saying, "Lucky you live Hawai'i!" – but it also strikes many people as a frivolous face to present to the world, one that is somewhat at odds with the work ethic to which many residents subscribe. This feeling (in conjunction with the simple realization of the economic dangers of over-dependence on one industry) has repeatedly and increasingly contributed to public calls for greater diversification of the economy.

## C. Emerging Issues

Hawai'i's visitor industry appears to be undergoing yet another transformation. There have been no applications for new rural-area large resorts in a number of years. Few new traditional hotels are even being discussed for existing resort areas (with the exception of possible renovations or replacements in Waikīkī). Given construction costs and room rates, hotels are not an encouraging prospect for most investors today.

Still, there is both growth and change in the visitor industry – but increasingly this involves relatively new types of visitor accommodations. In fact, some of these are so new that there has been relatively little public discussion, and so the following list of "issues and concerns" is both brief and somewhat speculative. Additional or different concerns may yet emerge.

**Cruise Ships:** Most questions raised about additional cruise ship activity have to do with effects on the physical environment, rather than effects on the social, political, or cultural milieu. However, opposition on Moloka'i in particular has clearly included the familiar themes of *local control/identity* and *distribution of costs and benefits*. Moloka'i residents objecting to cruise ships – who may or may not represent majority views on that island – have voiced concern that economic benefits may be channeled away from local businesses, and that the controlled nature of cruise ship visits may interfere with their ability to portray their island culture as they believe it should be presented.

**Timeshare:** One of the hottest trends in Hawai'i's visitor industry involves construction of new timeshare projects and/or conversion of existing hotels to timeshare use. Timeshare sales provide a far more rapid return on investment for developers than do hotels. Because timeshare projects still usually look like hotels, they have been somewhat invisible to many residents, especially on O'ahu.

However, Neighbor Island residents (particularly on Kaua'i, where timeshare has its largest presence as a percentage of all visitor units, due to the fact that many hotel properties closed by Hurricane Iniki were rebuilt as timeshares) are more

aware of the fact that timeshare projects require a far smaller on-site workforce. While the ensuing questions are primarily economic in nature, questions relating once more to *distribution of costs and benefits* – i.e., are jobs created elsewhere in the community by visitor expenditures? who gets them? what are the implications for the political influence of labor vs. small business – are at least “socio-political” if not “socio-cultural” in nature. Also, those timeshare owners who actually return regularly to Hawai`i (rather than exchange privileges to visit elsewhere) contribute to the base of part-time residents who have a cumulative effect on the unique identity of the Islands. Another issue that has circulated on Kaua`i is the perception that, despite similar beach access requirements, hotels are more welcoming to Kaua`i residents because of resident patronage at restaurants and better-established relationships with hotel management.

The Kaua`i Economic Development Board in 2000 sponsored a telephone survey<sup>4</sup> of 329 residents on that island about timeshare, and found very mixed attitudes. Asked if future growth should be more in timeshare or hotel units, 44% opted for “equal growth,” 32% for hotels, 6% for timeshares, and the remainder were unsure or wanted no growth. Additionally:

- Majorities agreed with positive statements about certain timeshare economic impacts (e.g., preserving jobs and hotels that would otherwise not have re-opened; more local businesses helped than hurt by the shift from hotels to timeshares), and 57% said their overall attitude toward recent timeshare growth was favorable, vs. just 29% unfavorable.
- However, majorities or large pluralities thought hotel visitors rather than timeshare visitors spent more, generated more jobs, and had a better overall economic impact.
- In regard to social issues, pluralities found timeshare *visitors* (vs. hotel visitors) were “more concerned about local issues” and had “better relationships with local residents,” but 77% thought the timeshare *industry* was less “responsive to community concerns than hotel owners.” As to whether “Local residents feel less welcome at timeshare properties than at regular hotels,” half the Kaua`i respondents agreed; half disagreed.

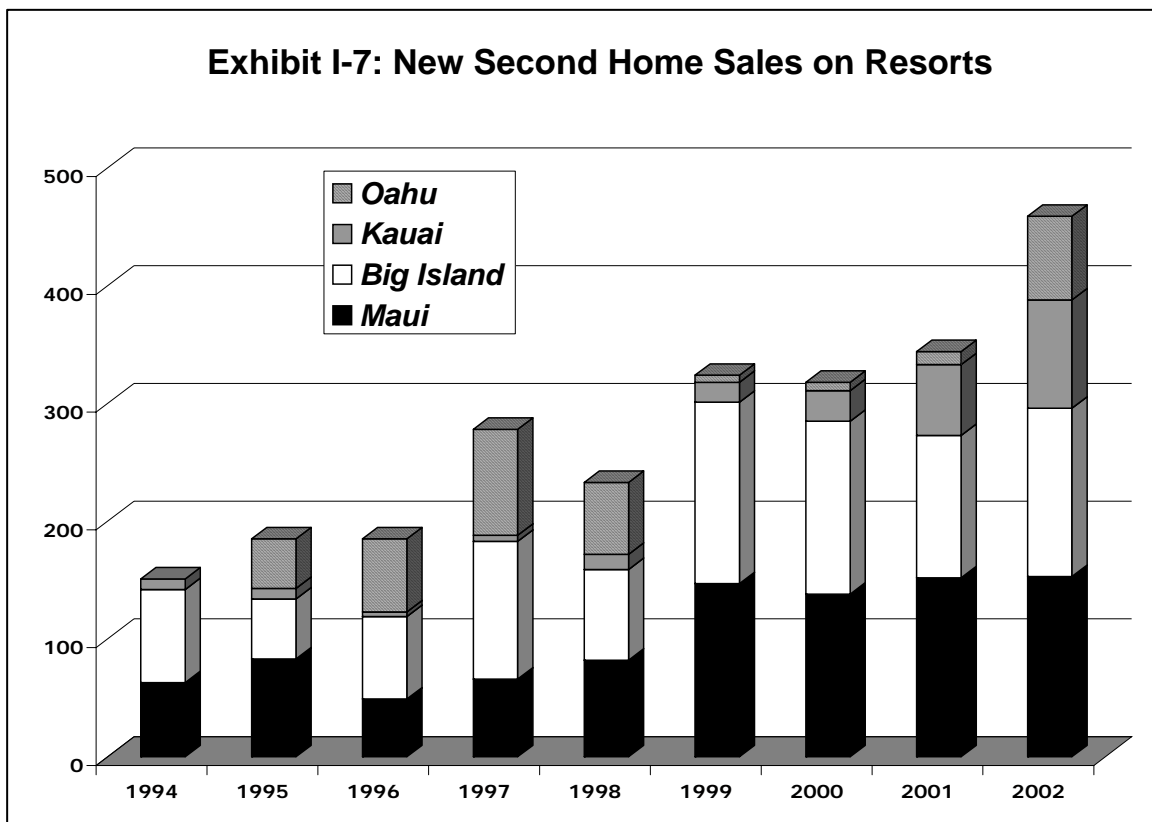
**Build-Out of Resort-Residential Property:** Particularly on the Neighbor Islands, the residential components of master-planned resorts are gradually building out – i.e., homes are being constructed and occupied on a part- or full-time basis – and there may also have been some “spill-over” effect into non-resort areas of high-end housing developments (some in large-lot “agricultural subdivisions”) aimed in part at an out-of-state market. Exhibit I-7 shows the number of initial second-home sales by developers (including both finished homes/condos and also improved home sites) in master-planned resorts or resort communities from 1994

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<sup>4</sup> Market Trends Pacific, Inc., *A Survey of Kaua`i Resident Attitudes Toward the Timeshare Industry*, prepared for the Kaua`i Economic Development Board, October 2000.



through 2002. (Some, of course, may have been retirement or other primary-home sales.) As is apparent, the number tripled from 1994 to 2002, with sales consistently strongest on the Big Island and in Maui County. O`ahu sales in this period were primarily at Ko Olina Resort in `Ewa. Kaua`i – where the Princeville Resort had been one of the first successful developers of resort-residential property – had seen a steep drop-off in initial second-home resort sales after Hurricane Iniki in 1993, but has begun to catch up with other islands in the past few years. (The company supplying the information in the chart below also reports that the number of statewide resort-residential sales in the first quarter of 2003 increased 37% over the first quarter of the previous year.)



Source: Data@Work (private consultancy specializing in tracking resort property)

At least some economic effects have been very positive, including substantial increases in county tax revenues, construction employment, and anecdotal reports of significant benefits for local merchants in particularly affected areas such as West Hawai`i. Some economists have suggested luxury home construction in particular, along with interest rate-driven residential home construction in general, has been a major reason for Hawai`i's overall economic recovery since the September 11, 2001 terrorists attacks, even though visitor numbers have been lackluster.

However, as will be further discussed in the following chapter, there have been several socio-cultural issues raised in public discussions:

- Both socio-psychological effects (sense of exclusion, reminders of class and ethnic divisions) and occasional straightforward questions of traditional access rights, especially if gated communities are involved.
- Questions about the extent to which affluent part-time residents either (a) “give back” to the local community; or (b) fail to do so, by living isolated and uninvolved lives; or (c) take too intrusive a role in community affairs. This will probably be an increasingly important issue on Neighbor Islands, where the attitudes and policies of developers may be critical in encouraging positive and balanced involvement in larger community affairs by people living in resort communities.

**Bed and Breakfasts and/or Individual Vacation Rentals:** The growing popularity of the Internet has permitted direct advertising – and hence proliferation – of B&Bs (with on-site hosts) and vacation rentals (no on-site hosts), many of them in residential areas. While many of these are illegal, lack of county enforcement personnel is resulting in a growing and largely unmeasured number of such properties. In addition to economic concerns about diversion of housing stock from residential uses, public discussion has generally focused on the *character of residential communities* (including local noise and traffic issues), the *potential for redistributing expenditures more directly to local small business*, the *chance for more personalized resident-visitor interaction*, and the question of an appropriate *balance point* (i.e., at what point do the annoyance to neighbors outweigh the positive aspects?).

Both B&Bs and off-resort second-home development will be somewhat further discussed in Chapter II, where very split resident attitudes will be noted.

**Security Issues in Tourism:** The September 11 attacks, terrorism in Bali and other tourism centers, American military actions in Afghanistan and Iraq, and fears of further war and terrorism all appear likely to affect Hawai'i tourism in currently unforeseeable ways. Public debate in Hawai'i has just begun, and thus far largely centers around whether we should see and market ourselves as a “safe” destination. This promises to raise future discussion about the relative roles and relationship between military activities and tourism in Hawai'i, and the possibility of marketing some types of visitor products (perhaps Neighbor Islands or residential-area B&Bs) as “safer” than others.

## **D. Resident Attitudes on Selected Issues**

Since 1988, both the Hawai'i Tourism Authority and also the Hawai'i State Dept. of Business, Economic Development, and Tourism have conducted four large-sample statewide surveys about resident attitudes toward tourism. (See footnote on page II-2 for more information about these surveys.)

The following Chapter II on “Spill-Over” issues will replicate many survey results relevant to specific issues discussed in that chapter. However, to close this introductory overview chapter, it may be of some value to report results of a series of questions – kept roughly the same in all four surveys – about (1) which community issues are considered “big problems” in Hawai'i, and (2) which of these issues are felt by residents to be made “better” or “worse” by tourism. The survey list of issues is far briefer than all the issues catalogued in this chapter, and includes many that arguably fall outside the boundaries of “socio-cultural” impacts. However, it does give some sense of resident priorities and perceptions.

On the following pages, Exhibit I-8 summarizes 1988 - 2002 results for the “Community Problems,” while Exhibit I-9 summarizes results for perceived “Tourism Impacts” on an equivalent set of issues (plus “overall standard of living” and “overall quality of life”). These exhibits indicate:

- Of the issues presented, the biggest “community problems” have fairly consistently included traffic and economic issues (especially housing cost), followed by population and crime. The smallest community problems have been lack of amenities and social relations between people of different backgrounds.
- Except for job availability and income, residents tend to think tourism has had positive effects on things that are just small or medium-ranked problems (e.g., amenities and social relations), and negative effects on things rated as big or fairly big problems (e.g., traffic, crime, cost of housing).

Thus, resident perception of tourism’s economic benefits is actually mixed – tourism is seen to provide jobs and income (and to increase overall standard of living), but also to increase cost of living for residents.

The remaining chapters of this report are actually dictated by the three items at the “bottom of the barrel” in Exhibit I-9:

- (1) Traffic, which is considered for our purposes as one key component of the broader idea of tourism “spill-over” into residents’ daily lives;
- (2) Housing cost; and
- (3) Crime.

Because these have consistently emerged as perceived negative effects of tourism, DBEDT requested some sort of analysis to help illuminate and hopefully eventually mitigate tourism impacts in these areas.

**Exhibit I-8: Resident Beliefs About Priorities of Various Issues, 1988 - 2002**

*"I am going to read you a list of possible community problems. For each one, please tell me if you think it is a problem or not a problem in your community."*

*[IF "PROBLEM":] "Would you say that it is a big problem, a small problem, or not a problem in your community?"*

	<b>1988 "Big Problem"</b>	<b>1988 "Not Problem"</b>	<b>1999 "Big Problem"</b>	<b>1999 "Not Problem"</b>	<b>2001 "Big Problem"</b>	<b>2001 "Not Problem"</b>	<b>2002 "Big Problem"</b>	<b>2002 "Not Problem"</b>
Traffic	<b>83%</b>	4%	<b>50%</b>	22%	<b>66%</b>	12%	<b>73%</b>	12%
Cost of housing	<b>67%</b>	8%	<b>56%</b>	18%	<b>64%</b>	14%	<b>70%</b>	11%
Economy not diversified enough	<b>N/A</b>	N/A	<b>50%</b>	18%	<b>50%</b>	20%	<b>52%</b>	21%
Cost of food and clothing	<b>56%</b>	20%	<b>46%</b>	22%	<b>52%</b>	18%	<b>46%</b>	25%
Crime	<b>70%</b>	6%	<b>41%</b>	19%	<b>39%</b>	16%	<b>41%</b>	24%
Average income for residents	<b>N/A</b>	N/A	<b>N/A</b>	N/A	<b>N/A</b>	N/A	<b>50%</b>	17%
Availability of jobs	<b>12%</b>	82%	<b>45%</b>	20%	<b>50%</b>	17%	<b>51%</b>	19%
Loss of nature and open space	<b>45%</b>	33%	<b>42%</b>	23%	<b>37%</b>	31%	<b>31%</b>	38%
Population growing too fast	<b>30%</b>	27%	<b>40%</b>	26%	<b>41%</b>	27%	<b>44%</b>	28%
Preservation of Native Hawaiian culture	<b>36%</b>	47%	<b>37%</b>	25%	<b>33%</b>	28%	<b>27%</b>	39%
Air or water pollution	<b>N/A</b>	N/A	<b>31%</b>	28%	<b>26%</b>	38%	<b>24%</b>	44%
Number and quality of parks	<b>40%</b>	44%	<b>28%</b>	35%	<b>20%</b>	46%	<b>15%</b>	58%
Social problems between people with different backgrounds	<b>31%</b>	35%	<b>29%</b>	28%	<b>18%</b>	41%	<b>15%</b>	49%
Not enough nearby stores, restaurants, or entertainment	<b>18%</b>	60%	<b>27%</b>	39%	<b>12%</b>	64%	<b>11%</b>	72%

**Exhibit I-9: Resident Beliefs Whether Tourism Makes Issues “Better” or “Worse”**

*“We’d like to know how you think tourism affects things on your island. For each thing I mention, please tell me if you feel tourism makes it better or worse these days.”*

	<b>1988 “BETTER”</b>	<b>1988 “WORSE”</b>	<b>1999 “BETTER”</b>	<b>1999 “WORSE”</b>	<b>2001 “BETTER”</b>	<b>2001 “WORSE”</b>	<b>2002 “BETTER”</b>	<b>2002 “WORSE”</b>
Number of jobs	<b>82%</b>	12%	<b>67%</b>	16%	<b>73%</b>	14%	<b>80%</b>	7%
Shopping, restaurants, and entertainment opportunities for residents	<b>60%</b>	18%	<b>51%</b>	24%	<b>67%</b>	15%	<b>70%</b>	8%
Overall standard of living	<b>63%</b>	20%	<b>49%</b>	23%	<b>55%</b>	21%	<b>67%</b>	9%
Overall quality of life	<b>N/A</b>	N/A	<b>49%</b>	22%	<b>59%</b>	14%	<b>66%</b>	9%
Average income for residents	<b>N/A</b>	N/A	<b>N/A</b>	N/A	<b>N/A</b>	N/A	<b>54%</b>	15%
Diversity of economic activities	<b>N/A</b>	N/A	<b>47%</b>	26%	<b>52%</b>	20%	<b>45%</b>	20%
Relations between people with different backgrounds	<b>35%</b>	31%	<b>45%</b>	23%	<b>53%</b>	15%	<b>47%</b>	11%
Preservation of Native Hawaiian culture	<b>47%</b>	36%	<b>42%</b>	29%	<b>40%</b>	29%	<b>46%</b>	19%
Number and quality of parks	<b>44%</b>	40%*	<b>44%</b>	22%	<b>44%</b>	14%	<b>41%</b>	12%
Preservation of nature and open space	<b>33%</b>	45%	<b>35%</b>	30%	<b>27%</b>	42%	<b>32%</b>	25%
Number of people living in your part of the island	<b>27%</b>	30%	<b>34%</b>	27%	<b>24%</b>	23%	<b>25%</b>	15%
Cost of food and clothing	<b>20%</b>	56%	<b>32%</b>	35%	<b>21%</b>	41%	<b>24%</b>	33%
Quality of water and air	<b>N/A</b>	N/A	<b>31%</b>	32%	<b>17%</b>	43%	<b>16%</b>	31%
Cost of housing	<b>8%</b>	67%	<b>26%</b>	35%	<b>11%</b>	48%	<b>15%</b>	35%
Crime	<b>6%</b>	70%	<b>22%</b>	44%	<b>7%</b>	63%	<b>8%</b>	41%
Traffic	<b>4%</b>	83%	<b>22%</b>	51%	<b>3%</b>	78%	<b>7%</b>	54%



## **II. TOURISM “SPILL-OVER” EFFECTS OUTSIDE OF RESORT AREAS**

## **CHAPTER II: TOURISM “SPILL-OVER” EFFECTS OUTSIDE OF RESORT AREAS**

### **A. Preliminary Discussion**

Hawai'i State and county land use policies generally call for concentration of tourism activities into specific designated areas. (Indeed, until recently, many Hawai'i resorts billed themselves as “self-contained” destinations.) Such policies appear popular with residents, at least when it comes to “resort” and “hotel” placement. In statewide surveys over the past 15 years, from 62% to 68% of Hawai'i's resident population have agreed with the statement “*We should keep all future resorts close to existing hotels.*”<sup>5</sup>

On the other hand, the same series of surveys has also found that a very large minority of Hawai'i residents – a consistent 48% - 49% in 1999, 2001, and 2002 – agreed, “*This island is being run for tourists at the expense of local people.*” In some parts of the state (Kaua'i, Maui Island, and Lāna'i), there was clear majority agreement. While there may be many reasons for this feeling, one distinct possibility is that tourism “spills over” from designated resort areas into aspects of daily life in ways that residents find intrusive or annoying.

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<sup>5</sup> Most survey results in this chapter are derived from four large-sample resident opinion polls commissioned by the State: (1) Community Resources, Inc., *1988 Statewide Tourism Impact Core Survey*, prepared for the Hawai'i State Dept. of Business and Economic Development, Tourism Branch, August 1989 – statewide N = 3,904; (2) Market Trends Pacific, Inc. and John M. Knox & Associates, Inc., *Analysis of Resident Sentiments on Tourism in Hawai'i*, prepared for the Hawai'i Tourism Authority (HTA), May 1999 – statewide N = 1,003; (3) Market Trends Pacific, Inc. and John M. Knox & Associates, Inc., *2001 Analysis of Resident Sentiments on Tourism in Hawai'i* (Draft), prepared for the HTA, September 2001 – statewide N = 1,007; and (4) Market Trends Pacific, Inc. and John M. Knox & Associates, Inc. *2002 Survey of Resident Sentiments on Tourism in Hawai'i*, prepared for the HTA and the Hawai'i State Dept. of Business, Economic Development, and Tourism, February 2003 – statewide N = 1,643. (This 2002 sample was large enough to permit special analyses for Lāna'i and Moloka'i, as well as East and West Hawai'i.)

The 2001 report was not officially released because the August 2001 results were felt to be possibly irrelevant in the immediate aftermath of the September 11, 2001 attacks. However, all results of that survey were reiterated in the report on the 2002 survey, which showed very little actual subsequent change in resident opinions.

For the present study, we also inquired with planning agencies and with all major Hawai'i survey research companies about the possible existence of other major Hawai'i resident surveys that might shed light on these topics. With a few exceptions, we discovered the above four large-sample surveys to be the best sources of data on resident opinions. Many questions have been repeated over time in these four surveys, allowing for reliability checks and tracking of any changes over the years.



This concept of “spill-over” will be the focus of the present chapter, in which we:

- (1) Continue the previous chapter’s “inventorying of issues,” with a particular focus on “spill-over” topics; and
- (2) When possible, report past survey results and/or comments from government agencies that may help to shed light on the extent/intensity of issues. (*Note: Agencies tend to be aware of concerns expressed by strongly motivated stakeholders; surveys reflect general population attitudes.*)

Because the “spill-over” topic has a largely (though not entirely) negative connotation, it is perhaps important to keep several things in mind:

- As previously noted in Chapter I, the major statewide resident surveys have found that 70% to 75% of the statewide population agree that “*Overall, tourism has brought more benefits than problems to this island.*”
- Furthermore, while most resident opinions about tourism have remained fairly stable, there has been a sharp recent increase in percentages saying tourism has a positive effect on “*overall quality of life*” – 49% in 1999, 59% in 2001, and 66% in 2002. (Only 9% said tourism made overall quality of life “worse” in 2002.)
- “Spill-over” is not a one-way street. Residents sometimes like to “spill over” into tourism areas – and, despite occasional regrets that some parts of Hawai'i have been more or less consigned to visitor use, very few residents seem to feel truly unwelcome in resort areas.

The 2001 survey was the last to probe this topic. It found that 50% of adult respondents reported staying in “a Hawai'i resort hotel or condo” in the past 12 months (down from 55% in 1999). It also found 78% agreeing (vs. 17% disagreeing<sup>6</sup>) “*I generally feel welcome and comfortable in hotel areas.*”

Thus, while it is of some concern that large percentages of residents feel the islands are “run for tourists at the expense of local people,” there are many other indications that spill-over effects or other tourism-related problems have not reached the point where resident annoyance outweighs appreciation for the industry’s economic benefits.

For purposes of this chapter, “spill-over” is organized into two broad categories:

- (1) Tourist day trips outside resort areas (in groups or as individuals); and
- (2) Fixed private business activities (including housing oriented to visitors or part-time residents) outside major resort areas.

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<sup>6</sup> Disagreement with this statement was slightly higher for Filipinos and Hawaiians than for Caucasians or Japanese, but disagreement still reached only 21% for Filipinos and Hawaiians. Neither income level nor county of residence made any difference in response.

## **B. Tourist Excursions Outside Resort Areas**

### **1. Introduction / Overview of Survey Data on Topic**

Survey results indicate that Hawai`i's reputation of "Aloha Spirit" for visitors is well-founded. In 2001, 82% of the state's residents agreed that "*I usually enjoy getting to meet and talk with visitors,*" and 70% agreed that "*Visitors usually treat local people with respect and equality.*"<sup>7</sup>

So tourists as people – their attitudes or individual behaviors – only rarely represent issues or problems for Hawai`i residents. Rather, the underlying issues are more likely to involve:

- Simple *annoyances/obstructions*, as in the case of slow-moving tour buses;
- More importantly, *competition for limited resources* (e.g., space at beach parks or trails) – particularly as increasing visitor demand for active outdoor recreation in natural settings has led to more commercial activity (and more advertising of such activities by the entrepreneurs); and/or
- *Human territoriality*, which may be expressed fairly bluntly by younger people wanting to preserve "local places," or in more sophisticated and socially-sanctioned ways by older homeowners concerned with preserving the integrity of residentially-zoned areas.<sup>8</sup>

Sheer numbers, relative to resident population, contribute to all of the above. The 2002 statewide survey generally found more negative attitudes about tourism and future tourism growth in Kaua`i County and Maui County than on the Big

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<sup>7</sup> Because the 1988, 1999, and 2001 surveys all generally reinforced the reality of "Aloha Spirit" attitudes, these questions were dropped from the 2002 survey to make room for other items. It is possible they will be asked again in the future.

<sup>8</sup> A related but slightly different view was set forth by Dean MacCannell, a pioneering scholar of the sociology of tourism. MacCannell argued that tourists who appreciate a particular destination will always grow dissatisfied with the "staged" experience and will try to see the "backstage" – i.e., in our case, the "real Hawai`i." MacCannell would consider the assumption of self-contained resort areas to be inevitably doomed to failure, because this visitor quest for authenticity will always result in tourists spilling over into local residential communities or recreational areas. He further argues that the visitor desire for authentic local experience is itself doomed to failure, because residents' need to *manage* tourism will result in the "backstage" getting converted into part of the regular overall tourism "stage." (See MacCannell, D. *The Tourist: A New Theory of the Leisure Class*. New York: Schocken Books. 1976.) This theory implies that more and more places in Hawai`i will become tourist-oriented, in line with the perception on the preceding page about the islands sometimes seeming to be "run for tourists at the expense of local people."

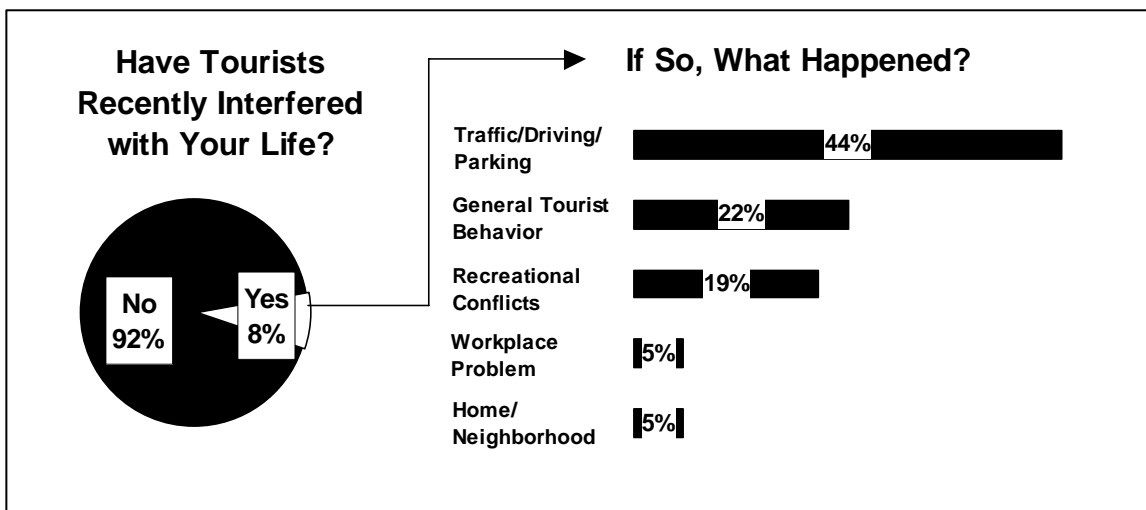
Island or O`ahu. Visitors as a percent of the year 2000 total *de facto* population (i.e., the average number of all people actually present on island) was just 9% on O`ahu and 13% for the Big Island – but 24% and 26% for Kaua`i and Maui Counties, respectively.<sup>9</sup> As will be seen in the following Section C, residents of Kaua`i and Maui are also more likely to report living near smaller-scale tourism business activities located outside major resort areas.

The 1988 statewide survey of nearly 4,000 Hawai`i residents took the broadest approach to exploring “spill-over” annoyances and territoriality issues, with a series of three somewhat inter-related questions:

**(1) “Have there been any recent situations when tourists have interfered with your life?” (If so:) “What exactly happened?”**

As shown in Exhibit II-1, only 8% could recall any recent interference in this 15-year-old survey.<sup>10</sup> Of those who said yes, and were asked the follow-up open-ended question, 44% (or about 3.5% of the total sample) mentioned some type of traffic-related problem. Rude tourist behavior and recreational conflicts were secondary complaints. Very few people said they recalled being bothered in their work or residential areas.

**Exhibit II-1: Frequency and Type of Visitor “Interference with Life” (1988)**



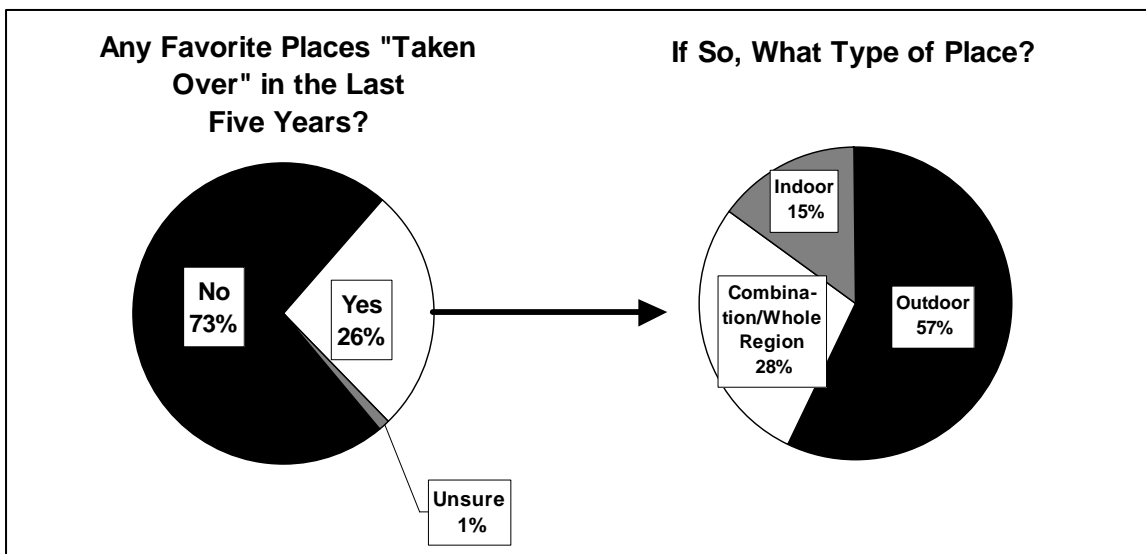
<sup>9</sup> For Maui County, this percentage has actually been declining from a peak of 32% in 1989. The percentage decline has to do with resident population continuing to grow even though visitor numbers have stayed fairly flat.

<sup>10</sup> The 1988 survey was large enough that it permitted disproportionate sampling and analysis of relatively small sub-island areas. It found that the very highest rates of reported interference were in two parts of rural Maui where visitors are more often seen in cars, buses, or bicycles than in hotels – Hāna/Pā`ia (26%) and Kula/Makawao (20%).

- (2) “In the past 5 years, have you ever just stopped going to some favorite place because you felt it had been ‘taken over’ by tourists?” (If so:)  
“What kind of a place was that – an indoor place like a restaurant or an outdoor place like a beach?”

Exhibit II-2 shows a higher proportion, about one-quarter, of Hawai'i residents felt they had recently lost a “favorite place” to tourists back in 1988.<sup>11</sup> These people were then asked the follow-up question, and it was also recorded if they said “both” or some whole region like Waikīkī. Statewide, 57% of those who had lost a favorite place (or about 15% of the total sample) said it was an “outdoor” place, though the “outdoor” percentages were even greater on the Neighbor Islands – 65% for the Big Island, 73% in Maui County, and 79% for Kaua'i.

**Exhibit II-2: Frequency and Type of “Losing Favorite Places” to Tourists (1988)**

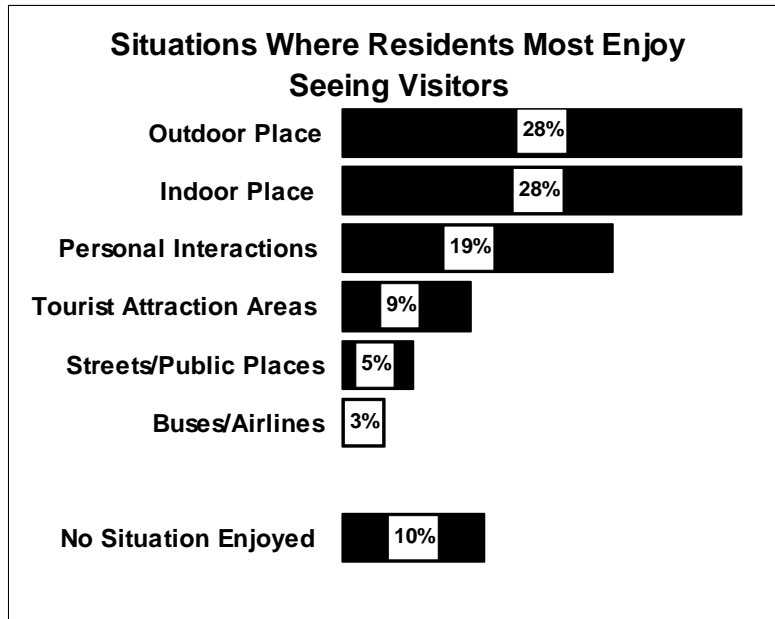


- (3) “Outside working hours, in what situations have you most *enjoyed* seeing visitors you hadn’t met before?”

Though outdoor places were the most likely to have been perceived as “taken over” by tourists, they were also one of the types of places most likely to be named as enjoyable places of interactions with visitors (see Exhibit II-3). Again, Neighbor Islanders were more likely to say “outdoor,” while the more urbanized O`ahu sample was somewhat more likely to say they enjoyed seeing visitors in “indoor” venues such as nightclubs, movies, or restaurants. Although this was not specifically explored in the 1988 survey, it may be noted that indoor places are more likely to be sites where visitors are spending money.

<sup>11</sup> Slightly higher percentages reported tourist “takeovers” of favorite places in Maui County (33%) and Kaua'i County (29%). Statewide, senior citizens were *less* likely to complain than were younger or middle-aged residents.

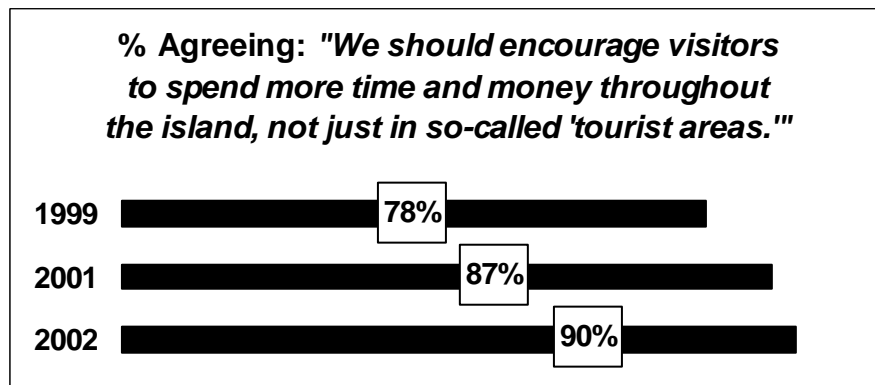
**Exhibit II-3: Places Residents Most Enjoy Interacting with Tourists (1988)**



**2. Other Specific Situations Where “Spill-Over” Is Welcomed: Local Business and Culture**

More recent surveys clearly show that, while people generally oppose new hotel development in their “back yards,” they are quite happy to have visitors patronizing local businesses. Surveys from 1999 to 2002 show large and increasing percentages agreeing that *“We should encourage visitors to spend more time and money throughout the island, not just in so-called ‘tourist areas.’”*

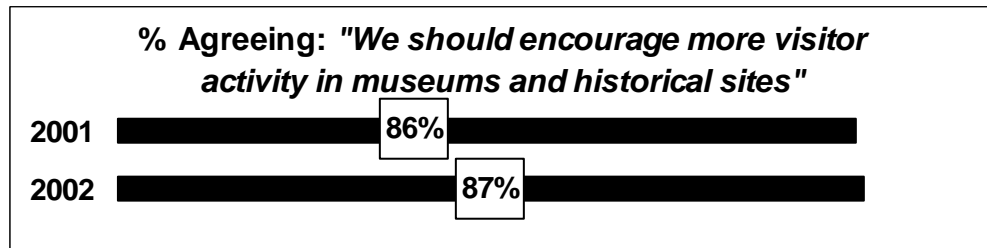
**Exhibit II-4: Willingness to See Visitors Spend Time/Money Outside “Tourist Areas” (1999 – 2002)**



On O`ahu, this has been operationalized by various community “vision team” and economic “empowerment” programs, in which grass-roots neighborhoods have called for regional transportation systems to permit Waikīkī hotel guests easier access to business and restaurant areas in other parts of the city.

Residents are also happy to share the culture and history of Hawai'i, with nearly 90% agreement that *"We should encourage more visitor activities in museums and historical sites."*

**Exhibit II-5: Desire for More Visitor Activities in Cultural Areas (2001-02)**

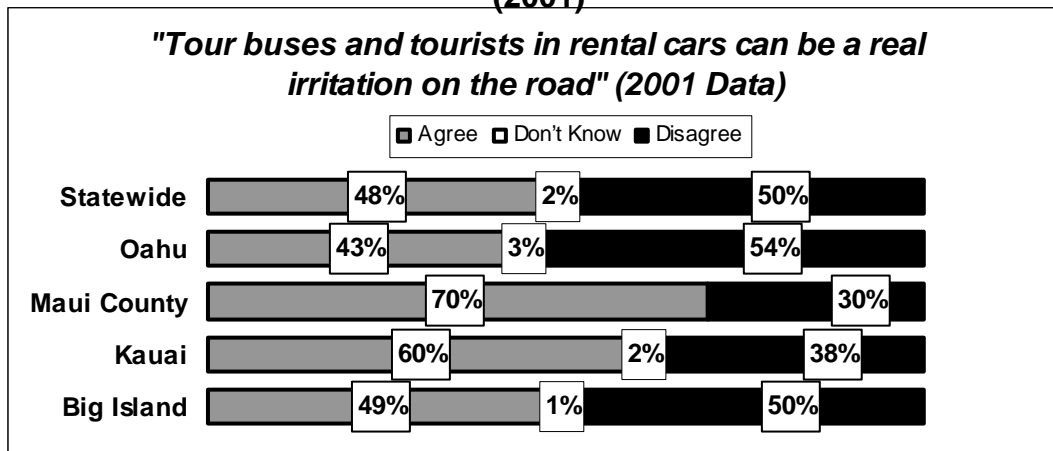


**3. The Most Frequent "Spill-Over" Complaint: Traffic**

It may be recalled from the end of Chapter I that residents have consistently been most likely to choose "traffic" as the community problem they feel has been the most negatively impacted by tourism. It may also be recalled from Exhibit II-1 that residents who said tourism recently interfered with their lives were most likely to say such interference came from a traffic-related problem.

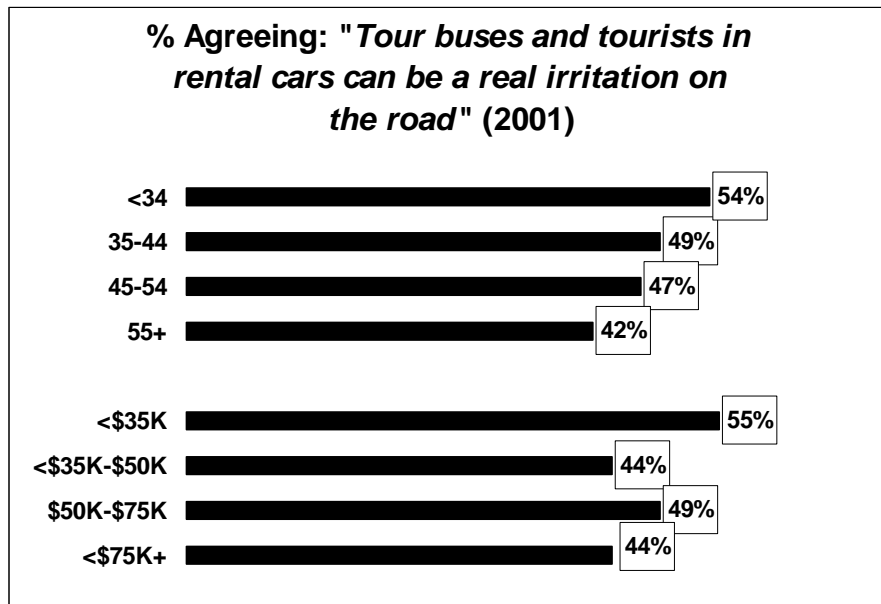
**Highway Traffic:** This is probably the most widespread issue. The 1999 and 2001 surveys included an agree-disagree item stating: *"Tour buses and tourists in rental cars can be a real annoyance on the road."* In both years, about 50% of residents statewide agreed – with clearly higher irritation evident in the more heavily-impacted counties of Kaua'i and, especially, Maui:

**Exhibit II-6: Level of Resident Irritation with Tourist Vehicles on Roads (2001)**



In 2001, reported annoyance with tourist traffic tended to be a little greater among younger and/or lower-income Hawai'i residents:

**Exhibit II-7: Irritation with Tourist Highway Vehicles by Age, Income**



However, because traffic in general (not just from tourists) is a major Hawai'i resident complaint, it is difficult to tell how much of the reported dissatisfaction has to do with *unique* attributes of "tourist traffic." Obviously, bicyclists descending from Haleakalā<sup>12</sup> or large tour buses<sup>13</sup> chugging along narrow roads do stand out, but individual rental cars are more likely to blend in with the greater flow of resident vehicular traffic.

Furthermore, no survey has yet attempted to measure the relative strength of concern over various "spill-over" complaints in a truly systematic and comparative way. While traffic is clearly the most frequently mentioned "spill-over" issue, it may not be the most important one. Other issues – such as tourist-oriented accommodations or commercial attractions – involve lengthy permit applications which encourage build-up of feelings among affected residents over many months, even years. By contrast, irritation over traffic tends to come and go more quickly, in response to specific incidents that rarely involve residents coming together to give input to some localized decision-making process.

<sup>12</sup> Bicycle tours in recent years have also been established on other islands. They were not frequently mentioned as resident concerns in interviews with planning officials, but one Neighbor Island planner felt that resident frustration is building and may come to a head soon.

<sup>13</sup> A socio-cultural sideline relating to tour buses has to do not with congestion, but with the accuracy of information about Hawai'i supplied to visitors. Until recent years, tour drivers were somewhat infamous for covering gaps in their knowledge with fabricated Hawaiian history, mistranslations of place names, false information about natural resources, etc. This upset many local residents, particularly Native Hawaiians. An effort by Native Hawaiian organizations within the tour industry appears to have succeeded in better education for drivers and other guides, reducing the sense of resident discomfort with this aspect of tourism.

**Traffic in Residential Areas:** Resident frustration is likely to be more long-lasting in cases where tour buses or private vehicles routinely cut through residential neighborhoods that either pre-date new attractions or may have developed around beach parks that have recently attracted more visitors. These are spot planning issues unlikely to draw much mention in general population surveys, even though they may be very intense issues for the affected neighborhoods. A few of the county and state planning officials interviewed for this report said they were aware of specific instances of such problems, usually involving access either to beach parks “buried” in neighborhoods or else to Neighbor Island agriculture-related attractions requiring tour buses to use narrow lanes traversing quiet rural subdivisions. An O`ahu example involved tour buses going through Pālolo Valley to view a scenic (though illegal) Buddhist temple.

**Tour Buses Stopping Briefly at Parks:** A few of the Neighbor Island planning officials interviewed for this report mentioned resident complaints about regular or semi-regular “restroom break” stops at otherwise quiet local parks. These are not commercial activities, not even recreational use, and so cannot in any way be regulated. Complaints about what some people would regard as innocuous and normal activity might be interpreted as (a) reflective of generalized annoyance with tourists or tour buses, and/or (b) a particular sensitivity in very quiet, rural areas where large vehicles may seem more out of place than elsewhere.

**Air Traffic (Helicopters):** Few residents are pilots who must navigate their own aircraft among flying tour buses – but just as tour buses can generate complaints in residential or quiet park areas, so can visitor aircraft generate problems with *noise* and sense of intrusiveness, particularly when they fly over:

- Residential areas, and/or
- Wilderness areas, annoying hikers seeking a solitary “natural” experience.

Helicopters have been the most frequent target of concern, although of course any noise complaint about landings or take-offs at airports likely involve planes filled primarily with visitors.<sup>14</sup> Resident objections to helicopters resulted in the State Dept. of Transportation (DOT) developing a State Helicopter System Plan in 1989. DOT officials believe<sup>15</sup> that complaints have died down in recent years, in part because the market for expensive helicopter tours has somewhat dwindled following the collapse of the “dot.com” bubble and in part because many helicopter tour operators have purchased a new generation of quieter helicopters. However, statistics on helicopter-specific noise complaints are not

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<sup>14</sup> A positive tourism “spill-over” impact that largely goes unrecognized by residents involves the greater frequency and relatively lower cost of inter-island flights available to residents, due to economies of scale provided by the large visitor market. However, given recent fare increases and flight cutbacks in the inter-island air industry, this is probably not a period in history when residents are likely to develop a sudden appreciation for this impact.

<sup>15</sup> Information in this discussion comes primarily from DOT Head Planning Engineer Ben Schlapak (personal communication, May 2003).



readily available, as the DOT does not break them out from other noise complaints regarding aircraft. And the 2002 public outreach effort for the Sustainable Tourism Study netted a few strong concerns about helicopters flying low over residential neighborhoods.

However, DOT states:

- Tourism-oriented helicopter operations now are most heavily based in Maui, followed by the Hilo area. Complaints in West Maui resulted in a 1987 ban on helicopters flying out of the Kapalua Airport – consequently, visitors in Maui must now drive to the Kahului Airport for helicopter tours, thereby increasing congestion on Maui roads.
- Some resident complaints about helicopters are believed to be motivated by objections to searches for marijuana or other drug operations. When not otherwise in use, tour helicopters may be contracted to other agencies, including law enforcement for drug search purposes.
- DOT has limited enforcement powers. Theoretically, it may license helipads, although it has yet to exercise that power much. Practically speaking, DOT feels all it can really do is ask pilots to “fly neighborly,” to be aware of noise-sensitive areas, and to monitor whether anyone else is cheating by flying lower than federal regulations permit. Ultimately, the Federal Aviation Agency has police power over all aircraft, and it is sometimes difficult to interest the FAA in annoyance as opposed to serious safety problems.

Additionally, there is tourism *ocean traffic*, but that topic fits into the broader issue of visitor use of beach and coastal marine recreational areas.

#### **4. *The Most Frequent Regulatory Focus: Beach Parks and Coastal/ Marine Recreational Areas***

The category of “spill-over” effects involving use of public spaces that is perhaps most likely to involve government scrutiny in Hawai'i involves visitor use of – and particularly commercial tour activity in – the islands' coastal recreational areas, both the beaches and the near-shore waters. Although most water activities may be engaged in by either individual visitors or by groups paying commercial operators, for purposes of discussion we will associate the simpler activities (swimming, snorkeling, etc.) with individuals, other activities with commercial operators. The commercial dimension raises some distinct socio-cultural issues.

**Individual Tourist Use of Beach Parks for Swimming/Snorkeling/Surfing/Sunbathing:** One aspect of this has been previously discussed – the sense that some beach parks or beaches become so heavily used by visitors that residents

may feel they have been “taken over.” The State’s visitor activity surveys indicate that more than 80% of U.S. visitors (and nearly two-thirds of Japanese visitors) report engaging in “swimming/sun-bathing/beach” activities.<sup>16</sup> Much of this takes place at beaches fronting or close by hotels, and so one set of issues mentioned in Chapter I involved questions of resident access when new hotels or designated resort areas were developed by beaches or other coastal areas.

However, for purposes of this chapter, relevant situations would be moderate to heavy tourist use of beach parks away from major resort areas. Competition between residents and tourists strictly for near-shore swimming, surfing, and sunbathing activities has only sporadically been reported to be a significant “spill-over” issue. Such occasional issues have usually involved:

- *Heavy visitor industry promotion of a particular coastal park as a “must-see” visitor attraction.* This tends to produce a definite sense that visitors have “taken over” the park. The most pronounced example of this sort of intense promotion has been O`ahu’s Hanauma Bay (where the attraction includes snorkeling and diving, not just swimming – and where commercial tour activities add significantly to individual demand). Promotion of Hanauma has been particularly intense in Japanese visitor media, so that Hanauma Bay could be an early example of what may happen elsewhere, if and as Japanese or other foreign visitors discover the rest of rural O`ahu or the Neighbor Islands. That is because non-English-speaking visitors naturally tend to rely more on guidebook recommendations that may funnel them to particular places when going on exploratory day trips. However, English-language visitor magazines have also had an impact in drawing crowds of snorkelers to several coastal areas on the south Kaua`i coast, where some resident frustration is now beginning to develop.<sup>17</sup>
- *Beach (or other park) camping permits.* A relatively small percentage of Hawai`i’s visitor market consists of the sort of families or young backpackers who might want to throw out tents in beach parks, but there was sufficient demand beginning in the 1960s – sometimes from longer-term “transients” or “hippies” essentially living in parks – that State and county parks agencies began to regulate camping on a much more formal basis than they previously had. Maui has banned camping in county parks altogether, but other county and State park permit systems tend to favor resident applicants. The State park system officially gives priority to walk-in applicants (who are, of course, more likely to be local residents) over

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<sup>16</sup> Additionally, according to the *2001 Visitor Satisfaction and Activity Survey*, about half of U.S. visitors (though just 16% of Japanese visitors) report participating in “snorkeling, scuba diving.” The survey indicates that participation rates for these activities are significantly higher on Neighbor Islands than on O`ahu. It does not, however, provide further data about the extent to which snorkeling or scuba diving is done independently vs. as part of commercial group activities.

<sup>17</sup> Personal communication, Ian Costa, Kaua`i County Planning Director, May 2003.

mail or internet applicants, and State parks on O`ahu are further restricted to applications made no earlier than 30 days before the camping date. County parks on O`ahu are issued *only* to walk-in applicants. In Hawai`i County, the requirement for exact payment among various possible fees effectively favors the walk-in applicant who can determine the correct fee on the spot.

- *Surfing grounds.* Surfers the world over tend to be quite territorial, because there are usually more would-be surf-riders than available space when the waves are up in good locations. Many surfers are young, and perhaps more inclined to fall into “us-them” (including “local-outsider”) turf patterns than are older people. There can be intense competition among different groups of resident surfers alone. When “tourists” compete for surf slots, they may include the occasional Waikīkī visitor who rents a board, but the greatest competition has involved lifestyle visitors – non-Hawai`i surfers who rent residential units in places like O`ahu’s North Shore for large parts of the winter months to enjoy the high-wave season and perhaps compete in surf meets. Competition among surfers (and sometimes between surfers and other water users) has been part of the larger issue of government regulation of in-water recreational uses discussed shortly below.

In addition to resident-visitor competition, tourist “spill-over” use of beach parks (as well as scenic overlooks) has the simple effect of increasing user population and over-taxing facilities. Part of the research conducted for the Hawai`i Tourism Authority’s initial 1999 *Ke Kumu* strategic plan involved executive interviews with government officials throughout the state. Neighbor Island county government officials were strongly concerned about the poor state of repair of restrooms and other facilities, particularly in State-run recreational facilities, in parks and scenic areas heavily used by visitors. There was also frustration about the lack of State assistance to address similar wear and tear on county parks. Although not particularly “socio-cultural”<sup>18</sup> in nature, this is one of the greatest county

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<sup>18</sup> There is also at least one “purely socio-cultural” if somewhat indirect dimension of population pressure on beach parks. Especially in rural areas, beach parks have traditionally been sites of family-oriented picnics and weekend social gatherings in Hawai`i. At one time, such events would occur in relative isolation, and the fairly rudimentary park facilities matched the low-key “rubbah slippah” tone of family gatherings. As tourism has grown, and permanent population along with it, both visitors and newcomer residents have added to the population pressure on local beach parks. Park facilities have sometimes been improved, but also formalized and directed more at swimmers/sunbathers than family picnickers. The “sense of place” has changed in some parks, even ones where the increased population has come as much or more from new residents as from tourists.

Another indirect consequence of tourism, again occurring as much or more from newcomer immigration as from visitor population growth, has been increased pressure from new residents on fishing grounds and other coastal food-gathering activities. Sometimes new residents compete with older ones for food resources, but there are also conflicts when newcomers simply like to use isolated spots for swimming and surfing, interfering to some extent with food gathering.

government fiscal concerns stemming from tourism spill-over, and it has contributed to a current requirement that the Hawai`i Tourism Authority use a portion of the Transient Accommodations Tax (the “hotel room tax”) for maintenance of parks and other resources overseen by the State Department of Land & Natural Resources.

**Commercial Use of Marine Recreational Resources:** Most of the planning and parks officials contacted for this discussion<sup>19</sup> indicated that either the commercial nature of activities discussed below – or else the type and level of activities themselves – *on balance* generate more resident complaints than the sort of (usually) non-commercial visitor activities discussed immediately above.

However, this statement is subject to several qualifications:

- (1) Particularly at the State government level, there is often as much concern about sorting out compatibility among different uses as there is about the “resident-tourist” or “individual-commercial group” dimensions. In other words, commercial tourism activities become another ingredient in the larger stew of coping with proliferating recreation demands of all types.
- (2) Reported levels of resident concern vary by geographical areas, roughly matching State survey results about attitudes toward tourism and future growth. That is, there seems to be much less concern in the East Hawai`i area, much more concern in the more heavily tourism-impacted islands of Kaua`i and Maui.

For much of Hawai`i’s tourism history, visitor use of marine resources was concentrated on *ocean-going boats* – e.g., chartered deep-sea fishing boats out of Kona; dinner cruises out of Kewalo Basin or Honolulu Basin; or sailboat tours from any of a number of Hawai`i harbors. All of these still exist (along with more recent innovations such as submarine rides), but at the present time generate few if any resident complaints, according to the officials interviewed.

*Cruise ships*, of course, have generated substantial concern, especially on Moloka`i. Most of the stated issues have been environmental in nature, though there have also been questions about the distribution of costs and benefits between corporate cruise liners and local communities. However, cruise ships are essentially floating “resort areas,” and – with the obvious exception of any

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<sup>19</sup> Interviews (April and May 2003) with Anthony Ching, Executive Director of the State Land Use Commission; Mary Lou Kobayashi, Planning Program Administrator, Office of Planning, Dept. of Business, Economic Development, and Tourism; Dan Quinn, State Parks Administrator, State Dept. of Land and Natural Resources (DLNR); David Parson, Boating Planning Manager, DLNR; Fred Pascua, Planning Engineer, Harbors Division, State Dept. of Transportation; Ian Costa, Kaua`i County Planning Director; Mike Foley, Maui County Planning Director; Alice Kawaha, Hawai`i County Planning Program Manager (East Hawai`i); Darren Arai, Hawai`i County Planning Program Manager (West Hawai`i); Kathy Sokugawa, Planning Division Chief, Department of Planning and Permitting, City and County of Honolulu; Jerome Marr, Executive Assistant to Director, Parks and Recreation Dept., City and County of Honolulu; Glenn Correa, Maui County Parks Director; and Patricia Engelhard, Hawai`i County Parks Director.

future Moloka'i stop – tend to disembark their passengers in land-based resort areas, or at least heavily urbanized areas such as the Honolulu Harbor. For the present time, they seem outside the scope of marine recreational activities addressed in this “spill-over” chapter.

Another and more relevant exception to the idea that “boating causes few problems” was Kaua'i's zodiac boat tours of the North Shore, an issue that began taking shape in the 1970s. This was a classic example of resources becoming overwhelmed by a sudden spike in a new form of marine tourism activity before any permit system had been put in place. The profusion of tour boats departing from the Hanalei River estuary over-ran county beach parks from which they were originally launched, and irritated resident users of both the parks and the waters. The State and County both attempted to regulate the situation, generating a spate of lawsuits and counter-suits (some of which have yet to be resolved). After witnessing conflicts with a local fishing tournament in 1998, former Governor Ben Cayetano ordered all motorized commercial tour boat launches to be relocated to other Kaua'i harbor facilities. However, remaining permittees launched another lawsuit and won, although there are now just three companies with valid permits in the area, down from 32 in the early 1990s.

But beginning in the late 1980s and picking up considerable steam in the 1990s, “outdoor adventure” tourism has resulted in significantly more visitor demand for both inland wilderness areas (discussed next) and also *near-shore* marine recreational resources. These more recent marine activities have tended be (a) more visible to residents; (b) more likely to compete with residents for the same resources; and/or (c) more likely to use beach parks as staging areas for in-water activities.

Examples of such activities generating reported resident concern include:

- Kayaking (both in the ocean and on rivers – and perhaps the single most frequently mentioned current issue in these interviews);
- Jet skis (one of the first near-shore activities to generate the need for serious regulation);
- Scuba or group snorkeling;
- Kite boarding;
- Windsurfing tours.

For the State, which has jurisdiction over the ocean (as well as State small-boat harbors and launching ramps), the issue is how to regulate conflicts among these uses, as well as conflicts between these activities and those which are more likely to involve residents alone. For example, Department of Land and Natural

Sources (DLNR) officials<sup>20</sup> recall that the first jet skiers about 15 years ago were able to skim over shallow reefs where no boat had ever gone, just to satisfy their curiosity about what local throw-net or octopus fishermen were doing – not to the delight of the latter group. More recently, snorkel and kayak tour operators have been taking groups to increasingly remote locations, such as O`ahu's Wai`anae Coast, the Wailua River on Kaua`i, and La Perouse Bay on Maui, again distressing local fishermen, residents, and ecosystem managers.

According to the DLNR, such incidents have caused periods of sharp conflict among various users, including resident-tour operator conflicts, but the agency has grown used to bringing stakeholders together and getting consensus on “limits of acceptable change” (i.e., agreement on the subjective “carrying capacity”) of areas, and then implementing permit systems based on those discussions. In other words, site-specific conflicts arise, but are usually then resolved.

Informal processes are tried first, and official rules implemented as necessary. Sometimes the informal processes are sufficient. For example, initial windsurfers would run over local divers, especially on Maui's North Shore, because divers were accustomed to diving without dive flags. Dive shops cooperated in educating divers to use the flags, making it possible for the two user groups to co-exist more easily. But DLNR has also become accustomed to implementing new rules, particularly since the 1990 initial development of the State's Ocean Recreation Management Plan, ordered by the Legislature because of problems with jet skis and other “thrill craft.” Nevertheless, there are kinks yet to be worked out in the system:

- Thus far, rules have mostly been about separation of uses, or limits on simple number of total permitted operators. But as permitted operators expand their operations, it is becoming apparent that DLNR is going to have to refine its regulatory system to limit the total number of people or small crafts that can be present in a particular place at a particular time. (This is expected to result in even greater pressure on remote areas, and will of course some day bring all possible near-shore sites under the regulatory framework.)
- The rule-making process takes time to finalize. Even after stakeholders come to consensus on a solution, a year or two may pass before the agreement can be officially implemented, leading to public perceptions that “simple agreements” are not being acted on. DLNR is contemplating asking the Legislature for some authority to institute interim limits, pending final rule-making that would have the full force of law. However, the American legal system is difficult to circumvent, and ongoing suits from

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<sup>20</sup> David Parsons, Boating Planning Manager, DLNR Boating and Recreation Division (personal communication, April 2003).

unhappy tour operators or other parties may continue to delay implementation of agreements.

For county governments, conflict in marine recreational uses can be more frustrating. The counties have jurisdiction over their own beach parks, down to the high-water mark, with no control over what happens in the ocean. But even when the State successfully regulates commercial uses in the ocean, conflicts may remain between resident park users and commercial operators using parks to enter or leave the ocean.

For example, commercial kayak groups may effectively tie up small boat launch facilities for periods of time, and/or disturb resident users by their sheer numbers. Counties can do little about this, since anyone is free to use public facilities to get into the water. However, some tour companies have used county beach parks as sites to conduct actual business activities – collecting money, giving instructions, etc. This sort of commercial activity is not allowable without a Shoreline Management Area permit, and counties have cited violators.

However, it should be noted that several county officials interviewed for this report said that resident complaints have been relatively light and/or seem to be dying away in the past few years. County agencies themselves may be more concerned than the general public, because of demands on their services and inter-agency conflicts about how to allocate fines or fees collected as a result.

One county parks official said, “[Kayak tour operators] take tourists out in hazardous areas. They may launch off State property, but once they’re in trouble in the water, it’s the county fire department or my ocean safety people who have to rescue them.” The same official noted that any fees or fines coming to that county from commercial marine recreation goes into the General Fund rather than helping to defray costs at the parks: “We think we should get that money!”

## **5. Wilderness Areas**

As previously suggested, helicopters represent a particularly intense conflict between residents and visitors in wilderness areas. But even tourists who, like most residents, tramp through natural areas on foot may represent competition for the same fragile resource. And their additional numbers can diminish residents’ preferred solitary or small-group enjoyment of quiet outdoor areas.

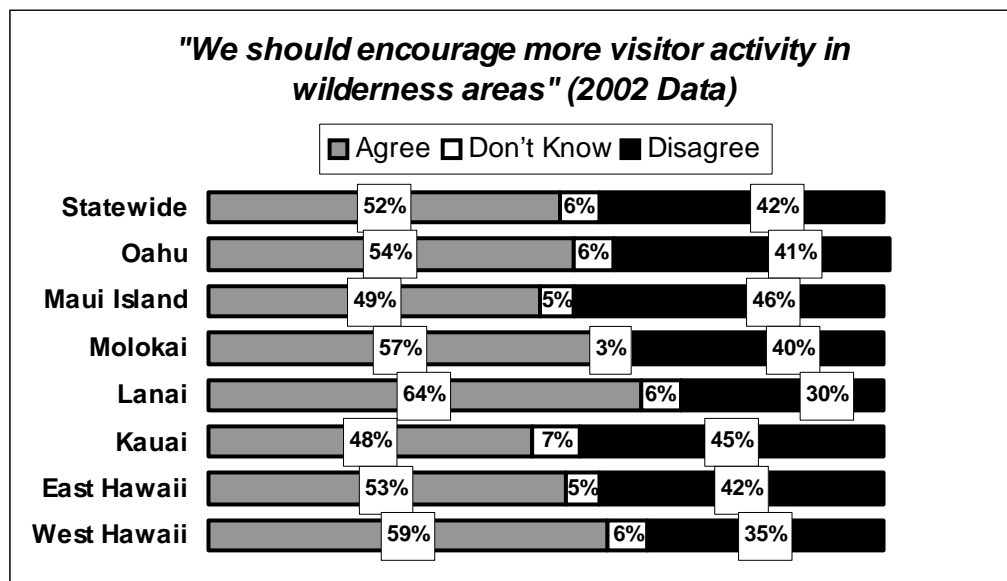
This does not mean that Hawai`i residents are unwilling to share wilderness areas with visitors. In fact, 53% of residents statewide in both the 2001 and 2002<sup>21</sup> statewide surveys agreed that, “*We should encourage more visitor activity in wilderness areas.*” (See Exhibit II-8.) However, that is a much smaller majority

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<sup>21</sup> This question was not separately asked in preceding 1988 or 1999 surveys.

than the 87% who favored more visitor activity in museums and historical sites (see preceding Exhibit II-5). And, as might be now be expected, there was somewhat more disagreement with increased wilderness tourism on Maui and Kauai:

**Exhibit II-8: Desire for More Visitor Activities in Wilderness Areas (2002)**



**Hiking Trails:** Up until the early or mid 1990s, according to the Hawai'i State Dept. of Land and Natural Resources (DLNR),<sup>22</sup> visitor use of Hawai'i hiking trails consisted primarily of individuals without paid guides. But as the idea of "eco-tourism" became more popular, increasing numbers of commercial hiking tours began to use trails on all islands. DLNR established a permit system for authorizing qualified and legitimate organizations, and obtained a grant from the Hawai'i Tourism Authority to establish a website where authorized commercial operators could reserve a limited number of daily slots for particular trails. The number of authorized hiking tour operators has risen from 13 when the system began in 1999 to 26 as of early 2003, with somewhat more of the 26 companies operating in O'ahu and Maui. Staggered fees associated with these slots generated about \$57,000 in revenues to the State (with 20% going to the Office of Hawaiian Affairs as payment for use of ceded lands) in Fiscal Year 2002-03. The money is earmarked for trail repair and maintenance.

This new system still faces challenges:

- DLNR-authorized companies discovered that, according to Hawai'i law, they could not transport visitors from resort areas to hiking trails without obtaining a license from the Public Utilities Commission (PUC), a process which can require several years. DLNR is nevertheless allowing its own

<sup>22</sup> Personal communication, Curt Cottrell, DLNR Program Manager for the Statewide Trail and Access Program, April 2003.



authorized entrepreneurs to reserve trail slots so long as they can demonstrate they have at least applied for the PUC transportation license.

- Perhaps more critically, a growing number of unauthorized hiking companies are vigorously advertising cut-rate hiking tours over the Web or by sandwich boards in resort areas, particularly Waikīkī. Such companies often lack insurance and reportedly are more prone to promulgating false information about history and natural features, much as motorized tour guides did several decades ago. DLNR has limited enforcement capability, and reports frustration that the courts have not imposed significant penalties the few times they have successfully prosecuted offenders.
- Authorized hiking guides are not required to meet any minimal standards for providing accurate educational information about the natural and historical attributes of trails they are using. The Hawai'i Ecotourism Association produced guidelines covering this subject several years ago, but DLNR lacks the ability – and does not necessarily feel it should be the lead agency – to establish a process to ensure a minimum threshold of accuracy for interpretive information. The question of which government agency, if any, should play this role remains an unresolved issue.
- Thus, the management of visitor “spill-over” onto wilderness trails has made a significant beginning in Hawai'i, but still has not reached its final goal of assuring that tourists have respectful access to wilderness experiences without overtaxing trails or compromising the quality of resident experience as well.

**Inland Parks and Special Wilderness Areas/Uses:** According to the State Parks Division of DLNR,<sup>23</sup> resident complaints about increasing visitor numbers in upland parks and special wilderness areas have not been that large a problem. DLNR is concerned about impacts on environmental resources whether or not it is a popular issue. However, there is always a potential for conflict when some place that once attracted mostly residents becomes such a major tourist draw that residents may be squeezed out – often because of coverage in *National Geographic* or popular travel publications.

Kaua'i's Na Pali Coast is an example of an area where such conflict began to occur. DLNR changed its camping permit system for that area, holding back one-third of all permits for issuance just 30 days prior to the designated date. Since many outdoor-oriented visitors (especially international ones) plan their travels long in advance, this system provides some assurance of openings for Hawai'i residents, who are more likely to apply for permits closer to their time of use.

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<sup>23</sup> Personal communication, Dan Quinn, State Parks Administrator, May 2003.

In addition to the previously-discussed hiking trail users, emerging or anticipated visitor markets that may heavily use wilderness areas include:

- River rafting tours;
- Archaeological tours (though many of these involve agricultural lands);
- Mountain bikers (pedals, not motor-powered) on trails;
- Paragliders in places like Kahana Valley on O`ahu;
- Bird watchers, particularly in Kōke`e or other well-forested areas.

These types of visitors often are people who themselves value natural resources and do not want to over-use them. But they provide a market for commercial operators who naturally seek to grow their businesses, advertise the activities, and are thereby generating increasing control and permitting challenges for an agency that has suffered budget and staffing cuts over the past decade.

State parks in out-of-the-way places such as Kōke`e were designed for a small number of users, but the recent surge in visitors wanting more of the “real Hawai`i” has resulted in greater crowds in precisely those remote locations where camping and restroom facilities – as well as fragile natural resources – can be quickly overwhelmed. Various divisions are struggling to enact new permit systems and determine under what conditions new fees may be justified.

## **6. *Role of Economic Development in Government Management of Recreational and Environmental Assets***

As Hawai`i's visitor industry attracts more visitors interested in active use of recreational facilities and natural environments, State and county governments have increasingly implemented user fees and/or commercial permit fees in order (1) to help pay for maintenance of existing facilities or creation of new ones, and sometimes (2) to help preserve the resource by limiting users through pricing mechanisms.

In a limited sense, this has put local government in the “business” of running recreational facilities in exchange for direct payment by some users. It has sparked intra-government debate about such issues as which agencies should best manage revenue-producing activities and whether those revenues should go into earmarked special funds vs. the general fund.

Still, the underlying challenge to government has primarily been to find ways to balance the missions of (1) resource protection, and (2) provision of recreation. But recently, government has in some ways moved in the direction of exploring the mission of *economic development* as a possible third mission to be balanced with the other two for utilization of recreational and environmental assets:

- The City and County of Honolulu has developed soccer fields and other sports facilities with the intent to join the State in using some recreational facilities to attract “sports tourism.” It has acquired Waimea Valley Park with a partial intent of attracting eco-tourists, and its original plan for Hanauma Bay would have included a broader Ka Iwi area complex of activities aimed in good part at the visitor market.
- The 2002 State Legislature mandated that the Hawai`i Tourism Authority expend at least \$1 million annually “to support efforts to manage, improve, and protect Hawai`i’s natural environment and areas frequented by visitors.” The HTA has assembled an advisory group including environmental and eco-tourism operator stakeholders to help guide the assessment process and develop a strategy for both visitor use and appropriate protection of natural and recreational assets.

Current State efforts to increase funding – through permit fees or even the HTA allocation – are still aimed more at helping to pay for resources rather than fueling an “economic engine,” according to the State Parks Administrator.<sup>24</sup> He noted many Mainland parks have advertised their facilities as part of economic development programs. By contrast, he said, any such future promotion of Hawai`i facilities would more likely be for the purpose of directing visitors into areas that are not presently receiving as much use, in order to relieve pressures on over-taxed parks or natural areas.

However, the growth in resource-based outdoor Hawai`i tourism and associated eco-tourism advertising effectively means that more visitors will continue to be encouraged to “spill over” into active use of recreational and natural assets, not simply enjoy the scenery while taking passive tours. In practice, many facilities, such as the Pali Lookout, have always been designed primarily for visitor use, and this has rarely caused any particular resident-visitor conflict. If increasing numbers of publicly-funded facilities are – whether in an acknowledged fashion or more informally – effectively dedicated to visitor use, resident reaction is likely to be a function of the speed and number of places in which such transformation occurs.

## **C. Commercial Activities/Housing Outside Resort Areas**

### **1. Introduction/Overview**

The preceding section dealt with situations where *tourists* “spill over” from resort areas into public parts of the islands, individually or in commercially-guided tour groups. This section deals with situations where *fixed commercial tourism*

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<sup>24</sup> Personal communication, Dan Quinn, May 2003.

activities (i.e., businesses, including second home developments) “spill over” by consuming private land or housing units outside large designated resort areas.

The State’s initial 1988 statewide survey of resident attitudes briefly covered this subject in a general and preliminary way. It screened out people who said they lived “right in” a major resort or tourist attraction – about 10% of the sample. The remaining 90% were asked if they lived within a ten-minute drive of any of four smaller tourist activities. If they said they lived close to at least one, they were asked any or all of those close to their home had made life in their part of the island more or less pleasant. (This approach, of course, could not distinguish between the “pleasantness” effects of one type of activity vs. another.)

Exhibit II-9 shows the results of that initial inquiry. Only small percentages – ranging from 8% on the Big Island to 21% in Kaua`i – said any such activities had made their communities “less pleasant,” and majorities said these activities had actually made life in their part of the island “more pleasant.”

**Exhibit II-9: Attitudes Toward Small-Scale Tourism Activities (1988)**

<b><i>“Are any of the following smaller tourist activities within a ten-minute drive of your home?”</i></b>					
<b><i>(% saying “Yes” to each activity, by county)</i></b>					
<b><u>Activity</u></b>	<b><u>State</u></b>	<b><u>O`ahu</u></b>	<b><u>Hawai`i</u></b>	<b><u>Maui</u></b>	<b><u>Kaua`i</u></b>
<b>Tourist Cottages or Rental Rooms in Someone’s House</b>	32%	29%	33%	46%	60%
<b>Tourist Shops or Restaurants</b>	51%	47%	56%	67%	79%
<b>Golf Courses Used by Tourists</b>	45%	45%	40%	49%	58%
<b>Any Other Tourist Attraction</b>	45%	43%	48%	53%	63%
<b>(% Saying “Yes” to At Least One Above)</b>	73%	71%	73%	83%	90%
<b><i>(If “Yes” to At Least One:) “Do these activities make your part of the island more pleasant, or less pleasant?”</i></b>					
<b><u>Reaction</u></b>	<b><u>State</u></b>	<b><u>O`ahu</u></b>	<b><u>Hawai`i</u></b>	<b><u>Maui</u></b>	<b><u>Kaua`i</u></b>
<b>Pleasant</b>	54%	51%	72%	57%	56%
<b>Unpleasant</b>	17%	18%	8%	17%	21%
<b>Mixed</b>	3%	3%	3%	5%	5%
<b>No Effect</b>	23%	25%	14%	17%	16%
<b>Unsure/No Opinion</b>	3%	3%	3%	3%	2%

The 2002 resident survey revisited this issue in greater detail and with more precision. It again screened out people who regarded themselves as living “right in” major resort areas or tourist attractions (which this time amounted to 8% of the sample). The remainder were asked about seven separate activities – including some non-commercial ones such as “scenic attractions or overlooks designed for tourists.” Again, residents were first asked if they lived nearby each activity (this time, within just a *five-minute* drive), and those who said “yes” were asked about the *individual* effects of nearby activities – again in terms of whether these made “your area more pleasant or less pleasant to live in.”

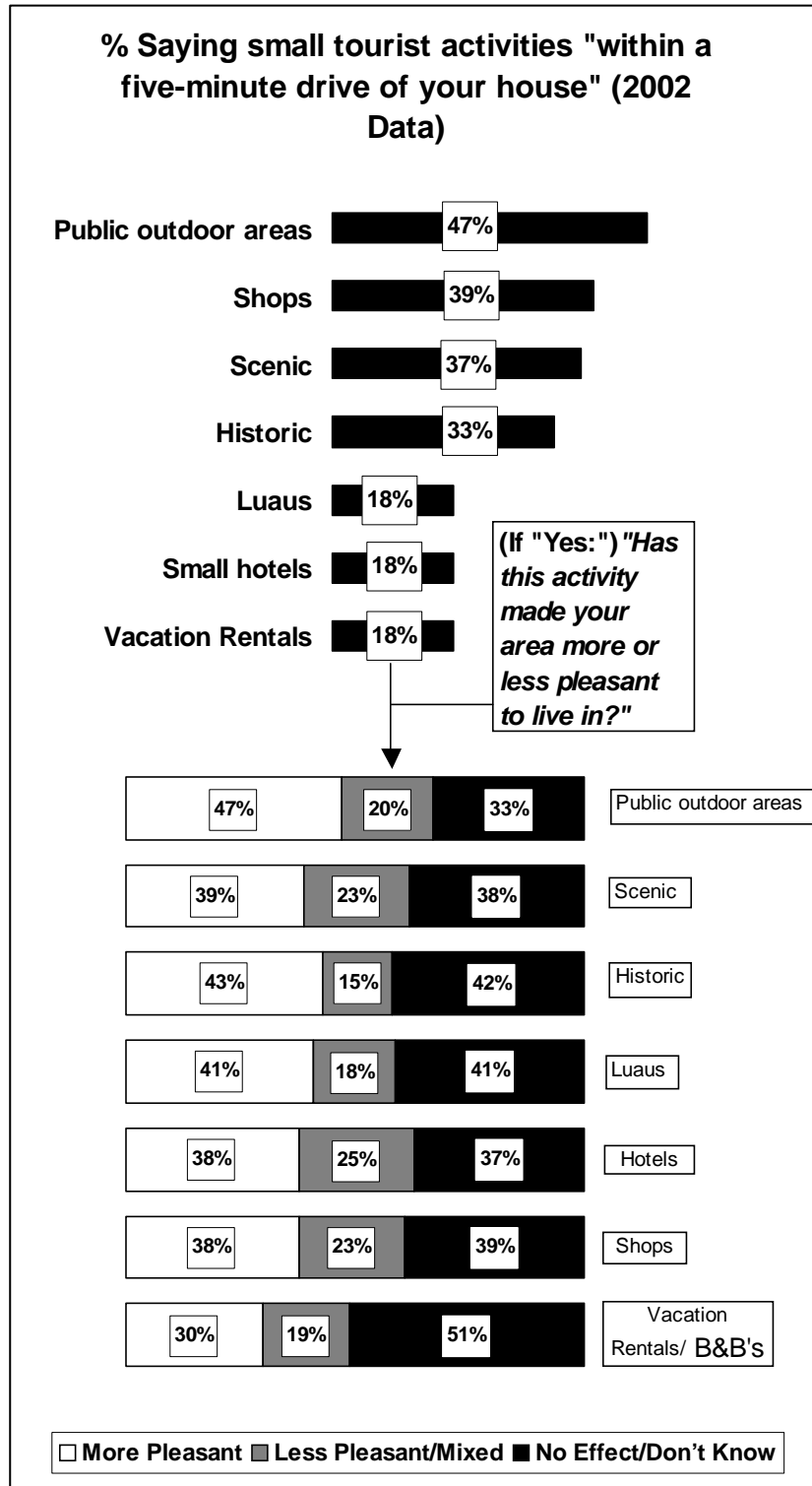
Exhibit II-10 (following page) shows statewide results:

- Residents are relatively most likely to report living near either outdoor areas that attract lots of tourists or else tourist-oriented shops/restaurants; relatively least likely to report living near small stand-alone hotels or tourist luaus/shows.
- For each activity, far more residents said it had made life in their area “more pleasant” than said it had made life “less pleasant.” Even if the people who said “mixed effects” were added to the “less pleasant,” the maximum negative response was just 25% (for small stand-alone hotels).
- The general picture was that 75% to 85% of respondents said either “more pleasant” or “no effect/don’t know.” Compared to results for public/outdoor activities like scenic overlooks, ratings were less positive for activities that were clearly business operating in privately-owned structures – vacation rentals/B&Bs, small stand-alone hotels, tourist-oriented shops. However, that was generally because of higher “no effect” scores rather than higher negative ratings.

The statewide results in Exhibit II-10 are heavily determined by O`ahu responses, and the 2002 survey analysis found somewhat more negative attitudes expressed by Maui Island and Kaua`i residents. For example, 31% of Maui Island residents and about 28% of Kaua`i residents gave *either* “less pleasant” *or* “mixed” ratings to vacation rentals/B&Bs, as well as to small stand-alone hotels. Nevertheless, even on these islands the great majority said such activities either made life “more pleasant” or had “no effect.”

In general, then, Hawai`i residents express little *direct* annoyance about these particular commercial “spill-over” activities. Of course, this conclusion is subject to the caveat of applying only to those who perceive themselves as living “within a five-minute drive” of the activities. It is very possible that results could differ for people living much closer, e.g., within 100 yards or right next door. In absolute terms, the number of such very close neighbors would be small, and a random-sample telephone survey of the general population would be unlikely to find

Exhibit II-10: Attitudes Toward Small-Scale Tourism Activities (2002)



enough of them to provide a statistically valid picture. However, because they are the most affected people, they are more likely to make themselves heard at any public hearings affecting laws about, or permits for, such tourist activities.

There may be some important *indirect* effects. Maui Island and Kaua'i are the most tourist-saturated of all the islands, relative to their resident populations. In the 2002 survey, residents of those islands were also most likely to report living either "right in" or within a five-minute drive of major resort areas, and they reported living within a five-minute drive of more small-scale tourism "spill-over" activities than residents of most other islands. The past several surveys have also found residents of Maui Island and Kaua'i to be the most resistant to additional tourism activity and the most likely (1) to say tourism negatively affects both traffic and housing cost, and (2) to oppose additional tourist use of wilderness areas. The greater prevalence of both tourists and commercial tourism activities scattered about these particular islands may well contribute to the greater tendency of residents there to oppose tourism growth.

## **2. *Attractions and/or Isolated Commercial Areas Outside Resort Areas***

Commercial activities on private property outside resort areas may be roughly categorized into (1) alternative places for visitors to *stay* (or live part-time), and (2) things for them to *do and see* on private lands. This discussion covers most of the "things to do and see" business operations, though golf courses are separately discussed later because of their high visibility in earlier years. Subsequent parts of this chapter will take up various "places to stay" – stand-alone hotels, bed and breakfasts, and vacation property.

Other than the foregoing very general survey results (Exhibits II-9 and II-10), there is little survey data on resident attitudes about attractions and retail complexes, and so the issues discussed below come from interviews with government planning officials.

**Major Theme Parks:** Hawai'i has few of these, which makes the previously-discussed commercial use of public recreational lands all the more critical. However, some large attractions do exist or are being proposed. The most prominent existing large facility in a rural area is the Polynesian Cultural Center in the predominantly Mormon (Church of Latter Day Saints) community of Lā'ie on O'ahu. Perhaps because of its integration with the Brigham Young University-Hawai'i campus, the economic and cultural center (along with the Temple) of Lā'ie, there have been few reported community concerns about this major tourism magnet – except for longstanding and recurrent grumbles about tour buses creating traffic congestion in communities along the road to Lā'ie.

At present, a similar though smaller-scale concept – called "University of the Nations" – is being proposed for an upland area in West Hawai'i. It would also

include a performance center (perhaps with more of an Asian component rather than only a Pacific Island emphasis) as well as a housing development to support a proposed new university. Community concerns about this proposal have reportedly focused on many practical planning issues such as traffic, noise, use of available water supply, and similar effects on surrounding neighborhoods. However, there have also been socio-cultural or socio-political questions asked: Will jobs or economic benefits accrue strictly to outsiders or in some part benefit the local community? Will the cultural content of the performance center have appropriate linkages with Hawai'i ethnic groups originating in the countries whose culture is being portrayed? Will those cultures be accurately portrayed?

Other proposals – including a water park on O`ahu and speedways or other private sports ventures on several islands – have been mired in both the regulatory and the investment capital-raising processes. Government officials feel the likely issues are mostly straightforward planning concerns that might affect any major new business, whether oriented to a visitor or a local market. One planner noted that, while economists might see major new job centers as a “community benefit,” average residents are less forgiving of traffic or other disruptions from entertainment-related businesses than from similarly-sized organizations like hospitals.

**Commercial Retail Operations:** Roadside agricultural produce stands, art galleries, and gift shops dot the highways of most islands, but rarely seem to generate resident complaints or compliments. Factory outlets located in some industrial areas or certain shopping centers (e.g., Waikēle on O`ahu) have also been popular forms of “shopping tourism” – especially though not exclusively with Japanese visitors – and have to date generated few resident complaints. These would presumably be examples of the sort of *welcome* dispersed business “spill-over” mentioned toward the beginning of the chapter.

However, several small- to medium-sized Windward O`ahu souvenir complexes catering to Japanese tour groups have occasioned concerns about appearance and authenticity. Each of these has a particular “local history” having to do with the way that particular companies and particular local residents have interacted.

**Agricultural-Area Attractions:** “Agri-tourism” is an emerging niche visitor industry activity, and one that has sometimes polarized residents who see it as a way to subsidize shaky agricultural businesses vs. those who fear it will lead to urbanization and displacement of agriculture.

Agriculture-based tourism attractions such as botanical gardens, coffee or macadamia nut processing tours, orchid and anthurium farms in East Hawai'i, and wineries at Volcano or `Ulupalakua Ranch have long operated with little resident concern or negative impacts on neighbors. However, as of this writing, several planning officials pointed to two very distinct controversial situations:



- **Dole Plantation Expansion:** Perhaps the largest “agri-tourism” attraction in Hawai'i,<sup>25</sup> the Dole Plantation in the past has expanded from a fairly small roadside stand to an agricultural retail complex with a train ride, gardens, and the “world’s largest maze.” However, proposed further expansion at Dole Plantation and the adjacent Helemano Plantation (a smaller but somewhat similar operation run for the benefit of residents/employees with disabilities) has generated significant resident concern in the public hearing process. These concerns have focused primarily on the Dole request for additional zoned retail acreage, and have involved basic planning issues about the potential for future urbanization (i.e., the larger complex might be a nucleus for growth of housing subdivisions, though none are being proposed); creation of what is feared might become a general shopping mall rather than a specialty agriculture-oriented complex; and potential for capturing visitor expenditures that might otherwise go to existing small North Shore merchants up the road.

Dole has responded to the latter issue by offering to work with North Shore businesses and community development groups to provide promotional materials that would direct tourists to businesses or farm-based attractions the tourists might not otherwise know about. The situation raises interesting questions about whether a single large agriculture-based attraction will blot out possible smaller competitors or will grow the industry by serving as a “feeder.”

- **Doutor Coffee Farm Tours:** Recently a well-known Japanese coffee company – Doutor Coffee Co., owner of a relatively small Big Island coffee plantation – had obtained a permit to conduct tours by initially representing that visitors would consist primarily of a small number of franchise operators from Japan, arriving in mini-vans. Subsequent investigation showed that public tour operations were actually occurring, at one point bringing in eight to 10 large tour buses. Neighbors expressed noise, traffic, and safety concerns – many of them focusing on the problems caused by buses traveling along narrow agricultural subdivision lanes. There were also concerns about the quality of life of other residences should farm tours spread to other coffee plantations in the Kona Coffee Belt.

It may be noted that, in both these cases, resident concerns have been triggered when the scale of actual or proposed operators began to exceed expectations. It is often the amount, rather than the nature, of a “spill-over” activity that determines whether activities are acceptable or not.

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<sup>25</sup> Dole Plantation drew 870,000 visitors in 2002 (personal communication, Susan Harada, Dole Plantation manager, April 2003).

**Residential-Area Wedding Chapels**, however, represent an issue where the intrinsic *quality* of the activity, regardless of its scale, seems to be more important to people who object. This has been an occasional issue on O`ahu, where residents have objected to (1) the presence of a “business” in residential areas, and, less frequently (2) the idea that what many people value as a sacred ritual is being conducted outside traditional venues, and perhaps tainted in the process. This is a value issue that somewhat parallels the bed-and-breakfast issue (discussed shortly) that some residents have about “allowing strangers into your home,” as well as the previously discussed value concern about using recreational resources for profit.

Tourism presents opportunities for economic benefits that sometimes seem at odds with traditional values about either the propriety of commercializing the activity itself or the appropriate venue. Even though the stated resident issues involve things like “traffic,” planners have noted that actual numbers of cars are very small, and they surmise that more important underlying issues have to do with these feelings that one should not bring strangers into one’s own home or neighborhood to make money off them.

### **3. Golf Courses Outside Resort Areas**

In the late 1980s and early 1990s, proposed new golf courses – many of them to be sited outside established resort areas – were a source of major controversy in the Islands. The controversy was due in some part to the sheer number of proposals (at one point, 57 on O`ahu alone<sup>26</sup>), but also in part to socio-cultural factors underlying the economics of golf course proposals at that time. Prior to the shrinking of the Japanese economy in the mid 1990s, golf course memberships sold for hundreds of thousands of dollars, and the dollar-yen exchange rate made high-priced Hawai`i golf memberships both “affordable” to Japanese executives and also highly lucrative to Hawai`i developers. This situation raised the prospect of effectively ceding large and sometimes quite visible tracts of land to affluent foreign residents, with – at the outset – little prospect of “affordable” (by local standards) play for Hawai`i residents.

This situation has largely disappeared. Public play requirements were implemented at the few courses actually approved and developed – and some of these have since changed hands or gone into receivership. Planning officials interviewed for this report generally said they hear few if any public concerns at this time. However, the proliferation of upscale second homes on Neighbor Island resorts has reportedly begun to increase the demand for golf courses on some islands, and at least one group of Mainland second homeowners in West Hawai`i have won approval for a private golf course there. Other investors are reportedly looking at formerly proposed or approved potential golf course sites elsewhere

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<sup>26</sup> Personal communication, Kathy Sokugawa, Planning Division Chief, Department of Planning and Permitting, City and County of Honolulu, April 2003.

on the West Hawai'i coast. However, to date these projects have involved relatively few sites, and ones that are not in highly prominent or visible locations, and so there does not seem to be any echo of the former public outcry.<sup>27</sup>

#### **4. Small Stand-Alone Hotels Outside Major Resort Areas**

In the past several State-sponsored resident surveys, about 60% to 70% have agreed with the statement, *"Even if more visitors come, I don't want to see any more hotels on this island."* But does this sentiment extend to small lodges and inns outside major master-planned resorts or Waikīkī-type nodes? The foregoing Exhibit II-10 showed relatively few nearby residents complaining about small stand-alone hotels in the 2002 survey ... although a larger minority did register some degree of negative feelings about such small hotels than about other small-scale tourism activities.

In past decades, before or as local governments were deciding to concentrate most hotel activity into resort nodes, small stand-alone hotels were constructed on all islands – particularly on O`ahu and the Big Island. Many of these are relatively old, family-run establishments (e.g., Manago's in Kona or the Shirakawa Motel in Ka`ū) that have long blended into the fabric of local communities, and may attract as many Island residents as tourists. Some are essentially expanded bed and breakfasts aimed at the hiking and "backpacker" market (e.g., the Backpackers' Vacation Inn and Plantation Cottages on O`ahu's North Shore or Arnott's Lodge in Hilo). And others are classic American no-frills small-town hotels providing an option to luxury resorts in areas with particular localized attractions outside the major resort areas (e.g., the Lā`ie Inn by the Polynesian Cultural Center, the Volcano House by Kīlauea Crater, or the Hāna Kai Resort Condominium in the Hāna area of Maui).

Planning agencies interviewed for this report were aware of few resident complaints about these long-established stand-alone hotels. However, they noted that in recent years there have been only a relatively few proposed such *new* small hotels – perhaps because of hotel economics, perhaps because the demand for accommodations in outlying areas seems to have been filled in recent years more by bed and breakfasts or vacation rentals (see immediately following discussion).

The late 1980s and 1990s did see a handful of proposed new moderate-priced to upscale projects catering to the "cultural tourist" and/or the "eco-tourist." These included a few that were denied or never built (e.g., several projects near Waipi`o Valley), as well as a few that do now exist (e.g., the Waimea Plantation Cottages on Kaua`i and the Moloka`i Ranch and Lodge). In all cases, issues raised at public hearings seemed to be a microcosm of those associated with larger

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<sup>27</sup> Personal communication, Darren Arai, Planning Program Manager, West Hawai'i Office, Hawai'i County Planning Department, May 2003.

resorts – environmental effects, economic benefits vs. change in community character, feared housing inflation, and particularly the possibility that one successful small operation would stimulate others in a sort of “hotel cancer” process, etc.

In fact, of course, communities which started out with just a few stand-alone hotels decades ago did often turn into resort nodes or “tourist towns” – Waikīkī, Lahaina, Kailua-Kona, Kapa`a, etc. These were primarily beachside areas. Smaller hotels founded long ago in upland areas like Kamuela or Hāwī have generally *not* proliferated to the point where their surrounding communities have become “tourist towns,” though some are now reportedly attracting more niche tourists interested in out-of-the-way experiences.

The few new coastal-oriented small hotel or lodge operations – including a yet-unbuilt “eco-tent” operation on O`ahu’s North Shore and the Waimea Plantation Cottages on Kaua`i – have faced particular community scrutiny during public hearings. The Waimea project, utilizing actual former plantation cottages from land owned by the *kama`aina* Faye family developing the hotel, began with only 20 units in 1986 and has gradually expanded to 60. This level of community integration, involving recognition of local history and intensive outreach by local rather than off-shore corporate owners, appears to be one of the keys to winning acceptance from a populace generally suspicious of new hotels. In the 2002 resident survey, Waimea was the only part of Kaua`i where residents were slightly more likely to favor than to oppose “more tourism activity.”

##### **5. *Bed and Breakfasts or Vacation Rentals Outside Resort Areas***

Unlike golf courses or small stand-alone hotels, residential-area vacation rentals and/or bed and breakfasts have been proliferating in recent years and – although it is believed they tend to cluster in certain (usually beachside) communities – they are a source of significantly more controversy. There is also occasional discussion about whether they represent a desirable diversification of the Hawai`i visitor experience or are inappropriate competition for hotels and other traditional accommodations, since the latter provide more on-site jobs and are more likely to be legally registered businesses paying substantial taxes.

Most of this debate has involved operations in residential areas, though there is now also some emerging discussion about similar issues in agricultural areas.

**Definitions, Legal Status, and Trends:** A “bed and breakfast” (B&B) has an on-site full-time residential host, while a “vacation rental” involves unsupervised rental of a housing unit (no on-site host or supervision) for short periods of time, from a few days to several weeks. While often permitted in resort areas, vacation

rentals in residential areas are currently (May 2003) prohibited<sup>28</sup> by county zoning codes in Maui, Kaua'i, and the City and County of Honolulu. Vacation rentals are not explicitly addressed in the current Hawai'i County zoning code, except for prohibitions against renting to large groups of more than five unrelated people.

Residential-area B&Bs are, with limited exceptions, not currently allowed in Honolulu or Kaua'i. The county codes of Maui and the Big Island do allow for some B&Bs, but only if they go through a permit review process and receive approval. The number of allowable units in each county varies, depending on the home lot size, and the Hawai'i County Code specifies that B&Bs must be "subordinate to the principal use as a residence." (However, the Hawai'i County approval process is more lenient in other aspects, and this county has the state's only formal association of B&B operators.)

Despite these prohibitions and/or restrictions, county planning officials contacted for this report all said there is anecdotal evidence of growing numbers of illegal residential-area vacation rentals and B&Bs – even in counties where they are allowed with some restrictions. And all four counties are currently either conducting or considering some revisions to current laws affecting B&Bs and/or vacation rentals, some with an eye to tightening up and some with an eye to loosening current laws.

The true number of Hawai'i residential-area B&Bs and vacation rentals is unknown, but is widely believed to have mushroomed in recent years due to owners' ability to advertise on the Web and perhaps to an increase in visitors wanting to experience more of the "true Hawai'i" outside resort areas.

DBEDT's *Visitor Plant Inventory* is primarily based on surveys voluntarily completed by "existing visitor accommodation properties and management companies," and does *not* distinguish between B&Bs/vacation rentals in resort vs. residential areas. The 2001 data, based only on "reported" (for the most part, voluntarily reporting) units, counted only 553 total B&B units on 149 separate properties statewide – with a little more than half these reported units located in Hawai'i County and only 7% (42 units) on O'ahu.<sup>29</sup> These 553 reported B&B units represented just 0.8% of the state's total known visitor unit inventory.

Reported vacation rentals (termed "individual vacation units" or IVUs by DBEDT) totaled 1,460 units on 306 properties statewide in 2001, with 18% of these on O'ahu and the remainder fairly equally divided among Maui, Kaua'i, and Hawai'i

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<sup>28</sup> Some counties that otherwise prohibit or restrict them do permit continuation of "grandfathered" vacation rental or B&B units – i.e., ones that were functioning on a legal basis prior to some specified date when the law changed.

<sup>29</sup> As a personal note, the author of this report has counted close to that number of units in his own immediate small O'ahu neighborhood.

Islands.<sup>30</sup> These 1,460 units amounted to 2.0% of the state's known visitor unit total in 2001.

Thus, officially reported B&Bs and IVUs together totaled just over 2,000 units (a little under 3% of all units statewide in 2001). However, reported B&B and IVU *properties* together accounted for about 50% of all identified accommodations properties in the state as of 2001, making them the "Mom & Pop" small businesses of Hawai'i's lodging industry.

And it is to be remembered that all of these numbers and percentages are likely to be significant underestimates of the actual situation. Because of limited personnel for inspection and enforcement, local government generally becomes aware of non-permitted B&Bs or vacation rentals only when they hear complaints (often only when there are *repeated or vigorous* complaints) from neighbors. Some planning officials suspect that neighbors often hesitate to complain about existing operations, but do turn out to object to permits for additional units or to proposed liberalizing changes in the law.

**Planning Officials' Understanding of Resident Issues About Residential-Area B&Bs and Vacation Rentals:** Given the nature of the situations in which resident issues come to the attention of planners, they are particularly aware of resident *complaints*, which include (to varying extents on different islands) –

- **Noise and Parties:** One of the most frequent issues, this is often a lesser concern for B&Bs than for vacation rentals, where there is no on-site host to discourage loud and/or late-night partying. However, even B&Bs generate occasional complaints, as when guests – talking and opening/shutting car doors – arrive late at night. There are also (probably infrequent) examples of other types of objectionable "party mentality," as when a Neighbor Island apartment building overlooked a B&B swimming pool where guests were frequently swimming nude. (This situation was easily resolved by a tent over the pool!)
- **Traffic/Parking Congestion:** Especially if there are limited parking spaces inside the property, or if guests find it more convenient to park outside, a B&B or vacation rental is often characterized by more cars on the street than nearby homes.

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<sup>30</sup> It should be remembered, however, that IVUs/vacation rentals are more likely to be located in designated resort areas than are B&Bs. Resort-area IVUs would most likely be located in apartments, interspersed with residential units and second homes. DBEDT counts resort-area "condominium hotels" separately. These would often be buildings consisting solely or largely of what might otherwise be termed vacation rentals, but in a multi-unit structure designed and managed entirely for that purpose. In 2001, Kaua'i and Maui Islands both had roughly as many "condominium hotel" units as traditional full-service hotel units. (Timeshare developments are often developed as or within condominium hotel structures in resort areas, with few if any timeshare properties yet "spilling over" into residential communities.)

- “Neighborhood Character”/Business Operations: For some residents, “neighborhood character” is just a shorthand way of talking about noise and traffic issues. But there have also been some situations where homes have reportedly been bought with the prime intention to be run as a business, where an on-site B&B manager is not the true owner and has little sense of obligation to neighbors. A fine line between a residential “guest house” and a commercial “business” is then crossed.<sup>31</sup>
- “Sense of Community”/Sheer Numbers: A separate but often related issue is the sense that a feeling of true “community” is lost when a certain percentage of homes become B&Bs and/or vacation rentals. Nobody knows what percentage this might be, and it is probably a more easily attained, lower figure in cases when many of the homes are being run primarily as “businesses.” Reported examples include the Hanalei/Hā`ena area of Kaua`i and some parts of Lanikai on O`ahu. (These areas are also characterized by high proportions of second-home owners, many of whom rent their houses to vacationers when they are not on-island.)
- Economic Concerns include at least two issues –
  - o Frustration that unregistered B&Bs or vacation rentals are avoiding payment of taxes (unfair competitive advantage over legal lodging proprietors, as well as loss of needed revenues for government);
  - o Belief or fear that residential housing cost is driven up, because supply of units for residents may be sidetracked into visitor rentals (a Maui study on this topic will be discussed shortly hereafter);
  - o Belief or fear that *property taxes* will be escalated for other residents in a neighborhood when “income potential” increases the sale value of houses in those neighborhoods where B&Bs or vacation rentals have been successful.
- Possible Underlying Cultural Value Differences: Although it has rarely if ever explicitly surfaced as a stated resident complaint, in response to questions several planning officials acknowledged that – as was previously noted for “adventure tour” operators – most B&B operators seem to be in-migrants to Hawai`i rather than people born and raised here. “Local people are more likely to think you just don’t take strangers into your house,” one person commented. (This applies more to B&Bs than to vacation rentals, as will shortly be apparent.) As with tour operations, there was little suggestion of real ethnic antagonism, simply the idea that longtime local people have a harder time identifying with, or feeling they

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<sup>31</sup> An argument in favor of a more “professional” B&B approach, however, would be greater likelihood of customer satisfaction on the part of visitors. Any sort of regulation – whether by government or self-regulation by associations of operators – is likely to encourage some measure of professionalism in conducting business.

have a potential stake in, success of B&B operations. One Neighbor Island official also suggested that local people are concerned that B&B operators may be hurting the business of hotel operators who employ many longtime locals and who have made an effort to become part of the community fabric.

Although supporters of B&Bs or vacation rentals (other than actual owners and operators) are usually less motivated to talk to them, planning officials have also encountered some *positive sentiments* toward residential-area small visitor operations:

- Increased Opportunity for Personal Interactions with Visitors: Some residents say they value the opportunity for occasional chance meetings with visitors from other parts of the world who are functioning as “temporary neighbors” – actual human beings rather than economic units in an impersonal visitor “industry.” Along with this may go the feeling that the sort of visitor who wants to come and stay in one’s own neighborhood may be someone with similar tastes and values, someone worth getting to know.
- Support for Neighbors and Local Businesses Generating Income: There is also more willingness to value economic activity when it is of immediate benefit to people that one knows personally – a friend who takes in visitors, the local store or restaurant helped by increased trade, etc. For some people, this is based on actual personal acquaintances and family, and for others it is more of an ideological commitment to small-scale visitor activities (often called, correctly or not, “eco-tourism”). Some community-based O`ahu economic development plans have tried to incorporate B&Bs for this sort of reason.
- Personal Convenience: Having a B&B or vacation rental in the neighborhood means it is possible to have friends or family stay nearby, even if one is for some reason unable to have them stay in one’s own home.
- Lower Risk and More Reward for Local Landlords: Many areas now popular with visitors or off-island second home buyers were initially weekend vacation areas for longtime local residents. Families who retain homes they no longer use may convert them into rental properties, and these landlords may not only get a higher return from vacation rentals but also find it easier to keep the homes in good condition, since professional cleaning and maintenance occur much more frequently following occupancy by vacationers than by long-term renters.

The general impression here is that many *supporters* envision a low to moderate level of fairly personalized small home operations, while *opponents* fear or believe they have experienced an overload of commercialized activity consuming



residential areas in much the same sort of “cancer” process that people often seem to fear about the spread of hotels.

**Reported Issues Relating to Agricultural B&Bs or Vacation Rentals:**

**Compatibility with Agriculture:** While most B&B or vacation rentals probably still are in beachside residential areas, some are either conceived as part of “agri-tourism” or simply are located in scenic rural areas. (They are not, however, legal in the State Agricultural district without a permit from the State Land Use Commission.) On the positive side, some longtime local farmers, such as Kaua'i taro growers, are beginning to find that farm stays can help subsidize economically precarious activities, and community-based economic development proponents point to Mainland examples such as B&Bs in the Napa Valley wine country as evidence that agriculture and small-scale tourism are compatible and can help diversify Hawai'i's tourism product.

However, these sorts of rural operations raise many or all of the foregoing complaints and potential problems associated with residential-area operations (including concerns about pressure on land prices), plus the legal and cultural value issue of whether they are “appropriate” activities in agricultural areas. Many environmentalists or farmers themselves have spent so many years protecting ag lands from urbanization that they fear B&Bs or vacation rentals could be the first steps toward effective loss of agriculture and open space.

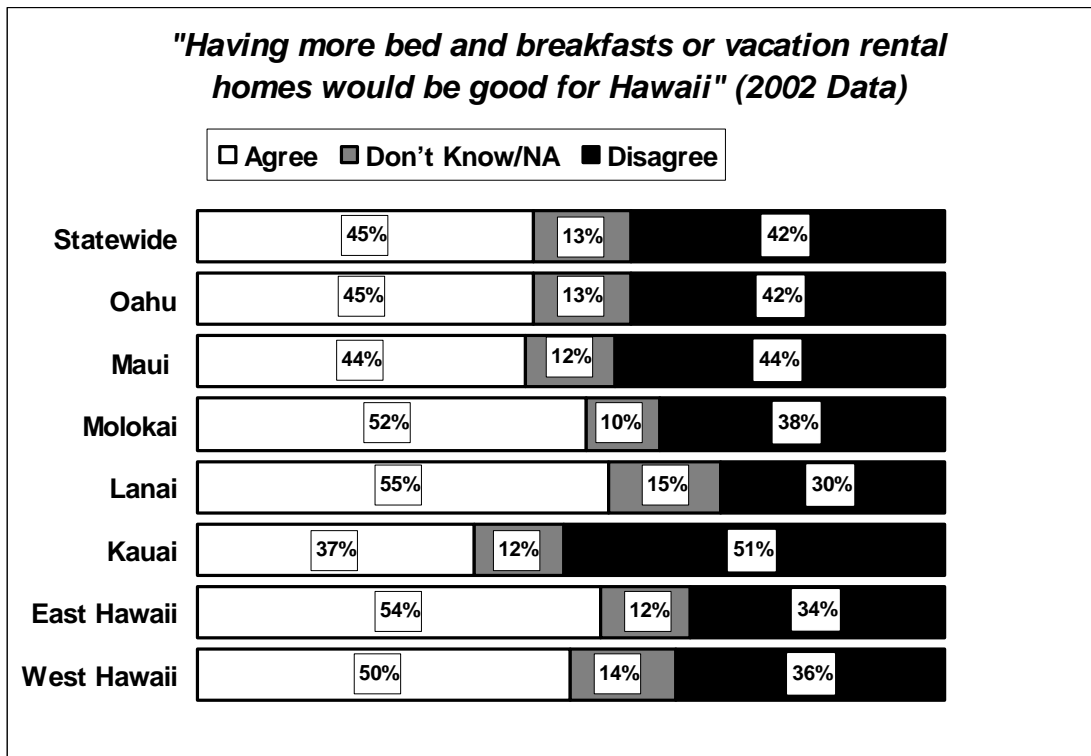
The fact that larger structures are possible on rural lots may sometimes result in more actual or perceived “mini-hotels,” rather than incidental and human-scale side uses of farm dwellings. The appearance of these structures tends toward the upscale end, while many surrounding farm residences give the impression of functional structures for lower-income residents. Thus, they may contribute to concerns about “gentrification” and gradual displacement of working farmers.

**Survey Evidence About General Resident Attitudes Toward B&Bs/Rentals:**

Previously, Exhibit II-10 showed that few people who were aware of either B&Bs or vacation rentals within a five-minute drive of their homes had many objections to them. (Again, next-door neighbors may think differently.) However, acceptance of existing operations does not always imply a desire to have more. Exhibit II-11 below shows results from the State's 2002 survey asking for agreement or disagreement with the statement “*Having more bed and breakfasts or vacation rental homes in residential areas would be good for Hawai'i.*”

As is apparent, opinions were very split on this topic. Opposition was somewhat more pronounced on Kaua'i, while slight majorities on the Big Island, Moloka'i, and Lāna'i agreed with the statement favoring more B&Bs and vacation rentals. (It may be noted that planning officials on the Big Island – where there is an association of B&B operators and where most of the state's known units are located – suggested that resident concern has been fairly limited in recent years.)

**Exhibit II-11: Attitudes Toward Growth of “Bed and Breakfast” or Vacation Rental Homes (2002)**

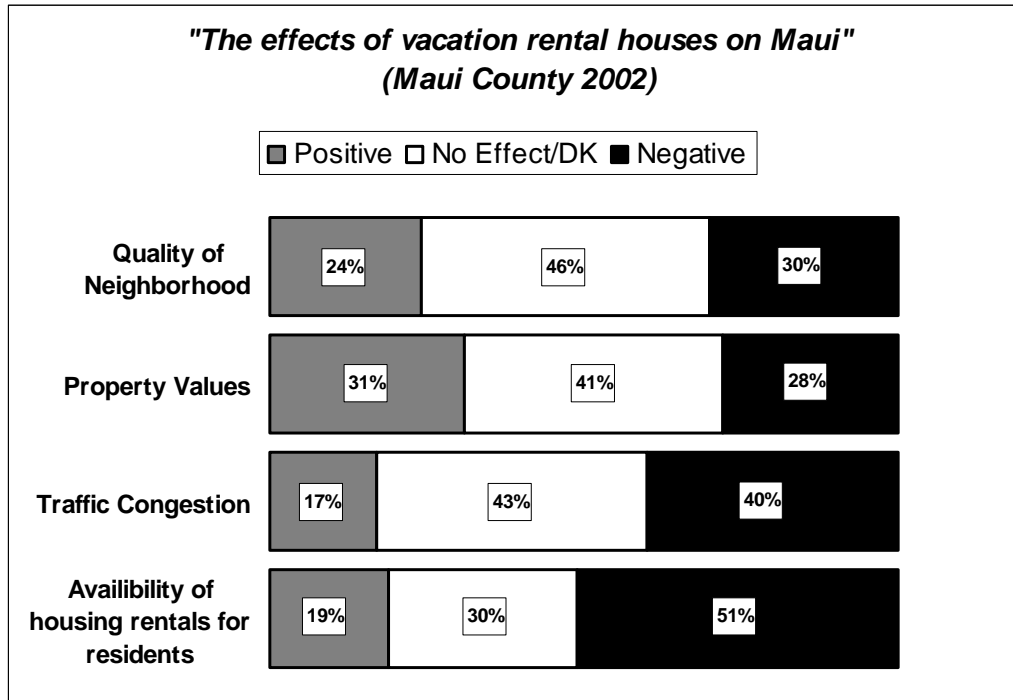


**In-Depth Survey Evidence About (Maui County) Resident Attitudes Toward Vacation Rentals:** Because Maui County is considering possible changes in law to permit more widespread legalized vacation rentals in single-family residential areas, Maui’s Planning Department commissioned a telephone survey of 535 residents, as well as a study of probable economic impacts on property values and housing costs for residents. This study was carried out by SMS Research during the summer and fall of 2002.<sup>32</sup> It referred to vacation rentals with no hosts present as “single-family transient vacation rentals (SFTVRs).”

The survey component of the study found that many or most Maui County residents saw SFTVRs as having negative effects on surrounding residential neighborhoods, but nevertheless favored legalization of short-term SFTVRs. Exhibit II-12 shows that, in most cases, there were more Maui County residents who felt SFTVRs had negative neighborhood impacts than there were people who felt they had positive impacts – particularly in regard to traffic and availability of rentals for residents.

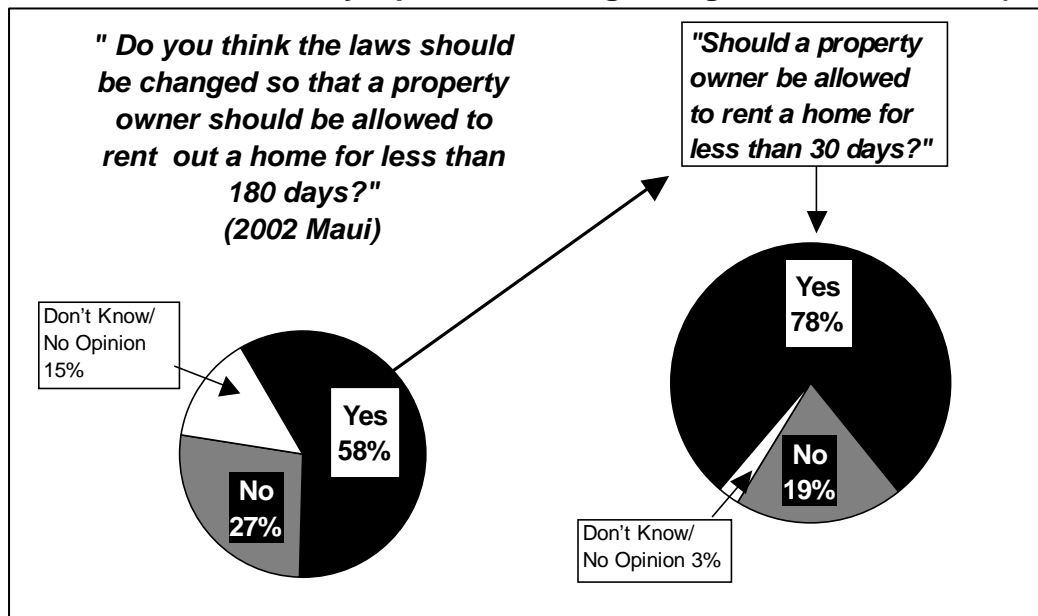
<sup>32</sup> SMS Research, Inc, *Transient Vacation Rental Research*, prepared for the Maui County Planning Department, October 2002.

**Exhibit II-12: Beliefs About Effects of Rental Houses in Maui County (2002)**



However, Exhibit II-13 shows nearly 60% of Maui residents nevertheless favored changing the law to permit SFTVRs for rentals of less than 180 days, and the great majority of those also favored rentals for less than 30 days.

**Exhibit II-13: Maui County Opinions on Legalizing Vacation Rentals (2002)**



“When asked why they favored SFTVRs, respondents mentioned several factors, notably the well-being of Maui’s economy, sympathy with visitors who sought this sort of lodging, and recognition that owners depend on the income. A sense that homeowners should have the right to do as they want with their property was also expressed fairly often.” (SMS Research, 2002, p. 11)

Perhaps most intriguingly, some 29.5% of the Maui County sample said they were familiar with at least one SFTVR *in their own neighborhood*, and this “Familiar” group was as positive or more positive about legalizing SFTVRs in their neighborhoods as was the overall sample.<sup>33</sup> (See Exhibit II-14.)

**Exhibit II-14: Maui Attitudes Toward Allowing Vacation Rentals (People with Rentals in Own Neighborhood Vs. Total Sample)**

% Agreeing: “Should SFTVRs be allowed, with conditions, in your neighborhood?”			
	<u>Maui Island</u>	<u>Moloka`i</u>	<u>Lāna`i</u>
“Familiar” Group*	76.5%	74.2%	66.7%
<b>Total Sample</b>	68.4%	68.5%	64.5%

\* “Familiar” meant familiarity with SFTVRs because of having at least one in own neighborhood.

**Analysis of Impact of Vacation Rentals on Maui County Housing Costs:**

Another part of the Maui study used non-survey data – interviews with real estate professionals; average property values per square foot in comparable sections of Maui neighborhoods with and without know SFTVRs; sales data; etc. – to explore likely “objective” effects on property values and availability of affordable housing for residents. Major conclusions:

- “The neighborhood analyses fail to show any impact of SFTVRs as a class on local property values.” (SMS Research, 2002, p. 22)
- The study estimated Maui County has about 2,000 SFTVRs (many of them “large and well-appointed” oceanfront full homes, but also cottages, `ohana units, and units within owner’s homes) ... but further estimated that no more than 20%, or about 400, “could conceivably be converted to affordable resident homes.”

<sup>33</sup> The survey also asked about allowing SFTVR’s in other settings – in and near resorts, in single-family residential areas, and in rural areas – with essentially the same results for all settings. However, it may be noted that nearly 60% of Maui County residents favored taxing SFTVR’s at either hotel/resort or commercial business rates for property tax purposes, and only 21% favored taxing at the same rate “as homes.”

The reasons for this conclusion – which basically said that vacation rentals have little effect on affordable rentals for Maui residents<sup>34</sup> – included:

- o Larger homes, often fronting the ocean, command high market prices and so would not provide “affordable” rentals. Additionally, many owners of such units occupy them part of the year and would be unlikely to rent them on a full-time basis if they could not rent them out to short-stay visitors.
- o As for smaller SFTVRs in residents’ homes: “If owners are willing to have them occupied continuously – and at least some are not willing – these units are likely not in conformity with County codes for multi-family use of homes. Similarly, ohana unit rentals might be feasible but entail code violations.” (SMS Research, 2002, p. 25)

## **6. Second Home Development Outside Resort Areas**

**Overview:** As noted at the end of Chapter I, the “economic engine” for integrated master-planned resort developments (e.g., Princeville, Ko Olina, Kapalua, Waikoloa) has been sale of “resort-residential” property – sometimes retirement homes but more typically vacation homes – *on-site* at the resorts, and these on-site properties started to build out rapidly in the mid-1990s, a process that is still occurring. Repeat hotel visitors in each resort region are a critical market for vacation home or retirement property in that area, and some Neighbor Island luxury hotels were reportedly built as “loss leaders” to attract such customers.

In places such as Florida, vacation and retirement properties are heavily linked with tourism, and Hawai'i is now moving down a similar path. One indicator<sup>35</sup> of second-home development consists of U.S. Census Data on the percentage of all housing units counted as “vacant but held for seasonal, recreational, or occasional use” (SROU). As of 2000, this SROU percentage was highest in New England states (peaking at 15.6% of all housing units in Maine), but in many cases these are individual cottages rather than concentrated *developments*. It seems more likely that upscale vacation-home developments are more heavily concentrated in warmer states. Among southern states, the highest 2000 SROU percentages were for Florida (6.6%), Arizona (6.5%), and then Hawai'i (5.5%). The national average was 3.1%.

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<sup>34</sup> It should be noted that the new Maui County Planning Director disagrees with this conclusion, saying he believes there is evidence that some renters in West Maui, Haiku, and Pā'ia are being evicted so that their units can be rented out by the week. (Personal communication, Mike Foley, April 2003.)

<sup>35</sup> This is an indicator only, not a perfect measure, as the Census definition includes timeshare units along with second homes. As of 2000, the great majority of Hawai'i units held for “seasonal, recreational, or occasional use” would be second homes – including Hawai'i residents' open weekend getaway properties, of course – but in the future, increasing development of timeshare properties will complicate use of this statistic as an indicator of second homes.

Census data indicate that Hawai`i SROU units mushroomed between 1990 and 2000, particularly on the Neighbor Islands:

**Exhibit II-15: U.S. Census Data on Hawai`i Housing Units “Held for Seasonal, Recreational, or Occasional Use” (SROU)**

<b>Place</b>	<b>SROUs as % of All Housing Units, 2000</b>	<b>Percentage Increase in SROUs, 1990 - 2000</b>
Statewide	5.5%	100%*
Honolulu, City & County	2.2%	54%
Hawai`i County	8.1%	149%
Kaua`i County	15.2%	1,056%**
Maui County	17.3%	63%

\* The 100% increase in SROUs may be compared to a statewide total 1990 - 2000 increase in all housing units of just 18%.

\*\* The Hawai`i State Data Center within DBEDT considers the Kaua`i figure to be suspect, but it is definitely what Census data say. Because timeshare units are also included among SROUs by the Census, the Kaua`i percentage may be particularly overstated if taken as an indicator of “second home development.”

Resort developers of course wish to capture as much of the second-home market as possible on-site in their own resorts. However, the potential for “spill-over” into surrounding areas is apparent. A more detailed study of Census data is needed for a truly comprehensive map of tracts outside resorts with high percentages of SROUs in 2000.<sup>36</sup> For purposes of this chapter, a very quick scan of “Census Designated Places” (CDPs) and larger “Census Divisions” (generally equivalent to state districts such as Ko`olau Loa or Puna) showed some high percentages in certain places outside designated resort areas:

- Kaua`i – Wailua CDP, 32%; Hanalei CDP, 31%.
- Big Island – Puakō, 62%, Hōlualoa, 25%.
- Maui County – entire Kula Census Division, 25%.
- Honolulu – Mokulē`ia, 10%.

Little systematic Hawai`i study has yet been carried out on costs vs. benefits of the population owning SROU properties, either on-site at resorts or elsewhere in the state. It is difficult to say how many are here infrequently vs. often; how many rent out their homes when not present; what their expenditure patterns may be; or how many eventually become full-time residents. Current State surveys of incoming passengers distinguish between “full-time residents” and “visitors,” with no separate category for “part-time residents.” The latter group is currently regarded by DBEDT as a sub-group among “visitors” (though it is not clear that these people would all necessarily regard themselves the same way). Viewed

<sup>36</sup> Such an effort would necessarily be confined to existing housing units, not vacant lots on which future housing might yet be developed.

simply as a percentage of all “visitors,” vacation homeowners are probably still an insignificant group. But as property taxpayers and as retail customers in areas such as West Hawai`i and West Maui, it is possible they are economically very important, at least on a regional basis.<sup>37</sup>

Nor has there been any systematic survey study of Hawai`i resident attitudes toward second-homeowners (on-resort or off) – what may be their perceived impacts, or whether residents believe (as they do of tourism in general) that benefits exceed any problems caused. A substantial body of evidence<sup>38</sup> indicates that *on-resort* second-homeowners usually keep largely to themselves, having little interaction with the resident community, although there have been instances when they have contributed to specific community projects. But “objective” social impact studies of *off-resort* second-homeowners have been less frequently conducted or collected.

Indeed, it is possible that one or both of two other groups may prove equally or more important as time goes by:

- (1) Retirees moving to Hawai`i (some of whom may have initially owned vacation property here before moving); and
- (2) Telecommuters living in Hawai`i but connected to Mainland jobs (likely a small but growing category as of now).

People in these two groups may have first been exposed to Hawai`i as tourists, although some of the same technological advances that have helped expand Hawai`i's visitor industry could increasingly have a direct effect on growing these populations without the intermediary effect of tourism. In common with second-homeowners, they have little direct stake in Hawai`i's economy, but nevertheless contribute to it through their expenditures and taxes. And, of course, they are consumers of government services. They are probably more likely than second-homeowners to have some involvement with local communities, though that remains to be documented.

### **Agricultural Subdivisions as Proxy for Off-Resort Second Homeowners:**

There are a few parts of Hawai`i – the Hanalei/Ha`ena area of Kaua`i representing perhaps the most prominent example, with Hāna and Lanikai as somewhat more diluted instances – where affluent, often celebrity second-

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<sup>37</sup> We may reasonably assume that off-resort vacation homeowners are somewhat less affluent than owners of multi-million-dollar beachside homes – but still more affluent than the average resident of Hawai`i or of most other states. Of course, these would also include some of Hawai`i's own more upscale residents, who may own land or housing on another parts of their own island or on another island. The Census data gives no clear indication of in-state vs. out-of-state SROU ownership.

<sup>38</sup> Some of this was summarized in a study on second-home resort development for Lāna`i: Community Resources, Inc., *Kō`ele Resort Housing Social Impact Assessment* (two volumes), prepared for Castle & Cooke Properties, Maui County Council, Community of Lāna`i, May 1992.

homeowners have clustered in oceanside communities located outside major resorts. However, the more typical off-resort second-homeowner *probably* consists of some purchasers in rural Hawai`i agricultural subdivisions – the “gentleman farmer” or “gentleman rancher.”

It is unknown what proportion of landowners or homeowners in such subdivisions consist of second-homeowners. Many may instead be longtime Hawai`i residents, retirees, or the occasional new telecommuter. But the second home market seems likely to comprise some significant portion of the overall agricultural subdivision market.<sup>39</sup>

Planners interviewed for this study tended to believe their own primary issue about agricultural subdivisions coincides with the public issues they hear most often: *Are agricultural subdivisions encouraging or discouraging preservation of actual agricultural activity in Hawai`i? Are they boosting land values to the point that “real farmers” cannot afford them?*

The answers are mixed, planners say. Investigations have often established that, yes, millionaire residents or part-time residents in agricultural subdivisions are obeying at least the letter and often the spirit of the law by growing substantial amounts of coffee or other crops. That may disadvantage the less affluent local farmer in buying land, but the agricultural use is real.

But there have also been fierce battles over whether proposed “agricultural” subdivisions with million-dollar lot prices and associated golf courses are not truly urban (or “resort”) uses in disguise. Some recent examples include contested hearings and court actions over proposals at:

- South Kona (Hökūlia and Keapuka);
- O`ahu’s North Shore (Lihi Lani);
- The Nukoli`i area of Kaua`i (Ocean Bay Plantation);
- Launiupoko, above Lahaina on Maui.

While the first three examples above are at least temporarily stalled, land is being developed at Launiupoko in West Maui’s State Agricultural District, and one property there has been listed for nearly \$3 million.<sup>40</sup>

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<sup>39</sup> Maui County’s Planning Director Mike Foley (personal communication, April 2003) believes that only 10% - 20% of agricultural subdivision residents on that island are second-homeowners. However, he also says the Maui Board of Realtors has told him that 85% of residential sales in agricultural subdivisions are made to Mainlanders. This would suggest that retirees or prospective retirees are important factors for that island. Kaua`i Planning Director Ian Costa (personal communication, May 2003) said that, “More and more, the recent ag subdivisions are for the out-of-state market. They’re priced at \$300,000 - \$400,000 a lot. Local farmers cannot afford that.”

<sup>40</sup> Mary Lou Kobayashi, Planning Program Administrator, Office of Planning, Dept. of Business, Economic Development, and Tourism (personal communication, May 2003).



For agricultural subdivisions in general, the land use, legal, and economic issues appear to be currently paramount, but continuing market pressures for large-lot rural real estate – fueled in large part by out-of-state buyers, whether for second homes or other purposes – raise other issues as well:

- What are the potential social, cultural, and political costs and benefits associated with enclaves of affluent out-of-state owners?
- Will they in fact actually be (or forever remain) “enclaves,” or will there be a gradual mingling with Hawai'i's own more upscale property owners?
- Are some ag lands in fact more suitable for rural lifestyles than for active farm or ranch production? Is there a way to accommodate both uses, but in more clearly separated areas?
- What will happen to the “sense of place” in rural areas, the feeling that parts of Hawai'i once usually considered the most “local” are increasingly occupied by non-“local” people?

In some parts of rural Hawai'i, questions of access to mountain trails and other natural resources are at issue. Large ranches or plantations (especially after their closure) may always have had private property rights, but in practice allowed many Neighbor Islanders free access over their property. This changes when the land is subdivided and sold.

Planners interviewed for this study report little overt friction between longtime local residents and people buying agricultural subdivision lots. However, they also report substantial public scrutiny when large new proposals come up for public hearing. (Smaller agricultural subdivisions do not necessarily require government approvals if administrative requirements are met.) Some public objections are attributed to cultural insensitivity on the part of developers who do not take adequate time to establish relationships with, and show respect for, kuleana owners and other longtime local residents in the area. But the greater concern seems to be the privatization and partial urbanization of land that was previously to some degree accessible to many local people.

## **D. Concluding Comments**

This chapter began with the observation that Hawai'i residents historically have favored concentration of resorts in particular areas (though they also like tourists spending money throughout the entire islands). However, the idea that most visitor activity can take place in “self-contained resorts” is now clearly outdated. Tourism “spill-over” outside resort areas has been increased by at least two forces:

- (1) The most visible, and the one that has contributed to most of the issues discussed in this chapter, has been the diversification of Hawai'i's visitor market to include more people interested in the "real Hawai'i" – *using* (not just *viewing*) a full range of recreational and natural resources, and to some extent wanting to stay at B&Bs or other small accommodations outside established resort areas.
- (2) Particularly on the Neighbor Islands, the second driver for change has been visitor desire to buy property for vacation or retirement homes, which tends to occur after they make repeat visits to hotels.

The evidence suggests that resident response to these shifts has been mixed and subtle:

- People adapt. Survey evidence suggests little in the way of ongoing or widespread frustration over most *particular* existing spill-over issues. When conflict does flare over things like competition for recreational resources, it usually gets worked out over time. Many small-scale tourism activities outside resorts are felt to make life "more pleasant," not less so.
- At the same time, both survey evidence and comments by government planning officials suggest great hesitation about further growth and change. There is some underlying *general* unease about tourism "spill-over," and it tends to come out when new projects are proposed.

Although tourism is having some impact in selected urban residential neighborhoods through traffic or B&B development, those tend to be issues concentrated in very particular places. The vast majority of residents still live in neighborhoods where few if any tourists are regularly seen.

The broader and more sensitive types of locations are recreational/wilderness areas and agricultural regions. Both are highly attractive to visitors and are properly regarded as part of Hawai'i's "tourism product." They will continue to be used in marketing, and they will increasingly be used – not just admired – by visitors and by their historical successors, out-of-state people who want to buy property in Hawai'i. The challenge to Hawai'i government is to balance that use with the sort of protection that allows residents also to continue using the same assets in traditional and respectful ways.

### **III. TOURISM AND HOUSING COSTS IN HAWAI`I**

**Acknowledgements:** We appreciate the time taken by all Hawai`i Realtors who cooperated with the survey conducted for this chapter. We particularly appreciate the assistance of the executive directors of the various island Realtor boards and associations, as this study could not have been conducted without their help:

- Hawai`i Island Board of Realtors (Adrienne Notley)
- Maui Association of Realtors (Terry Tolman)
- Kaua`i Board of Realtors (Karen Ono)
- Honolulu Board of Realtors (Suzanne King)

## **CHAPTER III: TOURISM AND HOUSING COSTS IN HAWAI`I**

### **A. Introduction and Conclusions**

This topic was selected because of the substantial numbers of Hawai`i residents who have answered past surveys by saying they believe tourism makes housing costs “worse.” Although the question of tourism’s effect on housing cost is ultimately more economic than socio-cultural in nature, and although a healthy housing market has benefited many Hawai`i homeowners and investors, high housing values can also have substantial social costs – household crowding, the need for multiple jobs, ripple effects on children and family structure, etc.

For reasons discussed at more length shortly, this study cannot begin to do real justice to this important question. We were unable to do anything like a definitive analysis of the “true” effect on housing. Instead, we elected to take an *initial, incremental step* toward a more comprehensive analysis: We surveyed about 40 Realtors statewide, identified for us by various island Realtor’s associations as being particularly knowledgeable about one or more facts of the visitor industry’s potential impacts on housing prices.

Realtors do not always agree with one another, and an opinion survey – even of relative “experts” – is no basis either for a definitive analysis or for establishing government policy on such a critical subject. Nevertheless, the results help distinguish among the various aspects of tourism that can interact with housing outcomes for residents, and this small study can hopefully lay the base for a more comprehensive research effort that economists may someday undertake.<sup>41</sup>

We asked knowledgeable Realtors to distinguish among the possible effects, if any, of three different aspects of “tourism:”

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<sup>41</sup> However, as noted in the chapter’s closing “Discussion” section, extensive time-series data are probably more available to address the question of how *hotel development* has interacted with residential housing cost, whereas the more important emerging question – especially on the Neighbor Islands – is about the effect of *recreational real estate* projects.

Additionally, any truly useful research should consider tourism’s effects not in isolation, but in comparison to other factors that can affect housing (interest rates, etc.) and also in comparison to practical alternatives to tourism, which may be difficult to establish: Is the option widespread unemployment, a different industry, some alternative form of tourism, or implementation of different local government policies from one place to another as tourism develops? This is not an easy topic to study!

- (1) **Resort Hotel Development** – Nearly half of our knowledgeable Realtor sample believed this has had a “large effect” on ordinary residential housing prices, but much more in areas quite close (within five miles) of resort nodes. And while our individual island samples were very small, Realtors on Maui and the Big Island tended to think there was more effect than Realtors on Kaua`i or O`ahu (where, coincidentally or not, hotels tended to be built closer to existing residential areas). The key reasons that respondents felt tourism can affect housing prices were (a) increased demand due to real estate purchases over time by tourists, and (b) constraints on building affordable housing supply in areas close to resorts. Several Realtors noted that there is always greater demand close to work centers, but both land values and infrastructure site costs in isolated resort areas make it hard to meet that demand affordably.
- (2) **Recreational Real Estate** – Almost as many Realtors felt that build-out of resort-residential projects or off-resort upscale large-lot subdivisions have had a “large effect” on residential housing costs ... but, again, with effects mostly felt very close by the actual projects (and also again with more agreement on the Big Island and, particularly, Maui). The reasons most often selected were the diversion of builders into more profitable luxury home construction and the “spill-over” effects of prospective buyers into some nearby residential communities with appeal to second-home or retirement home purchasers.
- (3) **Residential Area Bed-and-Breakfasts and/or Vacation Rentals** – Far fewer Realtors (only about 20%) thought these have a “large effect” on ordinary residential housing values even right in the immediately affected neighborhoods (which, with the exception of a few places like Volcano on the Big Island or upcountry Maui, were generally thought to be coastal areas). To the extent that effects do occur, the key reason was most often believed to be the willingness of prospective buyers to pay more for income property, rather than the exposure of tourists to homes in that neighborhood.

This chapter also presents some dissenting views by a few Realtors who argued that tourism really has no effect whatsoever, as well as suggestions from the majority group (i.e., those who thought there was at least a small effect) as to what actions public officials might take to help the situation.

Realtors were particularly unlikely to speak with one voice about whether or how government should interject itself into the tourism-housing equation. Some took a *laissez-faire* free market approach; others urged more active efforts to encourage or actually develop affordable housing; still others felt that past or present requirements imposed on developers should be enforced. One fairly common theme was that, if any level of government is involved, it should be the counties rather than the State.

## **B. BACKGROUND**

### **1. Resident Perceptions**

As noted at the beginning of this report, most chapter topics were selected in large part as the result of past resident surveys (sponsored by DBEDT and/or the HTA) that consistently found strong residents beliefs about ways that tourism has made certain aspects of life “worse.” Cost of housing has been one of these.

As was shown in Exhibit I-9 in the opening chapter, from 35% to 48% of Hawai'i residents in the more recent surveys thought tourism made housing costs “worse” on their island (down from 67% back in the development boom period of 1988). However, we might add that there was considerable geographical variation in responses to that question in 2002. The islands that have the largest ratio of visitors to resident – Maui and Kaua'i<sup>42</sup> – had much higher percentages of residents saying tourism made housing costs “worse” on their islands. In other places, more people thought tourism had “no effect” on housing cost.

**Exhibit III-1: Hawai'i Resident Beliefs About Whether Tourism Makes “Cost of Housing” Better or Worse, by Island (2002)**

	State Total	O`ahu	Maui Island	Moloka`i	Lāna`i	Kaua`i	East Hawai`i	West Hawai`i
Better	15%	16%	9%	19%	21%	14%	14%	10%
<b>Worse</b>	<b>35%</b>	<b>32%</b>	<b>53%</b>	<b>21%</b>	<b>30%</b>	<b>50%</b>	<b>26%</b>	<b>37%</b>
No Effect	38%	39%	30%	49%	38%	29%	48%	43%
Unsure	13%	14%	9%	10%	11%	7%	13%	10%
<i>(Base)</i>	<i>(1,643)</i>	<i>(402)</i>	<i>(317)</i>	<i>(150)</i>	<i>(155)</i>	<i>(220)</i>	<i>(200)</i>	<i>(199)</i>

Exhibit I-9 also showed that almost as many residents thought tourism had a negative effect on “Cost of food and clothing,” so it is possible that many residents think tourism is a contributing factor for all sorts of ways that Hawai'i has higher costs of living than on the Mainland. In fact, the 2002 survey asked people who thought tourism made housing “worse” to explain in their own words why they thought this, and the most frequent type of answer could be categorized as general “price inflation” tendencies of tourism (Exhibit III-2, next page).

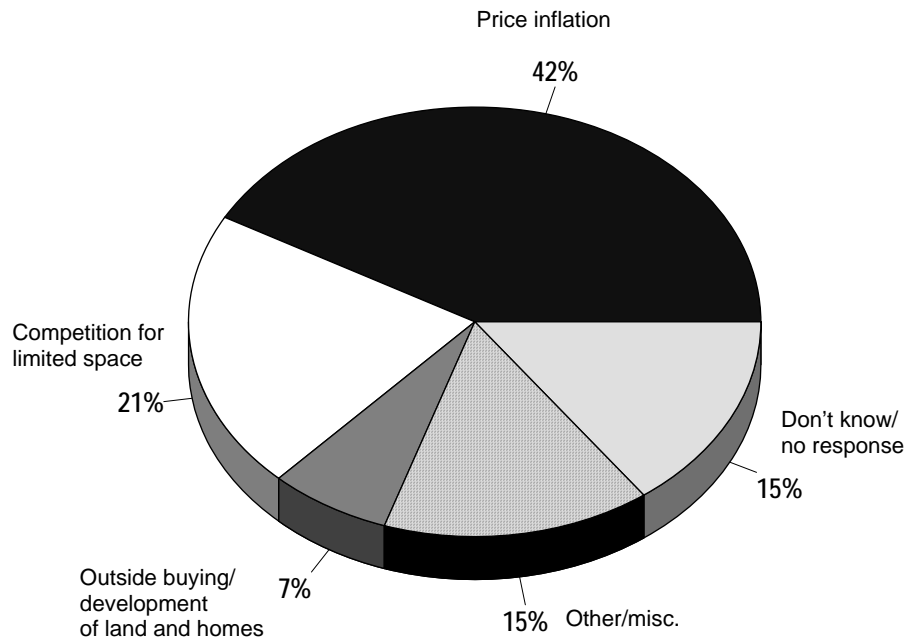
### **2. Limits on Study Objectives**

With a chapter focus as specific as “housing cost,” it would be preferable to go beyond just articulating issues and concerns, to establish with some specificity:

- Is this resident perception accurate? (and/or)
- What can be done about it?

<sup>42</sup> Actually, Lāna`i also has a large visitor-to-resident ratio, but is small and unique in many ways.

**Exhibit III-2: Reasons Why Some Hawai`i Residents Think Tourism Makes Housing Costs “Worse” (2002)**



*N = 568 (asked only of residents who said they thought tourism made housing costs “worse”)*

However, we encountered a number of obstacles in our efforts to conduct a study that could make truly significant contributions toward either of these questions.

**Apparent Truism of Housing Cost Question:** For *some circumstances*, the relationship between tourism and housing cost is so obviously real that there seemed little value in documenting a truism. These circumstances particularly apply to land values surrounding many Neighbor Island resorts. It would surprise nobody and be of little practical value to document what is already known: Resort workers in places like West Hawai`i and parts of Maui and Kaua`i are hard-pressed to find affordable housing near their workplaces, and must commute long distances. And prices right in resort areas like Waikīkī can be prohibitive.

The most affected Neighbor Island resorts are those developed in areas that had previously been sparsely populated and where infrastructure site development costs also present challenges to developing for anything but an upscale market. (As acute as these problems are in the affected areas, it may also be observed that they are not universal in Hawai`i. For example, workers in Waikīkī can find relatively affordable housing as nearby as Kapahulu or Kaimukī.)

A related truism is that rapid economic development of any form – perhaps tourism, perhaps another industry – can result in spurts of worker in-migration

that may at least temporarily overwhelm available housing supply, thus driving up costs. It would be possible to demonstrate that this happened in certain parts of Hawai'i during the resort development boom the 1980s ... but the value of doing so seems quite limited.

**Data and Resource Availability for Statistical Analyses:** We might still try to design a study or studies to determine whether tourism development is associated with housing costs for residents who live farther from resorts, or for the “average resident” of the state as a whole. Are Hawai'i's high average housing costs (relative to national averages) due largely to our tourism-based economy, or can they be explained far more by other factors such as transportation costs, infrastructure factors, etc.? When tourism grows rapidly, do housing costs tend to spurt as well – and, if so, is this any more true than when there is rapid growth in some other, non-tourism sector of the economy?

Such questions require the sort of careful statistical analysis that we attempt to provide in our following Chapter IV, which looks at the relationship between tourism and crime over time. However, a statistical analysis of tourism and housing costs in Hawai'i would be even more complex than the tourism-crime analysis, because of the wide range of other possible explanatory factors; the several different aspects of “tourism” that can affect housing costs (see subsequent discussion); the question of differing levels of impacts at different distances from resort areas; and the consequent large number of data points that would be required for a statistically valid analysis. All of this implies a *large* study. The resources available for this chapter were sufficient only for a *small* study.

**Limited Government/Developer Capacity to Address Resort Worker Issues:** State and county governments have spent decades attempting to address affordable housing issues associated with tourism and other forms of growth in Hawai'i. Resort developers were required to provide certain amounts of worker housing and/or contributions toward government-sponsored housing developments. Those requirements have been met, and county housing agencies no longer have the resources to initiate further housing development projects.

It may someday prove valuable to replicate past statewide initiatives to bring together developers, government agencies, and housing experts to review potential housing issues and solutions. However, at the present time, because of low interest rates the overall Hawai'i housing market seems relatively affordable (compared to the past), and the political pressures to anticipate future development-related housing issues are not strong. At any rate, such conferences or “visioning” exercises would again involve a *large* effort to brainstorm new policy responses, beyond the resources available for this study.

**“Cost” vs. “Value” – If Housing Prices Go Up, Is That Always Bad?** Finally, we note a certain ambiguity in this entire topic. The “housing cost” to a potential



buyer is the “housing value” to a potential seller. Homes are usually the largest single investment any Hawai`i resident may hold, and increases in the value of that investment are sometimes quite welcome. In general, we believe it is still appropriate to speak of “cost” as much or more than of “value,” because this is a socio-cultural analysis and there is significant *social cost* associated with high average housing price levels – e.g., more need for additional income, less time with family, greater potential for crowding and loss of privacy, etc. However, we are mindful of the double nature of the “cost/value” issue, and we will hereafter sometimes pair the terms rather than use “cost” alone.

## **C. Approach Taken for This Study**

Given the foregoing considerations, we decided:

- (1) In general, our objective will be to achieve some ***incremental steps toward a better understanding of tourism-housing cost links*** in Hawai`i. Rather than come to any definitive conclusions, we will try to explicate some of the specific ways that tourism *may* affect housing cost/value, and thereby pave the way for some more definitive future statistical analysis.
- (2) Specifically, we elected to conduct a ***small survey of particularly experienced and knowledgeable Hawai`i Realtors***, people selected for us by real estate associations for their strong working professional experience in both residential and tourism-related real estate issues.

As such, this was not a “representative cross-section” of all Hawai`i Realtors. Rather, we focused on particular individuals that Realtor organizations believed would have experience-based expertise.

We will quickly note that Realtors are not a disinterested group. Their opinions, even those of the most experienced and community-minded among them, obviously may be colored by their profession. This is not an attempt to establish “truth.” But Realtors have more practical ongoing day-to-day involvement in these issues than any other professional group in Hawai`i. We seek their opinions in order to develop more informed hypotheses for later statistical analysis in more rigorous quantitative studies. We also seek their opinions about practical policy actions that the government can take, recognizing that these are the opinions of just one stakeholder group and that suggestions may not all be well researched.

### **1. Questionnaire Logic**

We identified three separate and distinct components of “tourism” that might affect housing cost/value for Hawai`i residents:

- (1) Resort hotel development – the most traditional conception of “tourism.”<sup>43</sup>
- (2) Recreational real estate development – the most visible emerging new aspect or consequence of tourism to attract public attention.
- (3) Vacation rentals and/or bed-and-breakfasts (B&Bs) – an issue probably confined to fewer areas, but one that made sense to ask about if we were already doing a survey.

For each component, we asked roughly similar types of questions:

- General impression of impact (for B&Bs, this was replaced by questions about whether and where respondent thought they were proliferating);
- Sense of impact according to distance from this “tourism” component;<sup>44</sup>
- Importance of various reasons that tourism could affect residential housing price – list of our specific hypotheses, plus ability to write in other things;
- Opportunity to write in recommended ways public officials could “help keep housing more affordable for ordinary residents” affected by each component.

We did *not* ask Realtors to attempt to quantify the impact any more precisely than “big effect” or “some effect.” We believed that Realtors would tell us that exact dollar amounts would depend on a wide variety of factors that would be difficult to set forth in this sort of brief survey – e.g., location, age of structure, type of neighborhood, multi-family or single-family, etc.

Exhibit III-16 at the very end of this chapter reproduces the questionnaire, including cover page and request for information about each respondent.

## **2. Data Collection**

In June 2003, we secured the cooperation of a major Realtor’s organization in each of Hawai`i’s four counties – the Hawai`i Island Board of Realtors, Maui Association of Realtors, Kaua`i Board of Realtors, and Honolulu Board of Realtors. We asked each organization to identify about 20 individuals or firms that it believed were “particularly knowledgeable about the subject of how resorts and residential housing prices interact” on that island. The organization then

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<sup>43</sup> In fact, resorts consist of far more than hotels, but we felt the term “hotel” conveyed the core image that we were concerned about here, and also excluded recreational real estate development that is sited on resorts.

<sup>44</sup> As the questionnaire in Exhibit III-16 (end of chapter) suggests, we tended to assume that resort hotel development effects might extend farther than those for recreational real estate development, and that B&B or vacation rental effects would be the most localized.

faxed or e-mailed as an attachment our questionnaire to these Realtors, and collected responses for forwarding to us

Initial response rates differed by islands. For those islands where we received very few completed questionnaires, we followed up with personal calls and either administered the survey directly over the phone or got the potential respondent to agree to complete the questionnaire.

## **D. Results**

A total of 41 written questionnaires were submitted by, or phone interviews were completed with, the Realtors listed in Exhibit III-3. This was a response rate of roughly 50%, considered quite good for this sort of survey. (Again, however, this is not ultimately a “representative cross-section,” but a small exploratory sample. Percentages are used here to describe the responses of the particular people who gave us their views – they cannot be generalized to all Realtors.)

### **1. Resort Hotel Development Effects on Residential Housing Costs/Values**

**General Magnitude of Effect (Overall and by Distance):** Exhibit III-4 shows this group of “particularly knowledgeable Realtors” tended to believe that resort hotel development has had fairly significant impacts on ordinary residential costs, but more so on Maui and the Big Island and definitely more so for areas closer to hotels than communities farther away.

- Maui and Big Island respondents were more likely to believe resort hotel development has had a “*large effect*” on ordinary residential housing prices/values, whereas responding Kaua`i and O`ahu Realtors were more likely to cite just a “*small to moderate effect*.” It is perhaps noteworthy that the main resort concentrations on Maui and the Big Island were developed farther from the bulk of pre-existing residential communities. By contrast, O`ahu’s primary resort community of Waikikī has “grown up” along with urban Honolulu, and Kaua`i’s visitor plant is fairly scattered and interspersed with nearby communities.
- Expectably, effects were judged to be larger for residential areas closer to resorts themselves – “*big effects*” were usually thought to be confined to areas within five miles of hotel development. However, on Maui and the Big Island, at least “*some effect*” was perceived six to ten miles away by a large majority of respondents, and even 11 miles or farther by half the respondents – whereas O`ahu and Kaua`i Realtors generally said areas six or more miles away had only “*small effects*” from resort development. (Note: Realtors who said they believed resort hotel development had no real effect on values were not asked these follow-up questions.)

**Exhibit III-3: Realtors Responding to Tourism-Housing Survey**

<b>Name</b>	<b>Company</b>	<b>Yrs. As Realtor</b>	<b>Parts of Island Work in Most</b>
<b>Maui</b>			
Pat Dillman	Patricia Dillman Realty, Inc.	12	South Maui
Jim Wagner	Coldwell Banker Island Properties	16	Wailea
Vincent Palmieri	Aina Maui Properties	10	Upcountry
Colin Dunlop	Maui Isle Realty	15	South Maui
Georgina M. Hunter	Jim Sanders Realty Inc.	3.5	North Maui
Leah Wesson	Coldwell Banker Island Properties	13	South Maui and Upcountry
Tracy Stice	Century 21 All Islands	24	Upcountry
Bob Hansen	Coldwell Banker Island Properties	13	Wailea
Dale Kozlo	<i>(no answer)</i>	<i>(n/a)</i>	<i>(no answer)</i>
Margaret J. Norrie	Margaret Norrie Realty	23	Kīhei
James Worley	<i>(no answer)</i>	<i>(n/a)</i>	<i>(no answer)</i>
Rosie Poree-Hogin	ERA Maui Real Estate	24	Kīhei/Wailea
<b>Big Island</b>			
Josh LaPinta	Joel LaPinta, Broker	19	Kona and North Kohala
Todd Hart	Action Team Realty	13	Kona Coast
Linda Caleo	Pacific Horizons Properties	13	District of Kā'u
Vernon Yamanaka	Yamanaka Enterprise inc.	31	All over State
Yukio Taketa	Ala Kai Realty, Inc.	36	Hilo
Kelly Moran	Hilo Brokers, Ltd.	21	East Side, Hilo Areas
Frank Goodale	Clark Realty Corporation	15	Kona
Gary Rothfus	Prudential Orchid Isle Properties	9	East Hawai'i
Jerry Hirata	Jerry H. Hirata, Inc., Realtor	25	South Hilo
Phyllis Sellers	Clark Realty Corp	26	West Hilo
William Brillhante	Brillhante, L.L.C.	30	Hilo
<b>Kaua'i</b>			
Jim O'Connor	O'Connor Realty LLC	16	North Shore
Louis Abrams	Charlee & Associates	25	South Side
Michael Curtis	R&R Realty and Rentals, Inc.	25+	Po'ipū Beach, Kaua'i
Frank Supon	Pacific Ocean Properties	15	South Side
Donna Apisa	Oceanfront Realty Inter., Inc.	22	<i>(no answer)</i>
Lucy Kawaihalau	Kaua'i Vacation R& R	28	All over Kaua'i
R. Scott Lindman	Country Brokers	25	North Shore
Roberta Haas	Hanalei North Shore Prop., Ltd.	27	North Shore
<b>O'ahu</b>			
Marianne Abrigo	Marianne Abrigo Properties, Ltd.	29	North Shore
Jacqueline Mansard	Properties of the Pacific	27	North Shore
Mike Stott	Stott Real Estate	21	Windward Side
James W. Wright	Century 21 All Islands	13	O'ahu
Bruce Barrett	Castle and Cooke Homes	30	Central/Leeward O'ahu
Mary Begier	Mary Begier Realty	24	Ālewa, Hawai'i Kai
Schuyler E. Cole	Team Real Estate, Inc.	33	North Shore
Guy K. Tamashiro	West O'ahu Realty, Inc.	27	West O'ahu
Jack Leslin	East O'ahu Realty	25	East O'ahu
Anonymous	<i>(no answer)</i>	<i>(n/a)</i>	<i>(no answer)</i>

**Exhibit III-4: Realtor Opinions -- General Effects of Resort Hotel Development**

<b>General effect on housing costs/values "for ordinary residents of this island"</b>											
	<b>Large Effect</b>		<b>Small/Mod. Effect</b>		<b>No Real Effect</b>		<b>Unsure/ No Answer</b>		<b>100% Total</b>		
	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>		
Maui	9	75%	3	25%		0%		0%	12		
Big Island	5	45%	4	36%	2	18%		0%	11		
Kaua`i	2	25%	6	75%		0%		0%	8		
O`ahu	2	20%	7	70%	1	10%		0%	10		
<b>Total Sample:</b>	<b>18</b>	<b>44%</b>	<b>20</b>	<b>49%</b>	<b>3</b>	<b>7%</b>	<b>0</b>	<b>0%</b>	<b>41</b>		
* Those answering "No Real Effect" or "Unsure" skipped remaining questions about resort hotel development.											
<b>Effect on ordinary homes located <u>within 5 miles</u> of hotel development</b>											
	<b>Big Effect</b>		<b>Some Effect</b>		<b>Small Effect</b>		<b>No Effect</b>		<b>Unsure/ No Answer</b>		<b>100% Total</b>
	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>
Maui	9	75%	3	25%		0%		0%		0%	12
Big Island	4	44%	5	56%		0%		0%		0%	9
Kaua`i	3	38%	5	63%		0%		0%		0%	8
O`ahu	4	44%	4	44%	1	11%		0%		0%	9
<b>Total Sample:</b>	<b>20</b>	<b>53%</b>	<b>17</b>	<b>45%</b>	<b>1</b>	<b>3%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>38</b>
<b>Effect on ordinary homes located <u>6 - 10 miles</u> from hotel development</b>											
	<b>Big Effect</b>		<b>Some Effect</b>		<b>Small Effect</b>		<b>No Effect</b>		<b>Unsure/ No Answer</b>		<b>100% Total</b>
	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>
Maui	2	17%	8	67%	1	8%		0%	1	8%	12
Big Island	4	44%	3	33%	2	22%		0%		0%	9
Kaua`i	1	13%	2	25%	5	63%		0%		0%	8
O`ahu	1	11%	1	11%	7	78%		0%		0%	9
<b>Total Sample:</b>	<b>8</b>	<b>21%</b>	<b>14</b>	<b>37%</b>	<b>15</b>	<b>39%</b>	<b>0</b>	<b>0%</b>	<b>1</b>	<b>3%</b>	<b>38</b>
<b>Effect on ordinary homes located <u>11 miles or more</u> from hotel development</b>											
	<b>Big Effect</b>		<b>Some Effect</b>		<b>Small Effect</b>		<b>No Effect</b>		<b>Unsure/ No Answer</b>		<b>100% Total</b>
	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>
Maui	1	8%	5	42%	4	33%	1	8%	1	8%	12
Big Island	2	22%	3	33%	1	11%	2	22%	1	11%	9
Kaua`i	1	13%	1	13%	5	63%	1	13%		0%	8
O`ahu	1	11%	1	11%	5	56%	2	22%		0%	9
<b>Total Sample:</b>	<b>5</b>	<b>13%</b>	<b>10</b>	<b>26%</b>	<b>15</b>	<b>39%</b>	<b>6</b>	<b>16%</b>	<b>2</b>	<b>5%</b>	<b>38</b>

**Dissenting Views:** Three Realtors – one from O`ahu and two from the Big Island – said they felt resort hotel development had “*no real effect*” on ordinary housing costs.<sup>45</sup> Several of these people stated that the average cost of houses in established residential communities, adjusted for inflation and wage differences, was basically the same as it had been before hotel expansion in places like West Hawai`i or Ko Olina. One said there has been considerable variation in housing costs over the years, and that major hotel openings may have contributed to temporary spikes in cost, especially at the levels workers could afford – but he said hotel growth could not explain all the ups and downs of housing prices.

Another respondent noted that the collapse of the Japanese investment “bubble” created bargains for residents in communities developed in part through that investment: “*This state’s been lucky because a lot of infrastructure that serves the public was financed by people from out of state.*”

**Reasons for Resort Hotel Effects on Resident Housing Costs/Values:** Of the four possible reasons that we set forth for Realtors’ reactions, Exhibit III-5 shows that –

- The primary reasons (i.e., ones usually judged most important) had to do with (1) *tourists wanting to buy property in Hawai`i* and (2) *constraints on supply of affordable housing* – that is, higher than usual land or infrastructure costs for housing development near the resorts. Both reasons were more likely to be judged important on Maui and the Big Island.
- A reason of secondary importance (and again judged more important on Maui and the Big Island than on O`ahu or Kaua`i) was *increased in-migration of new resident workers*.
- Judged relatively least important – although still considered at least “fairly important” by nearly half the Realtors – was the idea that *resident demand increases for homes located near resorts*.<sup>46</sup>

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<sup>45</sup> Several other Realtors who said “*small to moderate effect*” also provided similar comments casting doubt on the effects of tourism. For example, one O`ahu Realtor worried in a later write-in comment that this survey was designed to “prove” that resort development causes high prices. He believed there is little if any such effect, observing that recent price increases have occurred in the absence of new resort hotel unit development, and arguing that resort development’s only real effect is to “reduce the availability of [building] contractors as the economy improves.”

A few others said resort hotel development has functioned in ways similar to creation of any other new employment center – it generates a greater demand for housing close to the new workplace.

<sup>46</sup> Our question wording emphasized “gentrification” motives for residents wanting to live near resorts – prestige, ambiance, etc. – though proximity to employment is obviously another and probably greater factor. We assumed that the desire to live near work was implied by the reason specifying in-migration of new workers, since recent resort development has largely occurred in less populated areas. However, a more detailed statistical study might well separate these two possible reasons for resident demand.

**Exhibit III-5: Realtor Opinions -- Reasons Hotel Developments Affect Values**

<b>Increased demand due to real estate purchases over time by tourists</b>											
	<b>Very Important</b>		<b>Fairly Important</b>		<b>Slightly Important</b>		<b>Not Important</b>		<b>Unsure/ No Answer</b>		<b>100% Total</b>
	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>
Maui	9	75%	1	8%	1	8%	1	8%		0%	12
Big Island	5	56%	1	11%	2	22%	1	11%		0%	9
Kaua`i	3	38%	3	38%	2	25%		0%		0%	8
O`ahu	3	33%	3	33%	3	33%		0%		0%	9
<b>Total Sample:</b>	<b>20</b>	<b>53%</b>	<b>8</b>	<b>21%</b>	<b>8</b>	<b>21%</b>	<b>2</b>	<b>5%</b>	<b>0</b>	<b>0%</b>	<b>38</b>

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<b>Constraints on building new affordable supply (e.g., high land/infrastructure costs)</b>											
	<b>Very Important</b>		<b>Fairly Important</b>		<b>Slightly Important</b>		<b>Not Important</b>		<b>Unsure/ No Answer</b>		<b>100% Total</b>
	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>
Maui	7	58%	2	17%	1	8%	2	17%		0%	12
Big Island	5	56%	2	22%	2	22%		0%		0%	9
Kaua`i	3	38%		0%	3	38%		0%	2	25%	8
O`ahu	2	22%	3	33%	3	33%	1	11%		0%	9
<b>Total Sample:</b>	<b>17</b>	<b>45%</b>	<b>7</b>	<b>18%</b>	<b>9</b>	<b>24%</b>	<b>3</b>	<b>8%</b>	<b>2</b>	<b>5%</b>	<b>38</b>

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<b>Increased demand due to heavy in-migration of new residents working in tourism businesses</b>											
	<b>Very Important</b>		<b>Fairly Important</b>		<b>Slightly Important</b>		<b>Not Important</b>		<b>Unsure/ No Answer</b>		<b>100% Total</b>
	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>
Maui	4	33%	2	17%	3	25%	2	17%	1	8%	12
Big Island	3	33%	5	56%	1	11%		0%		0%	9
Kaua`i	1	13%	3	38%	3	38%	1	13%		0%	8
O`ahu	1	11%	4	44%	4	44%		0%		0%	9
<b>Total Sample:</b>	<b>9</b>	<b>24%</b>	<b>14</b>	<b>37%</b>	<b>11</b>	<b>29%</b>	<b>3</b>	<b>8%</b>	<b>1</b>	<b>3%</b>	<b>38</b>

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<b>Increased demand due to resident desire to live near resorts ("gentrification")</b>											
	<b>Very Important</b>		<b>Fairly Important</b>		<b>Slightly Important</b>		<b>Not Important</b>		<b>Unsure/ No Answer</b>		<b>100% Total</b>
	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>
Maui	2	17%	6	50%	1	8%	2	17%	1	8%	12
Big Island	1	11%		0%	5	56%	3	33%		0%	9
Kaua`i	1	13%	2	25%	3	38%	2	25%		0%	8
O`ahu		0%	5	56%	4	44%		0%		0%	9
<b>Total Sample:</b>	<b>4</b>	<b>11%</b>	<b>13</b>	<b>34%</b>	<b>13</b>	<b>34%</b>	<b>7</b>	<b>18%</b>	<b>1</b>	<b>3%</b>	<b>38</b>

Additional write-in or voiced comments (Exhibit III-6) usually emphasized the fundamental idea of “supply and demand,” with demand for Hawai'i housing coming from new employees but even more so from tourists inspired to move here.<sup>47</sup> Most of these comments reinforced the themes of impacts primarily occurring near actual resorts and/or the need to increase housing supply. However, a few comments reflected a belief that resort tourism has a much more pervasive effect on housing effect – e.g., the O`ahu Realtor who said the ultimate outcome is that “Quiet residential neighborhoods become resort homes” because of the demand generated by visitors who want to become part-time residents.

**Suggested Policy Responses by Government:** Many, though not all, Realtors responded to the request for recommendations about what government might do to address the situation. There was a considerable spread of opinions and ideas. (See Exhibit III-7.) However, suggestions might be grouped into these general categories:

- (1) *Do Nothing*: Particularly on O`ahu, some Realtors felt government only confounds problems when it attempts to intervene in the housing market.

(On the Neighbor Islands, Realtors were more likely to endorse one or more of the following “government activist” policy approaches, though some were also critical of government, suggesting that government implementation of such actions has been flawed. Some comments suggested that Realtors feel county government is more appropriately responsible than the State, but that both levels of government have failed at the task to date.)

- (2) *Revive and/or Better Enforce Affordable Housing Requirements for Resort Developers*: This sort of comment was more likely to come from Neighbor Island Realtors. Implicit or explicit was the suggestion that past requirements have not been well enforced.
- (3) *Streamline Permitting Process (and/or Provide Incentives) for Affordable Housing*: This approach was voiced by those who emphasized “constraints on supply” as a key reason that housing prices have increased.
- (4) *Property Tax Policy Approaches*: Several urged property tax breaks for residential areas near resorts, to mitigate the financial burden of unwanted increases in values.
- (5) *Stop Resort Development*: One Realtor said the best solution is to stop expanding the inventory of resort units until social infrastructure catches up with the pressures exerted by tourism growth. (However, more Realtors said tourism provides the jobs that allows people to buy homes.)

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<sup>47</sup> These two groups can of course overlap. Tourists who want to move here but must work for a living often end up working either in tourism or in sectors of the economy indirectly supported by tourism.



**Exhibit III-6:  
Other Reasons for Belief That New/Additional Hotels May Increase Housing  
Costs/Values for Ordinary Residents**

*(Selected / edited comments from write-ins or paraphrased notes from telephone interviews)*

**Maui:** Values will increase overall due to increase in value of resort properties. Those residential properties closest to resorts will increase also. As people desire to be closer to resort amenities and to work, land closest to hotels will end up costing more.

**Maui:** House costs are increased by the people the resorts bring in trying to buy a small supply of homes, which drives up prices, supply-demand.

**Maui:** Because there are two classes of people staying in resort hotels: 1) those who can afford to stay in hotels every year and can afford the Makena / Wailea-type residential prices, and 2) those who come and stay in hotels once or twice as a special vacation but want to move here. They cannot afford resort residential prices, so they move into the closest neighborhood to the resort, thereby diminishing the housing availability for local residents, and causing an inflated value of properties which are available.

**Maui:** More people that see Maui, more want to buy here. That will never change.

**Maui:** It will increase pressure in all areas because of the increased need for housing for all of the workers directly involved in the construction of the resort, the employees of the resort after construction, all the increased demand from suppliers, vendors and other support services required by the resort. As a result, there's a direct multiplier effect from construction of a new resort in overall demand on housing.

**Kaua'i:** Economic Growth, supply and demand. Increasing demand with increasing employment / economy.

**Kaua'i:** Increased demand, static supply

**Kaua'i:** The only reason is that, to the extent it exposes more people to the island in general and they make a conscious decision to amend their lifestyle and move here – that's the biggest single influence on housing costs. All the other reasons are smokescreens.

**Kaua'i:** Tourism just happens to be the business we are in here. It could be a tech business or anything. Wherever you live you would want to be close to your place of employment. Whether it's tourism or not, people will be attracted to Kaua'i. Obviously in any scenic area, of course there's supply and demand.

**O`ahu:** Improved economy causes higher demand; do you want to have a return to low prices, foreclosures and people out of work?

**O`ahu:** As more people are introduced to the beauty of the islands – the desire to purchase real estate grows. Primary residences as well as vacation homes AND retirement homes. Quiet residential neighborhoods become resort homes.

**O`ahu:** Build it and they will come. We have a limited supply of land and housing unfortunately the rule of supply and demand is in full effect. No one group or developer is at fault.

**O`ahu:** More tourists = more dollars = more house buying

**Exhibit III-7:  
Realtors' Suggested Public Policy Actions to Make Housing More  
Affordable for Ordinary Residents Affected by Resort Hotel Developments**

*(Selected / edited comments from write-ins or paraphrased notes from telephone interviews)*

**Maui:** There must be new housing and or available housing around or near *new or additional hotels*. Without it, existing homes and rental costs will rise. This is basic economics, more demand for employees, more housing demand, no new housing = higher prices.

**Maui:** Find ways to minimize & streamline permit processes, infrastructure fees.

**Maui:** Left on its own, the problem could be resolved by developers. However, in Hawai'i land is not available, or owners of the land do not want to give it up for this type of housing (affordable).

**Maui:** We need to go back to requiring the developer to build affordable housing. They need to acquire and develop some of those properties relatively close to resorts, not necessarily within them. They also could help by introducing forms of public transportation between affordable residential communities and resorts where those residents are employed.

**Maui:** DRASTICALLY reduce property taxes ONLY for those property owners on Maui who reside permanently ON-ISLAND and have their property tax bill sent to their Maui address.

**Maui:** I don't think we need any more hotels or more residential developments. Until the roads, schools, etc., are in place we should put a halt to any more building. For me, enough is enough.

**Maui:** Streamline the permitting process for all permits with an emphasis on lower cost housing

**Maui:** Public officials need to get a clue about how the market system actually works. ... The only way units are going to get build is to give developers entitlements to build new resorts provided that the appropriate amount of new affordable housing will be built concurrently. ... The problem is, they can't get a straight answer from the County of what the actual requirements will be. Give them rules and a direct answer and let the market decide.

**Kaua'i:** Reduce limitations on housing. Taxes, infrastructure, and regulatory constraints. Encourage, rather than discourage (\$\$\$) housing.

**Kaua'i:** Zone more land for affordable housings

**Kaua'i:** Needs to be an obligation by the resort developers to provide employee housing. .... Also, public officials should look at property tax assessment system. The person who has no desire to sell their homes should get a break. For example, leave assessment alone provided you don't sell, in which case you owe back taxes.

**Kaua'i:** Should be tax benefits for owner-occupants and perhaps for long-term renters. Need zoned land inland for affordable housing and some caps on resale values for publicly-funded affordable housing projects. In Aspen, a percent of real estate sales goes to a housing fund – they build affordable housing and have a lottery for local residents to buy affordable housing close to work. And we need to hold developers accountable for agreements made to provide housing or other benefits.

**Big Island:** Ease restrictions/difficulty on subdivision process and or condominium-ization.

**(Continued)**

**Exhibit III-7 (Cont.)**

**Big Island:** The politicians have to listen to people a little more and listen to alternatives more – not quite as rigid in regard to zoning and ideas people have for affordable zoning. They eliminated the ohana law on ag land; that took one method of affordable housing away from people by eliminating that. In rural areas, most of our subdivisions are zoned agriculture. That was a huge blow to affordable housing. The real estate community told them that! Condominium property regime was a method for lower-cost housing, and they tightened up on that.

**Big Island:** Public officials facilitate Residential zoning with required infrastructures in place.

**Big Island:** Somewhere along the way we started to have government build the housing and tried to get developers to build the basic infrastructure. This is inherently backwards and counter productive on several fronts. Do NOT let government get into the building and development of housing. Instead, provide for the common infrastructure that benefits all residents. Then allow for appropriate zone changes that place sufficient developable inventory on the market and streamline the approval process. The type of planning control necessary for this should occur at the local level, not at the State level and in the case of the County of Hawai'i it needs to occur on a West Hawai'i level.

**Big Island:** (1) Include affordable housing as a part of the development plan when building a resort. Too many workers commute over long distances from Hilo to work in South Kohala. (2) Utilize State lands close to resorts for affordable housing.

**Big Island:** The problem is a lack of zoned land. Zoning is an issue. The process could be made more efficient.

**Big Island:** The ability to increase supply is the key to keeping ordinary residents living in acceptable housing. This requires efficient planning and implementation for common infrastructure improvements.

**Big Island:** Ease requirements for over design of infrastructure wide loads etc.

**O`ahu:** Make more land available for residential housing.

**O`ahu:** Learn from the mistakes made in the affordable housing properties in Kapolei. Don't force people to live far away from family and support systems. Make sure the banks are complying with the Community Reinvestment Act. Use impact fees for what they were designed and collected. Someone should really look into what happened to the millions of dollars that were in the park dedication fee fund when current mayor took office. It's all about trust.

**O`ahu:** They shouldn't do anything – past experience at affordable housing hasn't been effective.

**O`ahu:** Government should stay out of housing industry.

**O`ahu:** Attempting to regulate has been unsuccessful.

**O`ahu:** Moratorium in increasing property taxes for residential zoned properties very close to resort development.

**O`ahu:** Give developers incentives to provide affordable housing. Kaua'i County is doing a joint venture project for infrastructure with developers. See: *Hawai'i Business* 2003 (July).

**O`ahu:** Developers who promise and then didn't deliver have made it more difficult for later developers. Honesty is important the world over but maybe more so here. We local people always start out trusting, but once burned very difficult to regain.

## **2. Recreational Real Estate Development Effects on Residential Housing Costs/Values**

**General Magnitude of Effect (Overall and by Distance):** Realtors responding to this survey thought that recreational real estate development also has a significant effect on ordinary residential housing costs/values. The percentages for the perceived general islandwide effect at the top of Exhibit III-8 are very similar to those for the overall effects of resort hotel development on residential costs/values back in Exhibit III-4. Additionally, the split in opinions between Maui/Big Island vs. Kaua`i/O`ahu Island Realtors – with Maui/Big Island respondents more likely to perceive a “*large effect*” – is much the same in Exhibit III-8 for recreational real estate as it was in Exhibit III-4 for resort development. It is difficult to say whether this means Realtors believe resort hotels and recreational real estate projects have different but equal effects, or whether – given that a chief perceived reason for hotel effects on values was the attraction of off-island buyers – they simply found little reason to distinguish much between the effects of hotel development vs. resort/recreational real estate property.

As with hotels, our “knowledgeable Realtor” sample felt cost effects of recreational real estate projects are much bigger on residential areas very close by the actual tourism development, and again Maui/Big Island<sup>48</sup> Realtors tended to see price effects extending farther from the actual development site than did Kaua`i/O`ahu Realtors. In fact, the percentages in the bottom parts of Exhibit III-8 (on recreational real estate) are also very similar to the percentages in the bottom parts of Exhibit III-4 (on effects of hotel development by distance from residential communities).

**Dissenting Perspectives:** Five Realtors felt there was “*no real effect*” of recreational real estate on ordinary housing costs/values. In explaining their responses, all five emphasized the basic idea that recreational real estate projects serve a *different market* than the ordinary resident. Most believed that, if such homes were not built and the choice for the potential off-island buyer was living in established residential communities, the vast majority of prospective buyers would simply not purchase real estate in Hawai`i.<sup>49</sup>

A few Realtors said that recreational real estate projects (at least on Neighbor Islands) tend to be developed mostly on coastal areas, where it is necessary to accept that prices will always be higher – in part, said one Realtor, because of government policies requiring additional entitlement procedures and/or infrastructure costs for coastal developments.

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<sup>48</sup> This was particularly true on Maui. On the Big Island, some respondents emphasized that West Hawai`i luxury projects had little or no effect on land values in East Hawai`i, where rural subdivision prices in particular remain very affordable.

<sup>49</sup> One person made the opposite argument – that some potential buyers *would* buy in ordinary residential communities, and therefore the development of recreational real estate projects helps keep ordinary residential values *down* by funneling off demand.

**Exhibit III-8: Realtor Opinions -- General Effects of Recreational Real Estate**

General effect on housing costs/values "for ordinary residents of this island"											
	Large Effect		Small/Mod. Effect		No Real Effect*		Unsure/No Answer*		100% Total		
	No.	%	No.	%	No.	%	No.	%	No.		
Maui	9	75%	3	25%		0%		0%	12		
Big Island	5	45%	4	36%	2	18%		0%	11		
Kaua`i	1	13%	6	75%	1	13%		0%	8		
O`ahu	2	20%	6	60%	2	20%		0%	10		
<b>Total Sample:</b>	<b>17</b>	<b>41%</b>	<b>19</b>	<b>46%</b>	<b>5</b>	<b>12%</b>	<b>0</b>	<b>0%</b>	<b>41</b>		
* Those answering "No Real Effect" or "Unsure" skipped remaining questions about recreational real estate.											
Effect on ordinary homes located <u>within 1 mile</u> of recreational real estate development											
	Big Effect		Some Effect		Small Effect		No Effect		Unsure/No Answer		100% Total
	No.	%	No.	%	No.	%	No.	%	No.	%	No.
Maui	10	83%	2	17%		0%		0%		0%	12
Big Island	3	33%	6	67%		0%		0%		0%	9
Kaua`i	1	14%	6	86%		0%		0%		0%	7
O`ahu	3	38%	5	63%		0%		0%		0%	8
<b>Total Sample:</b>	<b>17</b>	<b>47%</b>	<b>19</b>	<b>53%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>36</b>
Effect on ordinary homes located <u>2 - 5 miles</u> from recreational real estate development											
	Big Effect		Some Effect		Small Effect		No Effect		Unsure/No Answer		100% Total
	No.	%	No.	%	No.	%	No.	%	No.	%	No.
Maui	5	42%	6	50%	1	8%		0%		0%	12
Big Island	2	22%	3	33%	3	33%		0%	1	11%	9
Kaua`i		0%	3	43%	3	43%	1	14%		0%	7
O`ahu	1	13%	3	38%	4	50%		0%		0%	8
<b>Total Sample:</b>	<b>8</b>	<b>22%</b>	<b>15</b>	<b>42%</b>	<b>11</b>	<b>31%</b>	<b>1</b>	<b>3%</b>	<b>1</b>	<b>3%</b>	<b>36</b>
Effect on ordinary homes located <u>6 miles or more</u> from recreational real estate development											
	Big Effect		Some Effect		Small Effect		No Effect		Unsure/No Answer		100% Total
	No.	%	No.	%	No.	%	No.	%	No.	%	No.
Maui	3	25%	6	50%	3	25%		0%		0%	12
Big Island	1	11%	3	33%	1	11%	3	33%	1	11%	9
Kaua`i		0%	2	29%	3	43%	2	29%		0%	7
O`ahu		0%	2	25%	6	75%		0%		0%	8
<b>Total Sample:</b>	<b>4</b>	<b>11%</b>	<b>13</b>	<b>36%</b>	<b>13</b>	<b>36%</b>	<b>5</b>	<b>14%</b>	<b>1</b>	<b>3%</b>	<b>36</b>

They said this amounts to finding economic uses for coastal areas that few residents would live in anyway:

- *“Coastlines are great for a weekend, but it is very expensive to build houses there.”*
- *“A related effect is that the coastal areas are now becoming more dominated by recreational real estate, with the residential properties moving mauka. This is often desirable for full-time residents, who understand the advantages of living in a more mauka environment.”*

### **Reasons for Recreational Real Estate Effects on Resident Housing**

**Costs/Values:** Those who believed recreational real estate does have even a small effect on residential values were asked about possible reasons this could be so. Exhibit III-9 shows percentage results for the three suggested reasons that vacation homes or other recreational real estate could affect nearby residential prices:

- The relatively more important ones were *diversion of builders into more profitable upscale housing construction* and also *spill-over demand from prospective buyers into residential areas* – both judged at least “fairly important” by a majority of Realtors overall.
- Relatively less importance was attached to the “gentrification effect” of *residents wanting to live in or near these projects*.

In this case, Maui Realtors particularly stood out as more likely to say that any of the reasons were “very important,” with Big Island respondents falling in between Maui and the less concerned Kaua`i/O`ahu Realtors.

Additional write-in or voiced comments about reasons (Exhibit III-10) tended to be either elaborations of the above three reasons or else repetitions of statements made previously about reasons for effects of resort hotel development – supply/demand, difficulties in developing affordable housing supply, etc. However, several people pointed out that off-island buyers increased demand not only through their numbers, but also through their ability to pay higher prices than local residents, on average.

Of some interest is the point made by one Big Island Realtor in Exhibit III-10 that off-island buyers prefer to live near one another and that effects on that island are highly confined to a few residential communities which develop a particular reputation among these buyers. To the extent that this is true, it would be a very primary reason and not just an incidental one.

**Exhibit III-9: Realtor Opinions -- Reasons Recreational Projects Affect Values**

<b>Builders find it more profitable to work on high-end homes, driving up costs for ordinary residents</b>											
	<b>Very Important</b>		<b>Fairly Important</b>		<b>Slightly Important</b>		<b>Not Important</b>		<b>Unsure/ No Answer</b>		<b>100% Total</b>
	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>
Maui	6	50%	2	17%	3	25%	1	8%		0%	12
Big Island	3	33%	2	22%	2	22%	1	11%	1	11%	9
Kaua`i	2	29%	1	14%	4	57%		0%		0%	7
O`ahu	1	13%	2	25%	5	63%		0%		0%	8
<b>Total Sample:</b>	<b>12</b>	<b>33%</b>	<b>7</b>	<b>19%</b>	<b>14</b>	<b>39%</b>	<b>2</b>	<b>6%</b>	<b>1</b>	<b>3%</b>	<b>36</b>
<b>"Spill-over" demand when prospective buyers become interested in existing residential areas</b>											
	<b>Very Important</b>		<b>Fairly Important</b>		<b>Slightly Important</b>		<b>Not Important</b>		<b>Unsure/ No Answer</b>		<b>100% Total</b>
	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>
Maui	7	58%	3	25%	1	8%	1	8%		0%	12
Big Island	2	22%	2	22%	4	44%	1	11%		0%	9
Kaua`i	1	14%	2	29%	4	57%		0%		0%	7
O`ahu		0%	3	38%	5	63%		0%		0%	8
<b>Total Sample:</b>	<b>10</b>	<b>28%</b>	<b>10</b>	<b>28%</b>	<b>14</b>	<b>39%</b>	<b>2</b>	<b>6%</b>	<b>0</b>	<b>0%</b>	<b>36</b>
<b>Increased demand due to resident desire to live near such developments ("gentrification")</b>											
	<b>Very Important</b>		<b>Fairly Important</b>		<b>Slightly Important</b>		<b>Not Important</b>		<b>Unsure/ No Answer</b>		<b>100% Total</b>
	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>
Maui	3	25%	3	25%	5	42%		0%	1	8%	12
Big Island	1	11%	3	33%	2	22%	3	33%		0%	9
Kaua`i		0%	2	29%	5	71%		0%		0%	7
O`ahu		0%	2	25%	6	75%		0%		0%	8
<b>Total Sample:</b>	<b>4</b>	<b>11%</b>	<b>10</b>	<b>28%</b>	<b>18</b>	<b>50%</b>	<b>3</b>	<b>8%</b>	<b>1</b>	<b>3%</b>	<b>36</b>

**Exhibit III-10:  
Other Reasons for Belief That New/Additional Recreational Real Estate  
Projects May Increase Housing Costs/Values for Ordinary Residents**

*(Selected / edited comments from write-ins or paraphrased notes from telephone interviews)*

**Maui:** Aren't the reasons obvious? As more and more people find this to be an attractive place to live, the cost of owning property will increase as they are willing or able to pay more than many local residents.

**Maui:** Supply and demand applies steady upward pressure on land values.

**Maui:** Limited availability of land used for recreational projects will add to the costs of land sold for residential development.

**Maui:** Second home and condo ownership brings more jobs to the community; it upgrades the neighborhood from what it used to be. It provides demands on nearby areas for more housing to support it. This growth needs to be offset with availability for the support [workers]. The condos and houses that are not used part time by the owners who are investors, or waiting to move here when they retire are often used for long term rentals, which does help support the housing demand, although rents must support most of the housing ownership costs.

**Maui:** Tax assessments increase greatly because of these new, highly valued projects.

**Maui:** More jobs = more demand, whether from workers moving to the island or renters who, with a better job, can afford to buy.

**Kaua`i:** Real estate activity is a function of visitor arrivals.

**Kaua`i:** Anybody is going to be attracted to a desirable area – the more desirable, the more you're attracted.

**Big Island:** The reason is they'll sometimes absorb the housing supply in certain areas like Waimea, Kailua, parts of Waikoloa. Resort node stuff doesn't impact regular housing. These guys don't care about schools, etc.; they look to a place where there are people like themselves. But sometimes certain residential areas get a reputation among the second-home buyers as being desirable. Kamuela is one example, and there's a housing shortage there right now.

**Big Island:** The ability, time and cost to develop land for housing (and hence the supply of housing) is the most important factor. Silicon Valley became notable and desirable for its technology industry and supply could not keep up so the price spiral followed.

**O`ahu:** Removes land from supply.

**O`ahu:** Off-island buyers tend to pay higher prices for resort properties. As a result real estate values increase.



**Suggested Policy Responses by Government:** As reflected to some extent in Exhibit III-11, recommendations for this topic tended to parallel those for the issue of resort hotel development.<sup>50</sup> People who had argued against any government action on that issue also were usually anti-intervention on this one; people who had previously seen the solution as increasing affordable housing supply again struck that theme; those who wanted affordable housing requirements for resort hotel developers wanted them for recreational real estate as well; etc.

There were, however, a few additional proposals for government intervention clearly unique to the recreational real estate issue, including:

- Developer/government contributions for special funds to ease resident housing problems;
- Differential property tax rates based on full-time residency, not values alone;
- Anti-speculative measures for subdivisions (usually through property tax mechanisms);
- Reducing demand by reducing the economic attractiveness of the Islands (though these comments generally sounded ironic in tone).

Nevertheless, the majority of responses still focused on increasing the supply of affordable housing. However, Realtors seem as divided as policy makers have been as to whether the best way to do this is through requirements on developers (strongly supported by some, vehemently opposed by others) ... market incentives ... or proactive government planning and development.

### **3. B&B or Vacation Rental Effects on Residential Housing Costs/Values**

**Awareness of Affected Communities and Magnitude of Effects:** Exhibit III-12 suggests most Realtors are aware of single-family residential neighborhoods particularly affected by B&Bs and/or vacation rentals, though many felt such communities are not yet greatly affected. O`ahu Realtors were especially aware, but these particular percentages should perhaps not be given much weight, as they are likely to reflect differences in the selection procedures by the various island real estate associations – i.e., O`ahu Realtors were selected in good part for their knowledge of areas affected by B&Bs, and so it is expectable that more O`ahu Realtors would be aware of such areas.

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<sup>50</sup> In fact, a number of people simply duplicated the answers given to the question about alleviating problems from resort hotel development, though we have generally eliminated those repetitions from the selected comments in Exhibit III-11.

**Exhibit III-11:  
Suggestions for Public Officials to Help Keep Housing More Affordable for  
Ordinary Residents Affected by Recreational Real Estate Developments**

*(Selected / edited comments from write-ins or paraphrased notes from telephone interviews)*

**Maui:** Not under current land use rules. Others may be unconstitutional.

**Maui:** Designate %'s of development in specific areas for recreational versus residential.

**Maui:** Keep up with community plan to build required affordable housing along with large developments, don't just put it off till later. Taxation – put into effect a scale of taxation, as other states do. For example, higher tax rates for higher priced properties, or properties that change hands quite often. In other words, if someone owns their home for 20 years or more, they should get a tax break of some sort. The speculators would be taxed harder. That way people who just want to live in their home forever won't be penalized for being in the same neighborhood as those who just want to buy and sell and make a quick buck.

**Maui:** Some variation of subsidy on land and building costs as indicated above. An affordable housing planned community/neighborhood.

**Maui:** Wish I knew. There are no easy answers but efforts could be made to curb speculation in new subdivisions. Longer requirements for owner occupant purchases. Developers and government could contribute to a fund which would assist local residents in obtaining reasonable mortgages. Tax credits should be given developers who build such developments.

**Maui:** Nothing; they drive prices up by making the development process expensive and cost prohibitive.

**Maui:** Again I doubt the public officials can do anything. It appears many of them have a personal gain with the continued growth. If we would put a halt to building there would still be a demand and reality would set in. Maui is an endangered species – if we don't stop and take a deep breath, there will be nothing left for anyone.

**Maui:** You could limit what an investor could buy as is done in some other countries – but I don't think that would go over too well with your average homeowner.

**Maui:** Ease the rules for converting unused agricultural lands to rural and urban use where these lands are located adjacent to existing residential lands. If development is allowed where existing infrastructure is available (sewer, water, schools, roads), the cost of development will be lower. The base land cost is a huge part of the reason that our housing costs are so high. If suddenly 1000 homes became available to first time buyers, the demand would take the edge off the market and prices might stabilize for a while.

**Maui:** Require developer to offer affordable housing within a certain radius of the project

**Kaua'i:** Open up new areas for more affordable homes. There is a lack of these types of developments on Kaua'i.

**Kaua'i:** Make tax incentives for developers and reduce red tape and legal building requirements. Even Habitat of Humanity says they can't afford to build due to infrastructure and other requirements.

**Kaua'i:** Streamline the approval process.

(Continued)

**Exhibit III-11 (Cont.)**

**Kaua`i:** Affordable housing – well-planned and well thought out.

**Kaua`i:** Open up more areas for affordable homes. There is a lack of these type of developments on Kaua`i.

**Big Island:** Have housing development, maybe recreational development.

**Big Island:** If you can't increase supply sufficiently, the only true way to keep the price of housing down is to become less desirable. This could indeed be accomplished, by cutting the tourism promotion dollar or stopping the solicitation of high-tech industry to move over here.

**Big Island:** The answer does lie with nonprofit housing development groups. But if government could do more to identify good sites, that would help. Planning is such a long-term process – planners don't want to plan, but to react to proposals coming in from others. We need an actual long-term plan with government designating where development should happen. The day of getting exactions from resort developers is over. There are almost no hotel sites left for development.

**Big Island:** Keep the public access routes open 24 hours a day instead of locking them up, clean the facilities that we do have, tax large land owners a fair rate instead of allowing the 6 landowners of this island the ability to continue to lock up our developable land.

**Big Island:** I would note that the biggest improvement to affordability for housing in O`ahu came about because O`ahu was seen as a less desirable location by business (remember the Forbes article of the early 1990s) and at the same time vast tracts of land were opened up and developed in fairly short order. For the last several years local housing has never been so affordable for local residents. As I recall at one time Honolulu was one of the top 3 least affordable locations in the US. I believe (unverified) it may now rank in the 30s. The priority for public officials should be to improve basic common infrastructure (water, sewage, power, primary roadways and schools. Streamline and reduce the cost to develop residential land of the type you want to see more housing on. In the Kona area specifically the biggest item the State should be focusing on to keep housing affordable is improving the State Highways so they can handle the housing developers need to put up more inventory which will keep housing prices down. Planned mass urbanization at the Sate Land Use level of appropriate areas to reduce the development costs and increase available supplies at minimal cost will go a long way to keeping housing affordable. My final comment is that the State's past attempts to do affordable in the Kealakehe area was an unmitigated disaster both politically and financially. To top it off after spending millions on improvements our government saw fit to take it away from the people of Kona and gave it away to solve the State's fiscal dilemma. It sits as a testament to all that is wrong with State Planning. Planning must be done and approved at a local level and on this island that means in the West Hawai`i area if not the Kona area itself.

**Big Island:** Once again, a little help with zoning issues.

**O`ahu:** Add land to supply.

**O`ahu:** Develop "affordable" projects.

**O`ahu:** Provide incentives for developers to provide affordable housing. Supply and demand factor becomes the issue. Small supply of housing to begin with, then large demand creates higher cost housing

**Exhibit III-12: Realtor Opinions -- Awareness & Effects of B&Bs/Vacation Rentals**

Aware of single-family areas with growing or significant numbers of B&Bs/vacation rentals?											
	Yes		Yes, But No.'s Still Small		No		Unsure/No Answer		100% Total		
	No.	%	No.	%	No.	%	No.	%	No.		
Maui	4	33%	6	50%	2	17%		0%	12		
Big Island	5	45%	3	27%	2	18%	1	9%	11		
Kaua`i	4	50%	4	50%		0%		0%	8		
O`ahu	8	80%	1	10%	1	10%		0%	10		
<b>Total Sample:</b>	<b>21</b>	<b>51%</b>	<b>14</b>	<b>34%</b>	<b>5</b>	<b>12%</b>	<b>1</b>	<b>2%</b>	<b>41</b>		
* Those answering "No Real Effect" or "Unsure" skipped remaining questions about B&Bs/vacation rentals.											
Effect on ordinary homes located <u>in actual area</u> of B&B/vacation rental proliferation											
	Big Effect		Some Effect		Small Effect		No Effect^		Unsure/No Answer	100% Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	
Maui	1	10%	4	40%	4	40%	1	10%		0%	10
Big Island	3	38%	2	25%	2	25%	1	13%		0%	8
Kaua`i	2	22%	4	44%	2	22%	1	11%		0%	9
O`ahu	2	22%	3	33%	3	33%		0%	1	11%	9
<b>Total Sample:</b>	<b>8</b>	<b>22%</b>	<b>13</b>	<b>36%</b>	<b>11</b>	<b>31%</b>	<b>3</b>	<b>8%</b>	<b>1</b>	<b>3%</b>	<b>36</b>
Effect on ordinary homes located <u>within 1 mile</u> of affected neighborhoods (with B&Bs)											
	Big Effect		Some Effect		Small Effect		No Effect^		Unsure/No Answer	100% Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	
Maui	1	10%	2	20%	4	40%	3	30%		0%	10
Big Island	2	25%	0	0%	3	38%	3	38%		0%	8
Kaua`i	1	14%	2	29%	2	29%	2	29%		0%	7
O`ahu	2	22%	1	11%	3	33%	2	22%	1	11%	9
<b>Total Sample:</b>	<b>6</b>	<b>18%</b>	<b>5</b>	<b>15%</b>	<b>12</b>	<b>35%</b>	<b>10</b>	<b>29%</b>	<b>1</b>	<b>3%</b>	<b>34</b>
Effect on ordinary homes located <u>2 miles or more</u> from affected neighborhoods											
	Big Effect		Some Effect		Small Effect		No Effect^		Unsure/No Answer	100% Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	
Maui		0%	2	20%	1	10%	7	70%		0%	10
Big Island	1	13%	0	0%	2	25%	4	50%	1	13%	8
Kaua`i	1	13%	2	25%	1	13%	4	50%		0%	8
O`ahu	1	11%	1	11%	2	22%	5	56%		0%	9
<b>Total Sample:</b>	<b>3</b>	<b>9%</b>	<b>5</b>	<b>14%</b>	<b>6</b>	<b>17%</b>	<b>20</b>	<b>57%</b>	<b>1</b>	<b>3%</b>	<b>35</b>
^ Six respondents answering "No Effect" all three times (3 people) skipped questions shown in Exhibit III-13.											

Even given this situation, it is clear that responding Realtors tended to feel that housing price impacts from vacation rentals/B&Bs were much less than from resort hotel or upscale recreational real estate developments. Exhibit III-12 shows very few Realtors thought there was a “*big effect*” on housing costs/values even right in the affected neighborhoods, and for ordinary residential homes two miles or more away, the majority response was “*no effect*” or just a “*small effect*.”

The single-family neighborhoods most frequently named as having a “growing and/or significant number of vacation rentals/B&Bs” were:

- **O`ahu:** North Shore and Windward O`ahu (especially areas close to the ocean in Kailua and Lanikai).
- **Kaua`i:** Diverse responses – several people said “all over” but stressed coastal neighborhoods in particular – but the North Shore (Kīlauea to Hā`ena) and Kalāheo were each mentioned several times.
- **Maui:** Upcountry and various oceanfront or near-water communities on the South Shore (especially Kīhei and Maui Meadows); the North Shore (especially Pā`ia, Ha`ikū and Huelo); and West Maui.
- **Big Island:** Particular concentration in the Volcano area in East Hawai`i, and scattered parts of South Kohala and Kona.

**Dissenting Perspectives:** Six Realtors were unaware or unsure of communities with many B&Bs or vacation rentals. An additional three<sup>51</sup> were aware of such communities, but felt B&Bs or vacation rentals had “*no real effect*” on residential prices even in the immediate area where such activities existed. Only one of these three explained her response. She said that, at least on Kaua`i, B&Bs and vacation rentals are largely confined to coastal communities, where prices are already high due to other demand factors. Outside these oceanside areas, she said, landlords are not able to make any more money from vacation rentals than from ordinary long-term rentals because of lower occupancy rates in vacation rentals located in more inland areas.

**Reasons for Vacation Rental/B&B Effects on Resident Housing Costs/Values:** Exhibit III-13 shows responses to three suggested reasons that vacation rentals or B&Bs might affect surrounding residential prices. Perhaps because they were less likely to feel B&Bs or vacation rentals strongly impacted ordinary residential housing prices, responding Realtors tended to give lower “importance” rates to all three of the suggested reasons that such effects might occur (i.e., the Exhibit III-13 “very important” or “fairly important” percentages tend to be lower than those in comparable Exhibits III-5 or III-9).

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<sup>51</sup> These nine respondents were not asked follow-up questions about reasons or potential government actions to deal with effects on housing costs/values. It may be noted that some of those who did respond to following questions argued there is actually little impact (Exhibit III-14).

**Exhibit III-13: Realtor Opinions -- Reasons B&Bs/Vacation Rentals Affect Values**

<b>Prospective buyers are now willing to pay more in order to create new B&amp;Bs or vacation rentals</b>											
	<b>Very Important</b>		<b>Fairly Important</b>		<b>Slightly Important</b>		<b>Not Important</b>		<b>Unsure/ No Answer</b>		<b>100% Total</b>
	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>
Maui	2	22%	2	22%	3	33%	2	22%		0%	9
Big Island	1	14%	4	57%	2	29%	0	0%		0%	7
Kaua`i	1	14%		0%	3	43%	2	29%	1	14%	7
O`ahu	2	22%	2	22%	2	22%	2	22%	1	11%	9
<b>Total Sample:</b>	<b>6</b>	<b>19%</b>	<b>8</b>	<b>25%</b>	<b>10</b>	<b>31%</b>	<b>6</b>	<b>19%</b>	<b>2</b>	<b>6%</b>	<b>32</b>

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<b>Guests at B&amp;Bs/vacation rentals buy property, bid up prices on homes in or near area</b>											
	<b>Very Important</b>		<b>Fairly Important</b>		<b>Slightly Important</b>		<b>Not Important</b>		<b>Unsure/ No Answer</b>		<b>100% Total</b>
	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>
Maui	2	22%		0%	3	33%	4	44%		0%	9
Big Island		0%	3	43%	2	29%	2	29%		0%	7
Kaua`i	1	14%	1	14%	4	57%		0%	1	14%	7
O`ahu	1	11%	2	22%	2	22%	4	44%		0%	9
<b>Total Sample:</b>	<b>4</b>	<b>13%</b>	<b>6</b>	<b>19%</b>	<b>11</b>	<b>34%</b>	<b>10</b>	<b>31%</b>	<b>1</b>	<b>3%</b>	<b>32</b>

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<b>County tax assessments in these areas are based on presumed income value</b>											
	<b>Very Important</b>		<b>Fairly Important</b>		<b>Slightly Important</b>		<b>Not Important</b>		<b>Unsure/ No Answer</b>		<b>100% Total</b>
	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>	%	<u>No.</u>
Maui	1	11%	2	22%	5	56%	1	11%		0%	9
Big Island	2	29%	1	14%	1	14%	2	29%	1	14%	7
Kaua`i		0%	1	14%	3	43%	2	29%	1	14%	7
O`ahu		0%	2	22%	2	22%	2	22%	3	33%	9
<b>Total Sample:</b>	<b>3</b>	<b>9%</b>	<b>6</b>	<b>19%</b>	<b>11</b>	<b>34%</b>	<b>7</b>	<b>22%</b>	<b>5</b>	<b>16%</b>	<b>32</b>

However, the reason that was considered relatively most important was the idea that *new home purchasers in these areas will pay more in order to create new B&Bs/vacation rentals*. This is consistent with some observation made by planning officials (cited in Chapter II) that successful operators either searched for additional nearby properties or inspired other owners to emulate them.

Additional comments about reasons (Exhibit III-14) included some repetition of the call for additional supply of affordable housing; some contention that B&Bs or vacation rentals have little significant neighborhood impact other than more cars on the street or (for vacation rentals) late-night parties; and some points about the positive effects of B&Bs on resident housing affordability (i.e., income to help pay mortgages).

**Exhibit III-14:  
Other Reasons for Belief That Vacation Rentals or Bed-and-Breakfasts May  
Increase Housing Costs/Values for Ordinary Residents**

*(Selected / edited comments from write-ins or paraphrased notes from telephone interviews)*

**Maui:** Owners would rather rent to vacationers for a higher rate than local residents at a lower rate. Properties are therefore better maintained and values go up accordingly.

**Maui:** B&B's cause congestion on roadways in neighborhood and some tourist related noise and visibility when they come and go. Otherwise they are reasonably inconspicuous. The real increase in values/costs of housing is that more and more people want to move here due to the life style. Tourism is the vehicle and it adds to the reality of the possibility for people to say, "we could move here". B&B's are no more cause than vacation condos or hotel rooms. B&B's do not cause as much impact on a neighborhood as does a noisy early rising rooster!

**Maui:** Unless the county relaxes its opposition to new developments, some inventory will go to transient accommodations instead of long term. It's a question of supply and demand.

**Maui:** Buyer will pay more for an income-producing home.

**Kaua`i:** Slight decrease in supply of housing. Minimal impact, as properties are valued by residents themselves. If not rented, probably vacant until owner visits/moves.

**Kaua`i:** We promote Hawai`i for tourists to come here so it's unreasonable to think that tourism won't affect our islands in all aspects, including housing.

**Big Island:** The rental income usually helps to cover the cost of the mortgage. The neighbors don't like the continual parties and traffic it creates.

**O`ahu:** Removes inventory from long-term rental, forcing residents to move.

**O`ahu:** Some people have gone into the B&B business to be able to afford staying in their homes so B&Bs are not the monsters some would like to portray. .... Personally I believe the only down side to having B&B is additional cars on street parking in areas that may be already crowded. Downside to vacation rentals can be the tenants are on vacation so their behavior may include late nights and noise. However, owners of both kinds of rentals tend to take better care of their properties than the average owner because they are in the hospitality industry.

**O`ahu:** Income!

**O`ahu:** Investors expect a higher return on investments based on vacation rental prices, housing prices etc.

**O`ahu:** Actually, no one can get a vacation rental license. However, there are many units that are used as vacation rentals. Those that are licensed sell for more.

However, there were also several additions to the questionnaire's initial list of explanations for ways that B&Bs/ vacation rental could affect nearby residential housing prices:

- Belief that these uses divert existing long-term rental units into short-term visitor-oriented rentals.<sup>52</sup>
- Suggestions that B&Bs and vacation rentals are “better maintained,” and hence increased values for the surrounding area – perhaps another version of the idea of a “gentrification effect” from tourism.

**Suggested Policy Responses by Government:** As shown in Exhibit III-15, there was again some tendency to repeat previous themes – including general suspicion of government intervention and/or encouragement of more affordable housing as the most appropriate solution for all housing cost problems.

However, a number of comments addressing the B&B/vacation rental issue more specifically involved calls to:

- Legalize (but regulate) B&Bs and/or vacation rentals, in order both to control their numbers and also for government to obtain tax revenues now avoided by underground operators ... but then also –
- Apply different property tax rates to permitted B&Bs/vacation rentals, to help minimize effects on surrounding property owners.

One or two Realtors favored the polar opposite approach, particularly for vacation rentals – banning them and/or enforcing existing regulations against them.

## **E. Discussion**

This chapter began by emphasizing that this particular tourism-housing price study would attempt only to be an “incremental step” in understanding this issue better, as it is a complex and major topic meriting much more systematic study than we could give at this time. We assumed that Realtor perspectives have value because of greater daily involvement and experience on the part of those selected for us by the various real estate associations – but acknowledged that a real understanding of linkages between tourism and housing cost/value must be based on something more than opinion surveys.

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<sup>52</sup> It may be recalled that a recent study rejected this hypothesis for Maui vacation rentals, although the current Maui planning director disagrees – see pp. II-38 and II-39.



**Exhibit III-15:**  
**Suggestions for Public Officials to Help Keep Housing More Affordable for Ordinary Residents Affected by B&Bs or Vacation Rentals**

*(Selected / edited comments from write-ins or paraphrased notes from telephone interviews)*

**Maui:** Not allow vacation rentals in residentially zoned areas.

**Maui:** The tax rates of B&B's should be at the hotel rate; the residential properties around them should be taxed at residential rates. That is the way to keep homes around B&B's affordable.

**Maui:** Streamline the B&B permit process.

**Maui:** If they were legal they could be assessed and appraised in a separate category from ordinary residential.

**Maui:** Ease the rules on B&B to make them all legal. Raise the taxes when they do become legal to business rates. Enforce collection of GET and TAT on all B&Bs

**Maui:** Affordable housing for local residents ... support people who work here can only come if subsidized housing through lower land and building costs plus faster permit and build out times than normal. Also costs must be below market value or from funding that comes from the same sources of the growth that supports additional needs in the infrastructure of roads, sewer, water, schools and utilities. TAXES! Probably the best way is for developers to help fund it along with reduced construction labor costs that are below union scale for all affordable housing.

**Maui:** Well, you could keep all those pesky tourists out of here and then you'd have no problem. Seriously, though isn't it obvious? Build more homes and apartments. Not just affordable because few want to build where there is no real profit and that isn't greed, just common sense.

**Kaua`i:** Reduce limitations on housing. Taxes, infrastructure, and regulatory constraints. Encourage, rather than discourage (\$\$\$) housing.

**Kaua`i:** Vacation rentals (not B&B's so much) are often an investment. If there were more recreational real estate inventory, then less reason for investors to go to ordinary residential areas. Vacation rentals are more attractive in the recreational real estate communities. And that would free up rentals in the ordinary residential areas. But someone is trying to put a lid on it through regulation – that won't work.

**Kaua`i:** Federal Government should help out like before. Also, Kaua`i should do its own development. Planners need to stop relying on developers' information. The planners themselves seem overwhelmed and do not have the necessary staff.

**Kaua`i:** Zone more land for affordable housing.

**Big Island:** Tax differences in which a B&B pays higher taxes based on usage.

**Big Island:** Make the permitting process less restrictive. It is a growing industry that would be profitable with solid guidelines and less restrictions.

**Big Island:** In favor of lifting permitting hassles of B&B's. With proper restrictions it could benefit nearby residents, not hurt them.

**(Continued)**

### Exhibit III-15 (Cont.)

**Big Island:** Public officials have more handle on B&Bs than vacation rentals because you have to be licensed for B&Bs. So County needs to get a better handle on vacation rentals. There's a lot of growth toward retirement population on the Big Island; the county officials have to be more aware of that. Combination of retirement buying and vacation homes.

**Big Island:** Put more emphasis on general plans and long-term planning. They've always tried to assess developers – that means nothing. You have to find a tract of land, bring infrastructure to the site, and build affordable housing in an environment that workers want – proximity to schools, entertainment, etc. For Hualālai, people wanted to live in Kailua, not Waikōloa. People wanted to be close to movies, churches, etc. You have to build worker housing in close proximity to that greater community. Yet county allowed Hualālai to give cash allotments ... but not too many workers could take advantage of that; that brought little benefit to workers. Right now, approvals of huge industrial tracts in West Hawai'i – gotta look at broader impact, but they're not doing that, not looking at fact that these will create huge windfall profits. Should be kickback – extend water lines to places where affordable housing can be built. Too bad government can't pay more for good affordable housing plans and planners.

**Big Island:** Allow more land to be subdivided and renegotiate the leases in Hilo so that the hotels are brought up to an acceptable standard. I wouldn't even send my parents to Hilo if it weren't for the B&Bs. Also keep in mind that many of the local residents can only afford their house only because they run a B&B

**O`ahu:** The City and County of Honolulu could get off their duff and enforce their land use regulation, "1989 Transient Vacation Rental Non Conforming Use Certificate." Or, as an alternative, stop enforcing it at all and let the market determine the number of homes in vacation or long term rental. Or as a further alternative, "support" any owner to operate a B&B or vacation rental as long as they abide by certain regulations and pay higher taxes, e.g. resort rather than residential rates.

**O`ahu:** Mind their own business. This is a private property rights issue. It's only the hotels in Waikiki that are blowing this out of proportion. They don't like losing the visitor count but they are not facing the reality that the visitor staying in these kinds of rentals is not going to come to Hawai'i if hotel is the only accommodation available.

**O`ahu:** REGULATE!! B&B's and Vacation rentals.

**O`ahu:** Zoning for vacation rentals could be different. A properly licensed vacation rental or B&B would have a different tax structure and also more value because of the income produced. Single family would be in a different category.

That having been acknowledged yet again, we believe this Realtor survey does raise or reinforce some key points:

- (1) Tourism differs from other possible "economic growth engines" for Hawai'i because it exposes millions of visitors each year to an enticing potential new place to live. Indeed, much of our current resort hotel inventory, especially on the Neighbor Islands, was built as much to attract potential buyers of recreational real estate as to create profitable hotels.

- (2) The potential impact in terms of attracting *working residents* will generally be regulated by local job availability (though the emergence of telecommuting could affect that type of control). For *part-time or retiree residents*, distance from the Mainland and high travel costs reduce the total number of potential Hawai`i real estate purchasers, but these factors also tend to screen for more affluent people who can pay higher prices.
- (3) Resorts (and, in rural locales, often the immediately surrounding areas) inherently feature high real estate prices. The greatest impact on real estate values historically has been felt in or close to resort nodes.
- (4) It can be argued that – to the extent resort-residential projects capture all or most of the demand for luxury vacation or retirement homes entirely on site – they *should* have little effect on surrounding ordinary residential prices. However, many (not all) Realtors responding to this survey believe there has actually been some impact because local builders find it much more profitable to work on upscale projects. (This is another “especially on the Neighbor Islands” situation.)
- (5) Many Realtors also felt recreational real estate projects can have at least some effect on ordinary residential housing prices for another reason – the “spill-over” effect of potential buyers who look *outside resorts* for property. This raises some questions that we cannot answer and certainly bear further research:
  - Will the current trend for more Hawai`i visitors wanting to experience more of Hawai`i (outside resorts) lead to more visitors wanting to buy real estate in residential communities? Is this already happening?
  - If so, which types of communities (other than the obvious – oceanfront neighborhoods) are most likely to be affected?
  - Specifically, are off-resort “gentleman farmer” projects already attracting significant numbers of offshore buyers? Or are they likely to attract more in the future? And since the answers to those questions surely vary by project type and location, which ones serve a primarily residential or a primarily non-residential market?
  - Issues about appropriate zoning or impacts on agriculture to the side, what are the trade-offs associated with upscale recreational real estate projects that do *not* feature hotels? To what extent are they capturing an offshore demand for Hawai`i residential project that might otherwise spill over into existing residential areas, vs. generating new spill-over pressures themselves?

As these emerging questions are better researched and analyzed for policy decision, some other factors should be kept in mind.

First, a fundamental strategic question for Hawai'i is to what extent the growing numbers of homes for the rich or near-rich represent an overall societal threat vs. an opportunity to develop and capitalize on what is in essence a growing industry. This is a rising wind, and Hawai'i does not yet clearly know whether or where it should be either erecting windbreaks – or else building windmills to capture some of the power blowing our way.

Second, it may be only partly correct to consider the pressure for more outside real estate purchases to be a “tourism impact.” The same forces that gave rise to tourism – technology permitting mass travel, greater social mobility, educational and communications advances that acquaint people with far-off places – may now more *directly* encourage or permit people to search for new homes with a better quality of life. If Hawai'i could shut down its visitor industry tomorrow, that might reduce but hardly eliminate the demand for luxury vacation homes.

Third, to the extent that tourism may have had an actual effect on residential housing prices, any sort of judgment about that must be affected by:

- The fact that tourism has provided jobs that allow people to obtain shelter, and the lack of a clear and persuasive scenario in which some alternative industry would have provided similar numbers of jobs without adding to housing demand by out-of-state residents.
- Uncertainty as to whether the effects of tourism on housing costs/values are really a large factor or a small factor compared to other possible explanations. As will be seen in the following chapter on tourism and crime, some types of evidence can indicate that tourism tends to produce an impact, but non-tourism factors can prove far more influential.

Sometimes data-based analysis of cause and effect has less value for policy decisions than at other times. At present, we might be able to assemble the historical data to better explore and substantiate the past effects of *resort hotel development* on housing prices – but that sort of development is tapering off in Hawai'i. The effects of *recreational real estate* and – while probably less important and considerably more localized – *B&B/vacation rentals* will be more difficult to study conclusively because of data problems, but these likely represent more important management issues for future growth and change.

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*(The questionnaire used for this study is reproduced on the following four pages.)*

**Exhibit III-16: Questionnaire Distributed to Selected Realtors**

"Sustainable Tourism" Survey of Selected [County] Realtors

June 2003

Aloha, [County] Realtors!

The [Contact Organization] is helping us in a survey of selected Realtors. We asked them to identify 20 Realtors particularly knowledgeable about the relationship between tourism and residential housing values. They have picked you as one such person, so we hope you will complete the following questionnaire and return it to [Contact Organization], who will forward them all to us.

We are a consulting company working with the Hawai'i State Dept. of Business and Economic Development (DBEDT) on the "Sustainable Tourism Study." This is a complex and multi-faceted study. (If you wish, you can learn more about the overall study on-line at: [www.hawaiiitourismstudy.com](http://www.hawaiiitourismstudy.com).) We are working on the Socio-Cultural Impact part of the overall study. One chapter of our report is to address "Tourism and Housing Cost." DBEDT asked us to address this topic because past surveys indicate many residents believe tourism does affect housing costs (or, alternatively, values) for residents living off-site from resorts.

We would appreciate your name and contact information, because we might want to get back to you to be sure we understand your answers and because we'd like to list our respondents. But no individual will be quoted by name in our report – we will produce only overall statistics and perhaps some selected responses to those questions where you write in your answers.

**Please type in your answers on this document ... save it under a different name (maybe "Survey[YourName]") ... then e-mail back to [Contact Person, Organization, E-Mail] in the next 3 days if at all possible.**

For multiple-choice questions, indicate your answer by marking it with color or any other consistent visual device – for example:

a. Yes  
 b. No            OR  
c. Not Sure

a. Yes  
 b. No    OR  
c. Not Sure

a. Yes  
 b. No  
c. Not Sure

(Whatever is easy for you, so long as it is clear!)

Other questions will ask you to "Write In" thoughts in your own words. Please write as much as you want – take as much space as you'd like. **Please start by writing your name and basic information below, then answer other questions on next pages.**

-----  
**Your Name:**

**Phone and E-Mail:**

**Company:**

**No. Years as Realtor on This Island:**

**Part of Island You Work in Most:**

**I. EFFECTS OF RESORT HOTEL DEVELOPMENT**

*(These questions are only about how resort hotels – short-term visitor stays, including timeshare, condo-hotels, etc. – may affect housing costs/values for ordinary residents living away from resorts. Later, we ask some separate questions about possible effects of recreational real estate projects. On this page, we are interested in effects of master-planned resort hotels, not small stand-alone hotels.)*

A. In general, how much effect would you say that **resort hotel development** has had on housing costs/values for ordinary residents of this island? (*Choose one:*)

1. No real effect                      2. Small to moderate effect                      3. Large effect                      4. Unsure

*[If you answered "1. No real effect", please write in below WHY you believe this, then skip all the other questions on this page and go to the next page. But if you answered "2", "3" or "4" above, please answer the rest of the questions on this page.]*

Write in reasons if you said "1. No real effect":

B. Please tell us what size effect you think there is, depending on distance of ordinary residential homes from resort hotel areas. (*Choose one answer per line, please.*)

	<u>Big Effect</u>	<u>Some Effect</u>	<u>Small Effect</u>	<u>No Effect</u>	<u>Unsure</u>
a. Very close by (within 5 miles of hotel development)	1	2	3	4	5
b. Farther into region (6-10 miles from hotel development)	1	2	3	4	5
c. Areas 11 miles or farther	1	2	3	4	5

C. How important is each of the following reasons that hotels can affect ordinary residential housing cost/value?

	<u>Not Important</u>	<u>Slightly Important</u>	<u>Fairly Important</u>	<u>Very Important</u>	<u>Unsure</u>
a. Increased demand due to heavy in-migration of new residents working in tourism businesses	1	2	3	4	5
b. Increased demand due to real estate purchases over time by tourists	1	2	3	4	5
c. Increased demand due to resident desire to live near resorts, golf courses, etc. ("gentrification" effect)	1	2	3	4	5
d. Constraints on building new affordable supply (e.g., higher than usual land or infrastructure costs)	1	2	3	4	5

D. Please write in any other important reason for believing new/additional hotels may increase housing costs/values for ordinary residents on this island:

E. What, if anything, could public officials do to help keep housing more affordable for ordinary residents affected by resort hotel developments? (Write in:)

**II. EFFECTS OF RECREATIONAL REAL ESTATE DEVELOPMENT**

*(These questions are about how recreational real estate – retirement or second homes at resorts, or in off-resort projects marketed largely to off-island buyers – may affect housing costs/values for ordinary residents living elsewhere on the island. We'll assume your answers apply equally to resort-residential property as to off-resort projects [upscale ag subdivisions, etc.] – but please write in and tell us if you think there's a difference between resort vs. non-resort recreational real estate impacts for any question.)*

A. In general, how much effect would you say that **recreational real estate development** has had on housing costs/values for ordinary residents of this island? (*Choose one:*)

1. No real effect                      2. Small to moderate effect                      3. Large effect                      4. Unsure

*[If you answered "1. No real effect", please write in below WHY you believe this, then skip all the other questions on this page and go to the next page. But if you answered "2", "3" or "4" above, please answer the rest of the questions on this page.]*

Write in reasons if you said "1. No real effect":

B. Please tell us what size effect you think there is, depending on distance of ordinary residential homes from recreational real estate projects. (*Choose one answer per line, please.*)

	<u>Big Effect</u>	<u>Some Effect</u>	<u>Small Effect</u>	<u>No Effect</u>	<u>Unsure</u>
a. Very close by (within 1 mile of recreational development)	1	2	3	4	5
b. Farther into region (2-5 miles from recreational development)	1	2	3	4	5
c. Areas 6 miles or farther	1	2	3	4	5

C. How important is each of the following reasons that recreational real estate can affect ordinary residential housing cost/value?

	<u>Not Important</u>	<u>Slightly Important</u>	<u>Fairly Important</u>	<u>Very Important</u>	<u>Unsure</u>
a. Increased demand due to resident desire to live near such real estate developments ("gentrification" effect)	1	2	3	4	5
b. "Spill-over" demand when prospective buyers for such projects become interested in existing residential areas	1	2	3	4	5
c. Builders find it more profitable to work on these high-end homes, driving up construction costs for ordinary residents	1	2	3	4	5

D. Please write in any other important reason for believing new/additional recreational real estate projects may increase housing costs/values for ordinary residents on this island:

E. What, if anything, could public officials do to help keep housing more affordable for ordinary residents affected by recreational real estate developments? (Write in:)

**III. EFFECTS OF RESIDENTIAL-AREA VACATION RENTALS OR B-&-B'S**

*(These questions are about how bed-and-breakfasts [B&Bs] or vacation rentals in single-family residential areas may affect housing costs/values for ordinary residents living in the affected areas or elsewhere on the island. We'll assume your answers apply equally to B&Bs [which have hosts living on the property] as to vacation rentals [no on-site hosts] – but please write in and tell us if you think there's a difference between B&B vs. vacation rental impacts for any particular question.)*

A. Are you aware of any single-family residential communities or neighborhoods on this island where you'd say there is a growing and/or significant number of vacation rentals/B&Bs?

1. Yes    2. Yes, but number vacation rentals/B&Bs there still quite small    3. No    4. Unsure

*[If you answered "3. No" or "4. Unsure," please skip the rest of the questions on this page.]*

B. Please write in names of single-family residential communities or neighborhoods with growing and/or significant numbers of vacation rentals/B&Bs:

C. Please tell us what size effect you think there is, depending on distance of ordinary residential homes from areas with B&B or vacation rentals. *(Choose one answer per line, please.)*

	<u>Big Effect</u>	<u>Some Effect</u>	<u>Small Effect</u>	<u>No Effect</u>	<u>Unsure</u>
a. The actual area where the B&Bs/ vacation rentals are located	1	2	3	4	5
b. Other residential areas within 1 mile of affected communities/neighborhoods	1	2	3	4	5
c. Areas 2 miles or farther away	1	2	3	4	5

If you said "No Effect" all three times above to Question C, please write in your reasons and then skip the rest of the questions on this page. *(If you didn't, please answer the rest of the questions.)*

D. How important is each of the following reasons that B&Bs/vacation rentals can affect housing cost/value for nearby residents?

	<u>Not Important</u>	<u>Slightly Important</u>	<u>Fairly Important</u>	<u>Very Important</u>	<u>Unsure</u>
a. Guests at B&Bs/vacation rentals buy property and bid up prices on residential homes in or near area	1	2	3	4	5
b. County tax assessments in these areas are based on presumed income value	1	2	3	4	5
c. Prospective buyers in these areas are now willing to pay more in order to create new B&Bs or vacation rentals	1	2	3	4	5

E. Please write in any other important reason for believing B&Bs/vacation rentals may increase housing costs/values for nearby residents:

F. What, if anything, could public officials do to help keep housing more affordable for ordinary residents affected by B&Bs/vacation rentals? (Write in:)



## **IV. TOURISM AND CRIME IN HAWAII**

**Acknowledgements:** Data and related information were provided by a number of State agencies – the DBEDT Tourism Research Branch, the Department of Labor and Industrial Relations, the Department of Public Safety, and the Department of the Attorney General's Crime Prevention and Justice Assistance Division.

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Particular acknowledgement is due to **Dr. John Gartrell** – of the University of Hawai'i's Social Science Research Institute – for his assistance in explaining and conducting statistical analyses at the conclusion of this chapter.

## **CHAPTER IV: TOURISM AND CRIME IN HAWAI'I**

### **A. Introduction and Conclusions**

In recent surveys sponsored by the State government, roughly half of Hawai'i residents have said they believe tourism makes crime "worse."<sup>53</sup> The purpose of this part of the study is to review available evidence about the extent to which this is actually true. We will both examine past studies and also present some original analysis based on annual "serious crime" data – i.e., government-defined "Index Offenses" – since 1975. (We cannot analyze effects on relatively "minor" crimes such as prostitution and drugs, though these may well be tourism-linked.)

Since our procedure involves looking at a variety of data and studies, our conclusions cannot be a simple "yes" or "no." Rather, this chapter will show that:

- The relationship between serious crime and tourism varies from place to place and time to time. It is a matter of local circumstances.
- Past studies – in Hawai'i and elsewhere – have usually found *some* link between *some* type/definition of "crime" (e.g., change in larceny rates) and *some* type/definition of "tourism" (e.g., change in numbers of tourists) ... but not between others (e.g., no relationship to violent crime, or no relationship when "tourism" is defined in terms of rooms or jobs).
- The past studies we reviewed usually found that tourism was more statistically linked to certain *property* crimes than to *violent* crimes. However, there was no universal crime-tourism relationship that always held true in every place at every time.
- Some Hawai'i studies, backed up by new analysis in this report based on crime victimization surveys, suggest tourists are more likely than residents to report being the victims of some crimes – particularly *larceny-theft* (e.g., thefts from parked cars or valuables left in public places). Compared to other states, Hawai'i has a very high larceny rate.
- However, changes in various county crime rates from 1975 to 2001 do not usually seem to correlate in any clear and consistent way with changes in tourism during the same period. An apparent link between crime and tourism in one county was often not apparent in others.

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<sup>53</sup> Percentages saying tourism makes crime "worse" were 44% in 1999, 63% in 2001, and 41% in 2002. (In 2002, only 8% said tourism makes the crime situation "better.") See Exhibit I-9.

- In many cases, certain crime rates (e.g., Burglary and Murder) generally went *down* while tourism generally went *up*. This is the opposite of public expectations. It does not necessarily prove that “tourism makes crime better,” but it would be consistent with, say, the idea that tourism helps the economy, which in turn dampens the crime rate.
- We tried a more sophisticated statistical approach to find out if tourism has a greater effect on crime than other measurable factors (such as unemployment or demographic changes). The results were again mixed, possibly due to some limitations in the data. There was a moderate positive link between Aggravated Assault and tourism on O`ahu, countered by negative links between tourism and various other crimes on Maui. But there were no consistent *overall* tourism-crime linkages.

“Bottom Line:” Tourism can generate crime, but it doesn’t have to. Sometimes it may even have the opposite effect. And in the period of Hawai`i’s history from 1975 to 2001, it seems to have had no *major* statistical link with Hawai`i crime rates. Tourists may be more likely to get “ripped off” than are locals, but this seems to have less effect on overall crime rates than things like demographics, unemployment, and the effectiveness of the law enforcement system.

## **B. The Nature of Crime Statistics**

There are many ways to measure crime, including data on things like arrests, juvenile crime, etc. However, most studies look at one or both of two types of crime statistics:

1. Victimization surveys, in which random samples are asked if they have been victims of any crimes (and/or particular crimes) during a recent specified period of time. The Hawai`i Attorney General’s office conducted a series of such surveys in the 1990s, now discontinued, for residents only.
2. Official police data on reported crime, which, under the FBI’s “Uniform Crime Reporting” (UCR) system, in turn consist of two categories:
  - “Index Offenses” (formerly called “Part 1” crimes), consisting of seven serious crimes which are believed to be reported in a fairly consistent way over different times and places – Murder, Rape, Robbery, and Aggravated Assaults (sometimes added together as a “Total Violent Crime” index), plus Vehicle Theft, Burglary, and Larceny-Theft (sometimes added together as a “Total Property Crime” index).
  - “Other Offenses” (formerly called “Part 2” crimes), consisting of everything else. The most important reason these are not included with the “Index Offenses” is that they are far more subject to changes over

time and place in regard to (a) public likelihood of reporting, and/or (b) local law enforcement policies about recording and enforcement.

Following a literature review, this study will primarily focus on Index Offenses and, secondarily, some limited information from victimization surveys. The Index Offenses are considered the most reliable and valid type of crime data.

The exclusion of “Other Offenses” (the old “Part 2” category) means we will pay relatively little attention to other crimes often believed to be associated with tourism – including *prostitution* and *drugs*.<sup>54</sup> The problem is that data for such things are generally confined to arrests rather than reported criminal activities, and changes in arrest data over time may have far less to do with “real” changes in the prevalence of criminal or immoral activity than with changes in law enforcement practices, or other conditions. For example, drug arrests are heavily dependent on the availability of police resources, so that new federal grants (or new airport security systems implemented after the Sept. 11 terrorist attacks) can result in a sudden spike in arrests. These should not be interpreted as a “real” increase in actual drug activity.

Index Offenses can be either:

- Raw numbers – the simple count of reports for various types of crime, or
- Crime rates – the number of crimes per 100,000 population.

Rates are generally preferred, because they make it possible to compare the extent of crime as the population in one place changes over time, or to compare two places with very different populations (e.g., O`ahu vs. Kaua`i). However, this leads to the question of what type of “population” will be used to calculate rates:

- Full-time resident population – this is the standard basis used by the FBI for comparing one state’s crime rate to another, or to the national figures.
- “De facto” population (including visitors) – calculated as number of residents, minus estimated number of residents temporarily away on an average day, plus estimated average daily visitor census. This approach is rarely if ever used by national crime statisticians, but makes sense for Hawai`i because of the high visitor count here.

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<sup>54</sup> We will, however, include some survey data showing that solicitation by drug dealers is the most frequently type of crime or “safety problem” actually reported by Hawai`i visitors, with solicitation by prostitutes not far behind. Simple observation and anecdotal evidence strongly suggest that prostitution and drug sales are common in more urban tourist areas such as Waikīkī, though it is less certain whether they are as prevalent in more rural Neighbor Island resort areas.

## C. Hawai'i Vs. National Crime Statistics: Quick Overview

This chapter's Appendix A contains eight charts (Exhibits A-1 to A-8) comparing Hawai'i crime rates (calculated both ways, by resident population and by "de facto" population, including tourists) with national rates<sup>55</sup> for the period from 1975 through 2001. The charts are based on Index Offenses – "Total Crime," plus each of the seven individual types typically compiled by the FBI.

An examination of those charts makes several things apparent:

1. Hawai'i's reputation as a "high-crime" state is due strictly to our high rates of Larceny. We are actually a low-crime state in regard to violence. Of the seven Index Offenses, Larceny is the only one in which Hawai'i has consistently had a higher crime rate than the nation as a whole since 1975. Our Burglary and Auto Theft rates have sometimes been higher, sometimes lower than the national average. But our rates of Murder, Rape, Robbery, and Aggravated Assault are all dramatically lower than the national rate, and have remained that way for many years – something of importance for tourism.
2. All of Hawai'i's crime rates are overstated because of standard procedures excluding visitor population from the calculations. Of all the people present in Hawai'i on any given day (i.e., the "de facto" population), about 12% are now tourists. It may reasonably be argued that Hawai'i's "real" crime rate today (based on de facto population) is only about 89% of the "official" crime rate (based on resident population). The overstatement of crime rates is even more dramatic for some Neighbor Island counties – especially Kaua'i and Maui counties, where visitors make up about 24% of the de facto population.
3. For studies like this, it does not always make sense to calculate "Total Crime," because most reported crime is of one type – Larceny. Larceny is theft without the use of threat or force (that's "Robbery," considered a violent crime) or without breaking into a structure (that's "Burglary"). A theft of valuables left on the beach while swimming, or from a parked car, would be Larceny. In recent years, about 60% of U.S. "Total Crime" has consisted of Larceny, and in Hawai'i about 70% of "Total Crime" has been Larceny.
4. In fact, it often makes more sense to look at each Index Offense separately, rather than any type of "Total." Just as Larceny dominates "Total Crime," it dominates "Total Property Crime" (the sum of Larceny, Burglary, and Vehicle Theft) even more. For "Total Violent Crime," Aggravated Assault and Robbery

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<sup>55</sup> Technically, it is not appropriate to compare Hawai'i crime rates based on de facto population with national crime rates based on resident population only. But at a national level, the difference between foreign visitors present and American citizens temporarily out of the country is probably much, much closer to "a wash" than is the case for Hawai'i.

far outweigh Murder or Rape – so it is better to look at them individually rather than in combination.

The charts in Appendix A Exhibits A-1 to A-8 show this difference for “Total Crime” and each of the seven individual types. The part of the initial exhibit for “Total Crime” – i.e., the upper part, based just on resident population – shows total Hawai`i crime rate to be higher than the national rate for each and every year from 1975 through 2001. But when Hawai`i’s crime rate is based on de facto population, for the period from the mid 1980s through the early 1990s our rate was actually slightly *below* the national average for that timeframe.

5. Since 1975, some types of crime seem to be cyclical, while others are generally rising or falling. Larceny, Vehicle Theft, and Robbery have risen and fallen several times in a cyclical or wave-like fashion, both nationally and in Hawai`i. By contrast, Burglary has generally been falling over time since 1975, while Aggravated Assault (at least in Hawai`i) tends to increase each year. Most, though not all, crimes seem to have strong underlying patterns over time.

## **D. Results of Past Studies on Crime and Tourism**

Our “review of the literature” for this report cannot be as extensive as might be done for an academic journal article, but we believe we have examined most of the more important source materials from (1) academic journals, and (2) other published Hawai`i information, including victimization surveys.

### **1. Academic Literature**

Exhibit IV-1 summarizes key studies conducted in Hawai`i and elsewhere. The Hawai`i studies are now somewhat dated. Several articles by University of Hawai`i economist James Mak and colleagues used data from the 1960s and early 1970s. UH Sociologist Meda Chesney-Lind and her colleague Ian Lind used police data from the late 1970s and early 1980s. Most of the studies conducted outside Hawai`i also go back to the 1970s and early 1980s.

Academic literature tends to focus on underlying theories about crime and tourism. The most common theory is that tourism can increase crime because of opportunistic factors – i.e., tourists are often careless with property and/or are available “easy marks.” This suggests that tourism would tend to generate some or all forms of *property crimes*, but not necessarily *violent crimes* (with the possible exception of Rape). An alternative but more infrequent hypothesis is that tourism contributes to substantial social disruption (e.g., political resentments), which would also suggest increases in violent crime.

**Exhibit IV-1: Summary of Academic Studies on Tourism-Crime Linkages**

<b>Study/Location</b>	<b>Method</b>	<b>Definitions</b>	<b>Total Part I Crime</b>	<b>Total or Individual "Violent" Crime(s)</b>	<b>Total or Individual "Property" Crime(s)</b>
Fujii, Mak, and Nishimura 1978, 1980; <u>Hawai'i Statewide</u>	Time-series multiple regression, 15-year period, 1961-75	"Tourism" = ratio tourist to resident population "Crime" = rates per <u>de facto</u> population (including tourists)	N/A	Did not address Total. Found slight to moderate relationships with murder, rape, robbery (but not assault)	Did not address Total. Found fairly strong relationship with burglary (but not larceny or auto theft)
Fujii, Mak, and Nishimura 1978, 1980; <u>O'ahu only</u>	Cross-sectional 2-stage least squares multiple regression, 1975	[Same as above]	Positive, moderate	Didn't address Total, but found relationships of varying levels with rape, robbery, assault (but not murder)	Didn't address Total, but found strong relationship with burglary (but not larceny or auto theft)
Fujii and Mak, 1979; <u>Hawai'i Statewide</u>	Time-series multiple regression, 15 year period, 1961-75	"Tourism" = proportion jobs in hotels "Crime" = rate per <u>resident</u> population	N/A	Didn't address Total, but found some relationship with rape (not robbery, murder or assault)	Didn't address Total, but fairly strong burglary, slight larceny (not auto theft)
Fujii and Mak, 1979; <u>O'ahu only</u>	Cross-sectional 2-stage least squares multiple regression	[Same as above]	N/A	Didn't address Total; slight relationship with rape (but not robbery, murder or assault)	Didn't address Total; strong relationship w/ burglary (but not larceny or auto theft)
Chesney-Lind and Lind, 1986; <u>O'ahu</u>	(Comparison of crime rates for victim populations: residents vs. visitor)		Tourists somewhat higher	Tourists slightly higher (mostly due to higher robbery rates; tourists <u>actually lower</u> for murder, assault)	Tourists moderately higher rates (particularly for burglary and somewhat for larceny)
Chesney-Lind and Lind, 1986; <u>Kaua'i</u>	(Comparison of crime rates for victim populations: residents vs. visitor)		No difference between tourist and resident rates	Tourists slightly lower (due to very low murder & assault – <u>actually higher</u> rape, robbery)	No difference for Total (but tourists had lower burglary & auto theft rates; higher larceny rates)
Pizam, 1982; <u>Total U.S.A.</u>	Cross-Sectional multiple regression analysis of 50 states	"Tourism" = tourist expenditures in dollars "Crime" = rate per resident population	N/A	Zero with Total, though slight relationships with robbery, rape, assault (not murder)	Slight positive with Total, but <u>zero</u> with individual crimes (e.g., larceny or burglary)

**Exhibit IV-1: Summary of Academic Studies on Tourism-Crime Linkages**

<b>Study/Location</b>	<b>Method</b>	<b>Definitions</b>	<b>Total Part I Crime</b>	<b>Total or Individual "Violent" Crime(s)</b>	<b>Total or Individual "Property" Crime(s)</b>
Jud, 1975; Total <u>Mexico</u>	Cross-sectional regression analysis of 32 states	"Tourism" = no. of int'l level hotel rooms per capita resident population "Crime" = rate per resident population	Positive, moderate (but only for crimes by males)	Strong with robbery, slight with rape (but zero for murder or assault)	Moderate relationship with larceny
McPheters and Strong, 1974; <u>Miami, Florida</u>	Time-series simple regression for months of one year featuring seasonal fluctuation	"Tourism" = employment in eating and drinking places "Crime" = numbers of reported offenses	Positive, slight/moderate	Moderate positive relationship for robbery only (but not murder, rape, or assault)	Strong to moderate with burglary and larceny (but not auto theft)
Schiebler, Crotts, and Hollinger, 1996; <u>ten "most visited counties" in Florida</u>	Simple correlation between reported tourist victimization rates and various possible predictors, including annual number of visitors	"Tourist" = Non-resident of Florida "Crimes against Tourists" = total number of crimes (Part I) divided by estimated total number of visitors without regard to length of stay, victimization rate	Tourist crime rates were higher in areas with higher rates of poverty and minority populations.	<i>Study did not address crimes below "Total Part 1" level. This was really not so much a study of <u>whether</u> tourism is associated with more crime as it was a study of <u>where</u> crimes against tourists are more likely to occur. The conclusion was that areas with conditions conducive to high level of criminality will result in more crimes against tourists, even if more police or security personnel are present.</i>	
Albuquerque and McElroy, 1999; <u>Barbados</u>	Comparison of crime rates for victim populations: residents vs. visitor for three years	"Tourism" = total # of stayover tourists in day x avg. length of stay + daily arrival on cruise ships "Crime" = serious offenses (violent/property) committed against tourists/residents	Tourists higher victimization rates overall (because crime is mostly property).	Tourists much lower for murder and "major wounding," though higher for robbery; rape varies by year	Tourists significantly higher for Total and various specific types of larceny and burglary
Walmsey, Boskovic, and Pigram, 1983; Tweed Heads, Ballina, and Port Macquarie <u>(coastal resorts) Australia</u>	Comparison of the percentage distribution of types of crimes ("tourist towns" vs. control areas), for one year	"Tourism" = Coastal resort areas "Crime" = indicator based on police work loads	More crime in non-tourist areas than tourist areas, crime rate activities in tourist areas coincide with "tourist seasons"	On percentage basis, fewer sexual assaults in non-tourist locations	More drug offenses and "day-time crime" in non-tourist locations

**Note:** See Appendix C for full citations for studies referenced in this exhibit.



Major conclusions from the studies in the summary table:

- Most studies – including the Hawai'i ones – find relationships between tourism and *some types* of crime.
- However, the relationships vary depending on how “tourism” is defined and how “crime” is defined (or on *which types* of crime are considered). There seems to be no universal or inevitable crime consequence from tourism.
- Studies that were able to calculate “tourist crime rates” vs. “resident crime rates” tended to suggest higher overall victimization rates for tourists – though, again, this depended on *types* of crime. For some types of crime, tourists generally had lower, not higher, rates.
- Despite substantial variation in specific crimes, the overall pattern in the literature tends to bear out the theory that tourism can generate crime because of opportunistic factors, more so than the theory that it generates resentment and aggression. That is, such crime-tourism relationships as could be identified were usually stronger for property crimes (especially Burglary and Larceny) than for violent crimes.<sup>56</sup>
- Time and place matter. Pizam’s 1982 study of national U.S. data found little or only very weak tourism-crime relationships. But Jud’s similar 1975 study of national Mexican data found stronger links with certain crimes (particularly Robbery and Larceny).
- In Hawai'i, the property crime data from the 1960s through the early 1980s generally found linkages with Burglary – more so than with Larceny, and not at all with Vehicle Theft. However, while tourists on O`ahu had higher Burglary rates, tourists on Kaua`i had lower Burglary rates than residents. Again, time and place matter.
- In Hawai'i, the type of violent crime most frequently (although not always) linked with tourism in this crime period was Rape – but the statistical association was generally weak to moderate.
- The 1996 Florida study (Schiebler, Crofts, and Hollinger) makes the point that places already conducive to crime – e.g., urban areas with low-income populations – seem to generate more crime against tourists than other tourist settings. Although this is perhaps a common-sense

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<sup>56</sup> Several of the studies did find a link with Robbery, and authors suggested it may be more appropriate to think of Robbery as at least partly a “property” crime, or at least property-motivated, rather than as a “violent” crime in the same sense as Murder or Assault. There were also some studies finding a link with Rape, but this was sporadic and inconsistent.

conclusion, it argues against “statewide” analysis of Hawai'i tourism-crime data, since O`ahu and Neighbor Island conditions differ greatly.

**2. Other Published Information from Hawai'i**

**Analyses of Tourism-Crime Links at Local Levels:** During the resort development boom of the 1980s, a few Environmental Impact Statements for proposed new or expanded resorts were able to track changes in local-area crime (below the county level) associated with tourism growth. This was possible because the State government at that time published annual estimates of resident population – needed to calculate crime rates – for specific judicial districts such as North Kona or Ko`olau Loa. (No such estimates have been published since the early 1990s.)

Community Resources, Inc.<sup>57</sup> provided the following summary of changes in estimated de facto population and crime rates in West Hawai'i (defined as North Kohala, South Kohala, North Kona, and South Kona):

**Exhibit IV-2: West Hawai'i Crime Rates, 1970-89**

<b>Year</b>	<b>Estimated Average Visitor Count</b>	<b>Estimated De Facto Population*</b>	<b>Total Index Offense Crime Rate Per 100,000 De Facto Population</b>	<b>Total Violent Crime Rate Per 100,000 De Facto Population</b>	<b>Total Larceny Crime Rate Per 100,000 De Facto Population</b>
1970	2,015	16,487	3,979	8,490	2,020
1980	4,853	32,371	6,258	8,800	3,511
1984	6,221	39,906	5,343	9,850	3,312
1985	6,554	41,215	5,884	1,114	3,387
1986	7,961	43,505	5,894	1,255	3,211
1987	8,232	45,352	4,969	1,028	2,849
1988	9,001	47,934	5,610	1,110	3,250
1989	14,834	56,593	5,214	1,124	3,103
<b>1970-80 % Increase:</b>	141%	96%	57%	4%	74%
<b>1980-89 % Increase:</b>	206%	75%	-17%	28%	-12%

\* Estimates based on Average Visitor Census calculated from Hawai'i Visitors Bureau data (on visitor units, occupancies, and party sizes) and on resident population estimates for 1984-89 from State government. The 1970 and 1980 resident population data came from the U.S. Census.

Conclusions from this table:

<sup>57</sup> Community Resources, Inc. *Socio-Economic Impact Assessment of the Proposed Sale and Development of Hāmākua Sugar Co. Lands Near Kukuihaele, Hāmākua, County of Hawai'i*. Prepared for Hāmākua Sugar Co. and Belt Collins & Associates. April 1991. (Note: Community Resources, Inc. was the former name of John M. Knox & Associates, Inc.)

- In the 1980s, a major resort construction period, West Hawai`i's visitor population increased more than it did during the 1970s. Conversely, resident population had a higher growth rate in the 1970s than in the 1980s. That is, the 1970s were a period of relatively higher *resident* population growth, while the 1980s comprised a time of relatively higher *tourist* population growth.
- Therefore, if tourists produce more crime than residents, the crime rate should have increased *more* in the 1980s than it did in the 1970s. But for overall crime and its largest component, Larceny, this was *not* true – the West Hawai`i crime rates increased *less* in the 1980s than in the 1970s. In fact, these rates actually *decreased* from 1980 to 1989, despite a huge growth in visitor population.
- Violent crime did increase somewhat more in the 1980s. Community Resources, Inc. reported that a more detailed examination found that the increase was only in Assaults – not in Rape, Robbery, or Murder.

This sort of analysis does not establish cause and effect, just statistical association. But if increased tourism does generate more crime, then the overall pattern of the West Hawai`i data would have been very different.

It is still possible that *initial* tourism development in rural areas generates increases in crime, but that subsequent increases in tourism have little or no additional effect. The figures in IV-2 do not “prove” this for West Hawai`i, but would at least be consistent with that possibility. Along those lines, the same Community Resources study briefly noted that Kā`u District crime data from the early 1970s (when the Punalu`u Resort first opened) showed a temporary increase, followed by a plateau and then a decrease in the early 1980s:

“The overall conclusion from Big Island crime data, then, is that new resort development sometimes (although not always) is associated with a spurt in crime. However, over time, the crime situation stabilizes and/or subsides to an extent.” (p. 10-26)

**Victimization Surveys of Hawai`i Residents vs. Tourists:** Victimization surveys are often believed to overstate crime, because victims are more likely to agree to participate in the study. On the other hand, not all crime is reported to police, so official crime reports may be an understatement, with the truth “somewhere in the middle”.

No true “victimization survey” is conducted among visitors to Hawai`i, but the State’s periodic “Visitor Satisfaction Survey” (conducted through the late 1990s by the Hawai`i Visitors and Convention Bureau, and now carried out by the DBEDT Tourism Research Branch) has included a series of questions asking visitors if they experienced various “safety” problems while in Hawai`i.

In the 1990s, the Hawai'i State Department of Attorney General conducted a series of household surveys about attitudes toward crime, including victimization questions. Data were collected covering reported crime victimization experiences for each year from 1993 through 1997.

The top half of Exhibit IV-3 shows results of the visitor questions for 1996 vs. 2001. (In 2001, DBEDT added several items about solicitation by prostitutes or drug dealers, and also included an analysis of how many people had experienced none of the "safety" problems at all.) This top part indicates:

- Among Japanese visitors, reported crime victimization percentages increased in all categories from 1996 to 2001. The figures for U.S. visitors did not change so clearly or consistently.
- In 2001, the most frequently reported "safety" issue was solicitation by drug dealers. Japanese visitors also had a relatively high rate of reported solicitation by prostitutes, more so than U.S. visitors.

The bottom half of Exhibit IV-3 provides a *rough* comparison of crime victimization rates for tourists vs. residents in 1996, the last year in which data are available for both groups.<sup>58</sup> The questions and methods are not the same in the two surveys, and so caution should be exercised in drawing conclusions. Also, the visitor figures have been annualized, to make them more comparable to the resident figures. That is, if 1% of a group of tourists report a particular crime, and if this group happens to stay in Hawai'i for an average of one week, we would assume the "annualized" figure for a full 52-week year would grow to 52%.

Key results from this comparison would be:

- As of 1996, resident and annualized tourist victimization rates were very similar for *violent crimes* and for *burglary* ("room break-ins" for tourists). The U.S. tourist room break-in rate was on the high side, but given sampling error and the rough nature of the comparison, the numbers are still in the "same ballpark."<sup>59</sup>

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<sup>58</sup> This year, 1996, happened to be a peak year for international (mostly Japanese) visitors to Hawai'i. It was also the peak year for reported crime victimization among Hawai'i residents for the 1993-97 surveys. However, as will be seen shortly, official data for crime reported to police put the previous year, 1995, as the peak for the last several decades.

<sup>59</sup> However, if the 2001 tourist percentages were annualized in the same way, they would have been much higher than the 1996 resident figures both for violence and for room break-in/burglary. It is hard to know what to make of that, because we do not know what residents would have said in 2001. Given media attention to high crime rates in Hawai'i the past few years, it is arguable that reported resident crime on surveys would have been higher, too.

**Exhibit IV-3: Hawaii Tourist and Resident Crime Victimization Survey Results**

<b>Survey Results for Period Visitors Actually in Hawaii (1996)</b>			<b>Survey Results for Period Visitors Actually in Hawaii (2001)</b>		
	<b>U.S.</b>	<b>Japan</b>		<b>U.S.</b>	<b>Japan</b>
(Sample Size:)	(1319)	(1181)	(Sample Size:)	(3284)	(1161)
No Problems (Crime, Drug, Etc. At Least One Problem Below	N/A	N/A	No Problems (Crime, Drug, Etc. At Least One Problem Below	92.0%	93.2%
	N/A	N/A		8.0%	6.8%
<b>Safety Issues:</b>			<b>Safety Issues:</b>		
Solicited by drug dealers	N/A	N/A	Solicited by drug dealers	5.4%	4.7%
Solicited by prostitutes	N/A	N/A	Solicited by prostitutes	1.7%	3.0%
Wallet/purse/valuable stolen	2.2%	2.2%	Wallet/purse/valuable stolen	1.9%	3.7%
Room vandalized/robbed	0.5%	0.2%	Room vandalized/robbed	1.1%	2.3%
Car vandalized/robbed	2.1%	0.3%	Car vandalized/robbed	1.8%	2.1%
Physical violence/harm	0.3%	0.2%	Physical violence/harm	0.9%	1.7%
Other Nuisance/Parking Tickets	2.2%	0.3%	Other Nuisance/Parking Tickets	1.7%	2.5%
			<i>Column totals may exceed 100% due to multiple answers</i>		
<b>Theoretical Annualized (Full Year) Visitor Figures (1996)</b>			<b>Hawaii Resident Victimization Rates 1996</b>		
Average Length of Stay (ALS)*	9.97	5.76			
Multiplier (365 days / ALS)	36.61	63.37			
	<b>U.S.</b>	<b>Japan</b>		<b>Residents</b>	
(Sample Size:)	(1319)	(1181)		(784)	
No Problems (Crime, Drug, Etc. At Least One Problem Below	N/A	N/A	No Serious Crime		48.0%
	N/A	N/A	At Least One Problem Below		54.5%
<b>Safety Issues:</b>			<b>UCR Property Crimes, at least one</b>		
<u>Room vandalized/robbed</u>	<u>18.3%</u>	<u>12.7%</u>	<u>Burglary</u>		<u>11.2%</u>
<u>Wallet/purse/valuable stolen</u>	<u>80.5%</u>	<u>100%+</u>	<u>"Other Theft" (Larceny-Theft)</u>		<u>15.0%</u>
Car vandalized/robbed	76.9%	19.0%	Theft from Motor Vehicle (also Larceny)		26.7%
			Vehicle Break-Ins But No Theft		14.7%
<u>Physical violence/harm</u>	<u>11.0%</u>	<u>12.7%</u>	<u>UCR Violent Crimes, at least one</u>		<u>12.5%</u>
Other Nuisance/Parking Tickets	80.5%	19.0%			
			<i>Column totals may exceed 100% due to multiple answers</i>		
* Estimates provided by DBEDT Tourism Research Branch					

Sources: Hawaii Visitors and Convention Bureau, unpublished data from 1996 *Visitor Satisfaction Survey*; DBEDT Tourism Research Branch, data due to be published in upcoming 2001 *Visitor Satisfaction Survey*; Hawaii State Department of Attorney General, 1997 *Hawaii Household Survey Report* - applies to 1996 experience

- However, the tourist larceny (approximated as “wallet/purse/valuables stolen”) numbers were dramatically higher than those for residents. Theoretically, tourists who remained a full year in 1996 would have had an 80% chance of experiencing theft if they were from the U.S. and a 100% chance if they were from Japan.
- Theft from cars is a form of larceny, and the surveys ask about this issues in differing ways that somewhat interfere with comparison. However, it is apparent that car thefts/break-ins are among the most frequently reported problems for *both* residents and visitors.

So larceny – the most common type of “serious” crime – emerges as the source of the clearest distinction between visitor and resident self-reported crime on crime victimization surveys. Hawai`i’s high larceny rates, it may be recalled, comprise the one consistent difference between this state’s official reported crime numbers and average national figures over the past quarter-century.

However, the question remains whether more “objective” data – i.e., official police reports – will also show any association between tourism and larceny, or tourism and any other crime. That is the focus of the remaining parts of this chapter.

## **E. Official Hawai`i Crime Reports Vs. Tourism, 1975-2001**

Original analysis for this study is presented in this and the following section. This Section E contains simpler information that requires relatively less knowledge of statistics, while the following Section F is more complex and requires relatively more statistical knowledge on the part of the reader.

### **1. Description of Data, Study Design, and Rationale**

The basic approach used in this analysis was to gather annual information for the period 1975-2001 for crime, for tourism, and for other things besides tourism that might affect crime in Hawai`i. We defined all our final variables in terms of *rates* (e.g., crime rates rather than raw numbers of crimes) or *percentages* (e.g., defining “tourism” as the percent of total de facto population consisting of tourists). However, before explaining this approach further, it may be useful to note some other possible study designs that we decided *not* to use.

**Approaches Considered but Not Used:** As evident from the foregoing review of literature, conclusions about crime-tourism links can depend on the design of the analysis and the choice of what to measure to represent “crime” or “tourism.”

We looked at, but rejected, several alternative approaches to study design and/or definition of “tourism:”

1. Cross-Sectional (Geographical) Analysis: Instead of looking at trends over time, we might have taken data for one particular year; calculated the number of various crime reports in particular geographical areas (“tourist areas” vs. other); divided by population to come up with crime rates; and determined whether crime is higher in “tourist areas” than in others. A few of the previous studies mentioned in Exhibit IV-1 used this approach. The definition of “tourism” here would of course be geographical in nature.

We rejected this approach for two reasons: (a) difficulties in coming up with good criteria for identifying “tourist areas” – e.g., O`ahu tourists often spend time outside Waikīkī and may have cars broken into at coastal or other sites all over the island; and (b) even, more importantly, we have no solid way to determine local-area de facto population outside hotel areas, and that is needed to convert crime counts into actual crime *rates*.

2. Victim Identification Data in Police Reports: The Chesney-Lind and Lind (1986) study mentioned in Exhibit IV-1 used this approach with older O`ahu and Kaua`i data – using police reports to determine whether tourists report crime victimization more than residents do. This would have led to an analysis much like the one just done in Exhibit IV-3, except using complete data for actual reports to police rather than a victimization survey based just on a sample that might or might not be truly representative. The definition of “tourism” here would be (comparative) reported visitor experience with crime.

This approach proved impractical because the Honolulu Police Department (which has perhaps the best-developed computerized database) advised us that special permission from the Chief would be needed, and manpower shortages in the research department would assure the request would be given low priority. So unlike the possible cross-sectional approach above, we had no conceptual or methodological objection to this approach; we just couldn't easily do it during this particular timeframe.

3. Using Simple Number of Tourists Over Time as a Measure of “Tourism”: We did not do this because increases in the simple number of living human bodies in Hawai`i will always generate both more crime victims and more crime perpetrators. The question is whether “tourist bodies” produce more crime than “resident bodies.”<sup>60</sup> So we used tourists as a percentage of total.
4. Using “Visitor Units” as a Measure of “Tourism” in a Time-Series Analysis: We decided to attempt an analysis based on changes over time, much like that done in Hawai`i by Fujii, Mak, and Nishimura in the late 1970s (see Exhibit

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<sup>60</sup> And if crime is defined as a rate rather than just total crime numbers, then the number of tourists appears on both sides of the potential equation, since it would be part of the de facto population used in calculating rates. The “tourism” measure needs to be on just one side.

IV-1).<sup>61</sup> Their definition of “tourism” in that study was actually the one we have chosen for this – visitors as percentage of de facto population. However, we did look at an available option: Number of visitor *units* (rooms in hotels, condos, known vacation rentals, etc.) per resident population. Changes over time in this ratio might arguably generate stress and disruption in the resident socio-economic fabric, especially during times of rapid construction outpacing labor supply and thus producing housing shortages.

We ran preliminary time-series analyses using both possible definitions of “tourism” – based on visitors and based on visitor units. In almost every case, such relationships as were found were stronger between crime and tourists than they were between crime and visitor units.<sup>62</sup> Therefore, we decided to look only at the previously-stated definition of “tourism” – visitors as a percent of total de facto population (see further discussion immediately below).

**Definitions Used for “Crime” and “Tourism:”** We chose to examine –

- A definition of “tourism” that consists of *percentage of total de facto population comprised of visitors*. The logic here is that, if tourists generate significantly more crime of some type, then in years when the population composition shifts to having a higher proportion of visitors relative to residents, those crime rates should go up. That was the same logic used by Fujii, Mak, and Nishimura when they did find a relationship between tourism and some types of Hawai'i crime based on 1961-75 data.
- Separate data for each of the seven “Index Offenses” rather than summary “Total Crime” or “Total Property Crime” indices, for reasons explained at the beginning of this chapter.
- Crime rates calculated on a *de facto* population basis (i.e., including visitors) rather than a resident-only population basis, also for reasons explained at the beginning of this chapter.
- Separate data for each of Hawai'i's four counties, because tourism and other socio-economic conditions potentially related to crime vary greatly, particularly between O`ahu and the Neighbor Islands but also to some extent among the three Neighbor Island counties.

Having worked through this logic and set of decisions, we gathered the raw data shown in Appendix B Exhibits B-1 to B-4 for each county, and thereafter calculated county-specific crime rates for the seven UCR Index Offenses and

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<sup>61</sup> They used statewide data, which consists primarily of O`ahu information. So, as previously noted, we thought it better to look separately at results for each county.

<sup>62</sup> The only exception out of 28 pairs of correlations examined was Rape, only on O`ahu. One out of 28 suggests a chance relationship, an accidental and not truly meaningful relationship.



county-specific data on “visitors as percent of de facto population” for the 1975-2001 period.<sup>63</sup>

**Definitions Used for Other Possible Predictors of Crime:** Based on the Fujii, Mak, and Nishimura study design, on other crime literature, and on the availability of data, we decided to include the following other possible predictors of crime in the analysis:

1. Percent of Resident Population Comprised of Young Males (Aged 15-24): This is the classic “high-crime cohort,” the portion of the population most likely to commit crimes. If it expands or shrinks, there is a good chance the crime rate will grow or decline. The U.S. Census actually counts people by age and gender during decennial Census years (e.g., 1990 and 2000), and it publishes estimates during the intercensal years.<sup>64</sup>
2. Unemployment Rate: Many types of crimes (especially property crimes) are believed to be at least partly “economic” in nature. While no single available variable can be said to be a perfect measure of “The Economy,” unemployment rates published by the Hawai`i State Department of Labor and Industrial Relations are generally considered the best sole indicator.
3. Sentenced Prison Admissions Per Adult Resident Population: An effective law enforcement system is often presumed to have a deterrent effect on crime. The question is what variable best measures the “effectiveness” of the law enforcement system.<sup>65</sup> After discovering the local judicial and prosecutorial systems have no such indicators they consider valid and reliable over time, we looked at three possibilities, all based on unpublished data provided by the Hawai`i State Department of Public Safety:
  - *Total new prison admissions per 100,000 adult residents aged 20+.*<sup>66</sup> This includes both people arrested while awaiting trial, those actually beginning sentences, and others such as probation violators.

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<sup>63</sup> Although earlier studies in Exhibit IV-1 used crime and tourism data going back to 1961, the 1975 – 2001 data are what the State Attorney General's office currently has available in published form. Also, it would have been difficult to gather pre-1975 figures for some of the alternative predictors discussed on this page.

<sup>64</sup> No such estimates have yet been published for 2001, and so some of our subsequent analyses will look only at 1975-2000 data. Also, it is very possible that currently published intercensal estimates for the late 1990s in some Hawai`i counties are incorrect. Exhibits in this section will show a suspicious sudden upswing in the percentages for Hawai`i and Kaua`i Counties in 2000. However, such underestimates for a few years would have only a minor effect on our calculations.

<sup>65</sup> Fujii, Mak, and Nishimura – in their several studies looking at 1961-75 Hawai`i data – used the ratio of police to population. However, they concluded this ratio was more a response to past crime than an inhibiting determinant of future crime.

<sup>66</sup> We used “20+” rather than “18+” as our definition of “adult” simply because the latter population figure was not available from the U.S. Census for intercensal years.

- *New prison admissions based on sentenced offenders only:* This would be a sub-set of the above, focusing just on those actually given prison sentences.
- *Sentenced offenders as percent of total admissions:* This presumably reflects the odds that somebody arrested is actually both convicted and given prison sentences rather than other punishment.

We found all three numbers had increased sharply over time in all counties,<sup>67</sup> meaning the data were quite inter-correlated and so it made sense to choose just one. We again looked at the simple correlations with different crimes in different counties. Although the choice was a little less clear-cut than with the different definitions of “tourism,” the best option in terms of relatively strong correlations seemed to be the “Sentenced Admissions,” which also captured the deterrence effect of actual prison sentences and not just arrests.

It should be noted that the State data for this variable was available only from 1977 – 2000 (and, on Kaua`i, only from 1979 – 2000), with 1991 data missing due to a change in record-keeping system.

4. Military Population as Percent of De Facto Population: We follow Fujii, Mak, and Nishimura in including this variable. However, because military population is negligible on the Neighbor Islands, this was considered only for O`ahu. There are a number of slightly differing sources of information about military population. We selected data from the U.S. Dept. of Defense website: <http://web1.whs.osd.mil/mmid/military/history/309hist.htm> .

Again, we first gathered the raw data – which is also included in Appendix B Exhibits B-1 to B-4 – and thereafter calculated appropriate rates and percentages for these four variables.

## **2. Results for Long-Term Trends**

**How Results Are Presented:** The first step in a time-series analysis – and probably the one most understandable to non-statisticians – is just to look at the “pictures” of trends over the entire time period for which data are available. Exhibits IV-4 to IV-11 provide those pictures for each county.<sup>68</sup> These exhibits also provide simple correlations over time.

To make it easier to see how the long-term trend lines for crime rates compare to tourism or other possible predictors, each graph in these exhibits contains:

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<sup>67</sup> Our understanding is that these increases reflect stricter arrest and punishment policies, particularly for drug-related offenses.

<sup>68</sup> Separate data for the different islands of Maui County were not available because de facto population estimates are no longer published for intercensal years since the early 1990s.

- Years in which “peaks” or “spikes” are apparent, so one can see if various crime spikes tend to occur in the same year as – or just after – spikes in tourism or other possible predictors of crime.
- Trend lines (shown as dashed lines) which show either the straight line (“linear”) or curved line (“polynomial”) representing a mathematical equation that gives the “best fit” with actual observed data.<sup>69</sup> Each graph includes a note about the type of line that proved the best fit, as well as the  $R^2$  value showing whether the fit was fairly good (a higher  $R^2$ , closer to the upper bound of 1.0) or very poor (low  $R^2$ , closer to 0.0).

These trend lines – if they are good fits (higher  $R^2$  values) – help to smooth out the “noise” in the charts and make it more obvious whether any two charts are similar in appearance.

**What the Pictorial Results Say:** For each county, the “picture” of change over time in Tourism (“Visitors as % of De Facto Pop.”) does not match well with any of the seven crime “pictures.”

The crime peak years rarely match the tourism peak years. And the overall shapes of the four county tourism trend line “pictures” bear little resemblance to the shapes of the trend line “pictures” for the crime rates in the same counties. The only faint exceptions are some vague resemblances between underlying trend lines for O`ahu Tourism and O`ahu Aggravated Assault (and possibly O`ahu Larceny) and between Maui Tourism and Maui Aggravated Assault. But for other counties, the shape of the trend lines for none of the crimes – including Aggravated Assault and Larceny – are a good match with Tourism trend lines.

By contrast, some of the pictures for alternative crime predictors – Percent of Young Males in Population, Unemployment, etc. – are a much better match for at least a few of the crime variables in the preceding exhibits. For example, O`ahu’s Burglary rate has dropped fairly steady since 1975, closely matching similar declines in the percentages of population comprised by Young Males and/or Military.

Another result from the graphs is that crime data are generally more erratic (present a less clear “picture,” both visually and as shown by low  $R^2$  values) for Kaua`i and Hawai`i Counties. This will have implications for subsequent analyses in Section F.

**What the Correlation Results Say:** Exhibits IV-5, IV-7, IV-9, and IV-11 present simple correlation coefficients for these data over time. Correlation coefficients are a statistical measure of the degree of “match” between two charts such as

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<sup>69</sup> We did not attempt to fit anything higher than a 4<sup>th</sup>-order polynomial. We also checked for other possibilities, such as logarithmic or power curves.

Exhibit IV-4: Trends for Tourism Vs. Index Offense Crimes, 1975-2001 – O`AHU

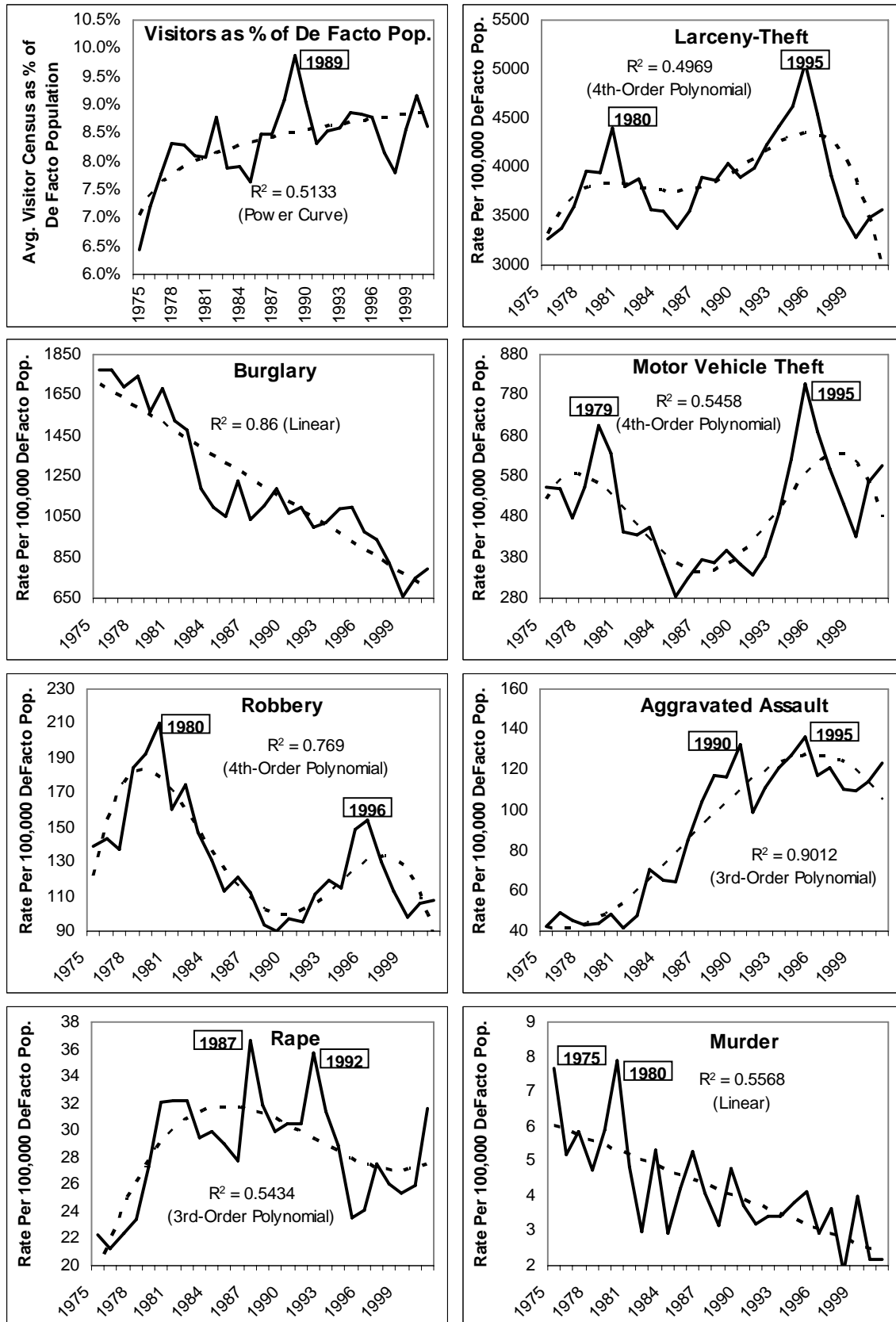
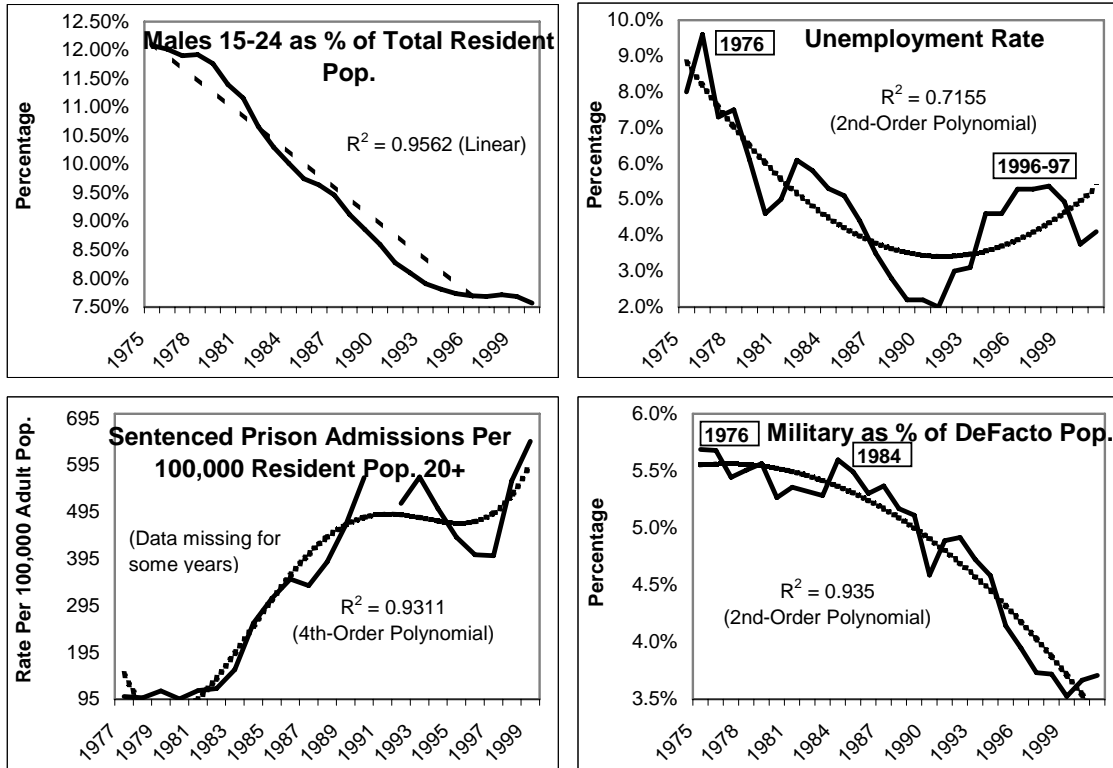


Exhibit IV-5: Other Possible Predictors and Correlations with Crime Rates – O`AHU



Simple zero-order Pearson correlation coefficients for Oahu, 1975-2000:

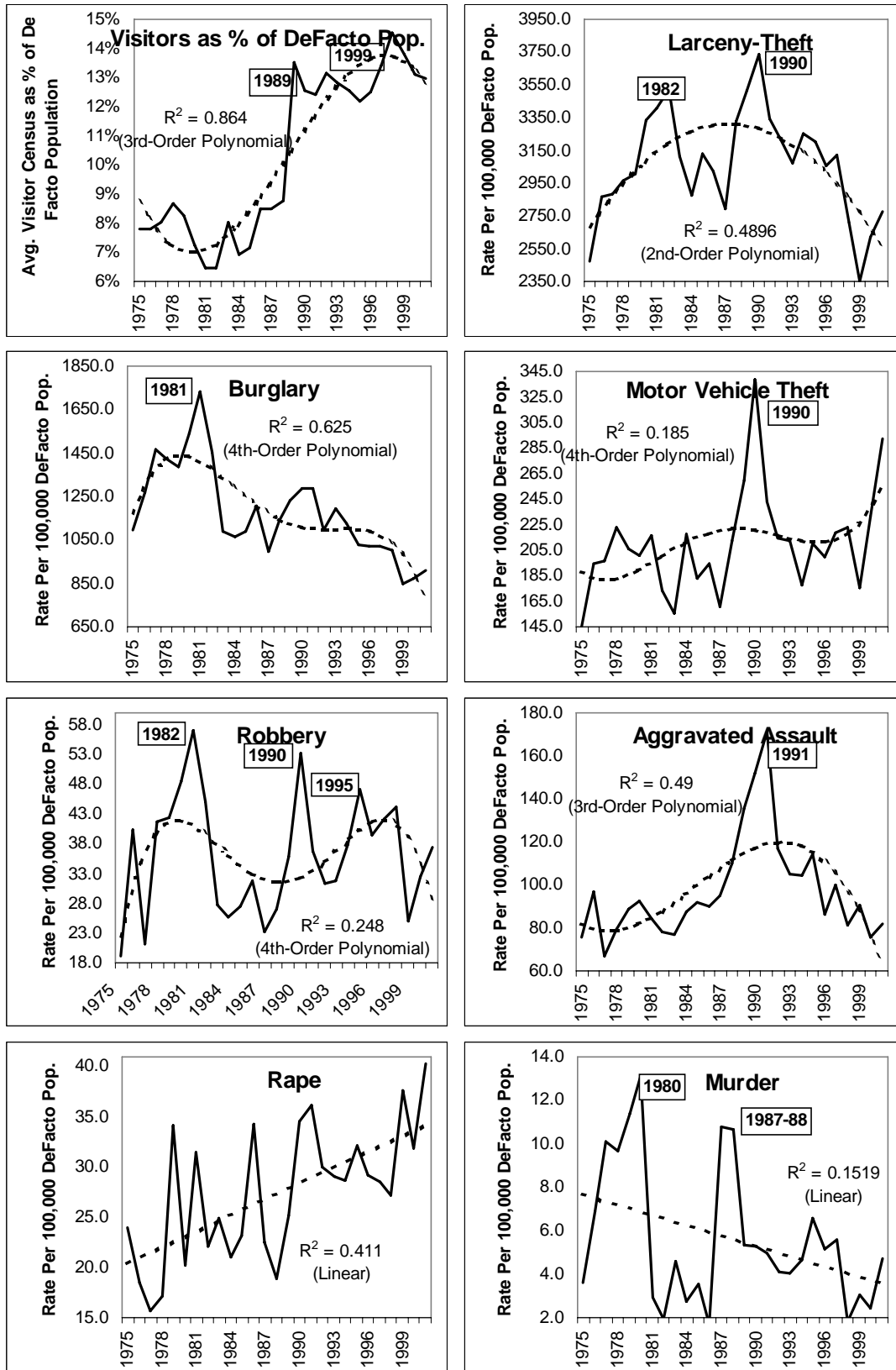
Crime Rates	Visitors as % of DeFacto Pop.	Males 15-24 as % of Total Resident Pop.	Unem- ployment Rate	Sentenced Prison Ad- missions per 100,000 Adults*	Military as % of DeFacto Pop.
Murder	-0.47	<b>0.73</b>	0.42	-0.63	0.57
Rape	0.37	-0.20	<b>-0.68</b>	-0.03	0.16
Robbery	-0.31	0.64	0.57	<b>-0.78</b>	0.35
Ag. Assault	0.64	<b>-0.93</b>	-0.69	0.88	-0.74
Burglary	-0.48	<b>0.93</b>	0.63	-0.88	0.76
Larceny	<b>0.49</b>	-0.35	-0.36	0.04	-0.21
Vehicle Theft	-0.03	0.01	<b>0.37</b>	-0.06	-0.31

Inter-Correlations

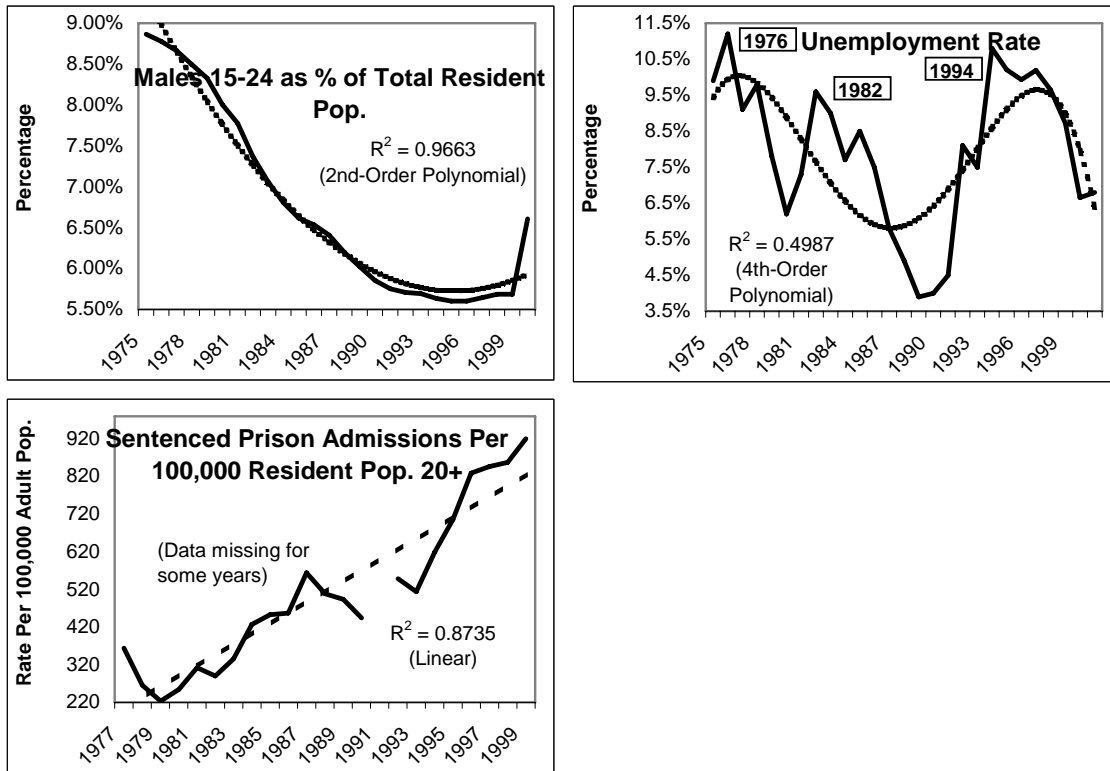
Males 15-24	-0.57			
Unemploy.	-0.72	0.67		
Sent. Prison*	0.49	-0.92	-0.64	
Military	-0.39	0.83	0.32	-0.76

\* Correlations based on 1977-2000, excl. 1991

**Exhibit IV-6: Trends for Tourism Vs. Index Offense Crimes, 1975-2001 – HAWAII COUNTY**



**Exhibit IV-7: Other Possible Predictors and Correlations with Crime Rates – HAWAII COUNTY**



Simple zero-order Pearson correlation coefficients for Hawaii County, 1975-2000:

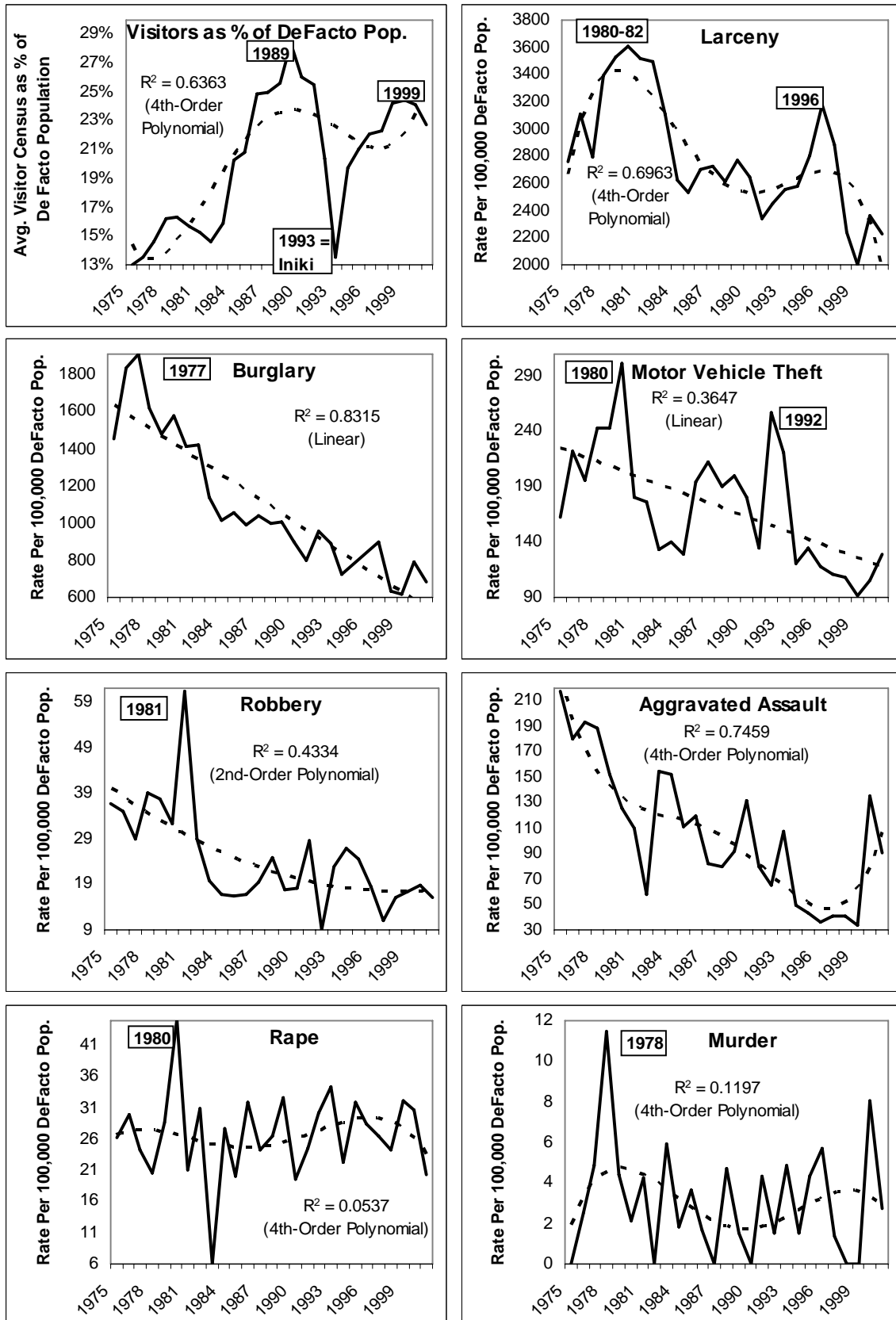
<u>Crime Rates</u>	<u>Visitors as % of DeFacto Pop.</u>	<u>Males 15-24 as % of Total Resident Pop.</u>	<u>Unem- ployment Rate</u>	<u>Sentenced Prison Ad- missions per 100,000 Adults*</u>
Murder	-0.28	0.37	-0.18	<b>-0.40</b>
Rape	<b>0.55</b>	<b>-0.55</b>	-0.19	0.44
Robbery	0.10	-0.04	-0.02	-0.15
Ag. Assault	0.45	-0.51	<b>-0.60</b>	0.04
Burglary	-0.55	0.58	-0.14	<b>-0.81</b>
Larceny	-0.05	-0.20	-0.42	<b>-0.51</b>
Vehicle Theft	0.42	-0.30	<b>-0.56</b>	0.03

<u>Inter-Correlations</u>			
Males 15-24	-0.76		
Unemploy.	-0.08	0.23	
Sent. Prison*	0.78	-0.73	0.22

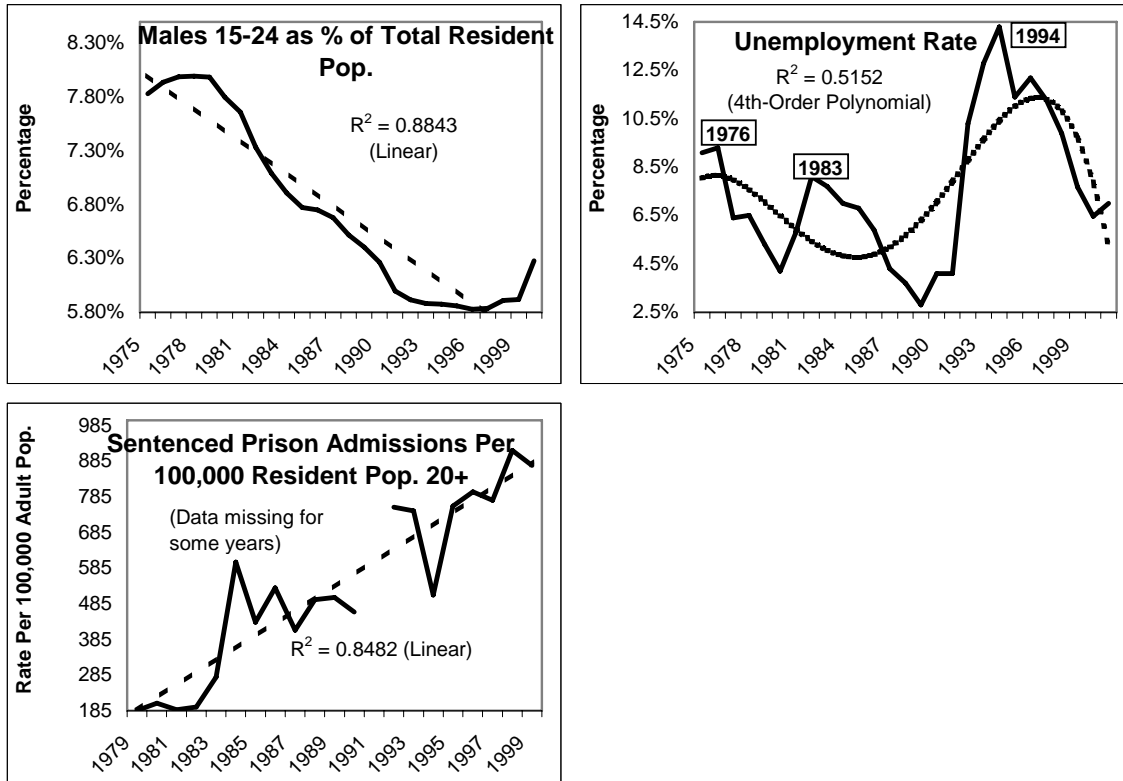
\* Correlations based on 1977-2000, excl. 1991

Exhibit IV-8: Trends for Tourism Vs. Index Offense Crimes, 1975-2001 – KAUA'I COUNTY





**Exhibit IV-9: Other Possible Predictors and Correlations with Crime Rates – KAUA'I COUNTY**



Simple zero-order Pearson correlation coefficients for Kauai County, 1975-2000:

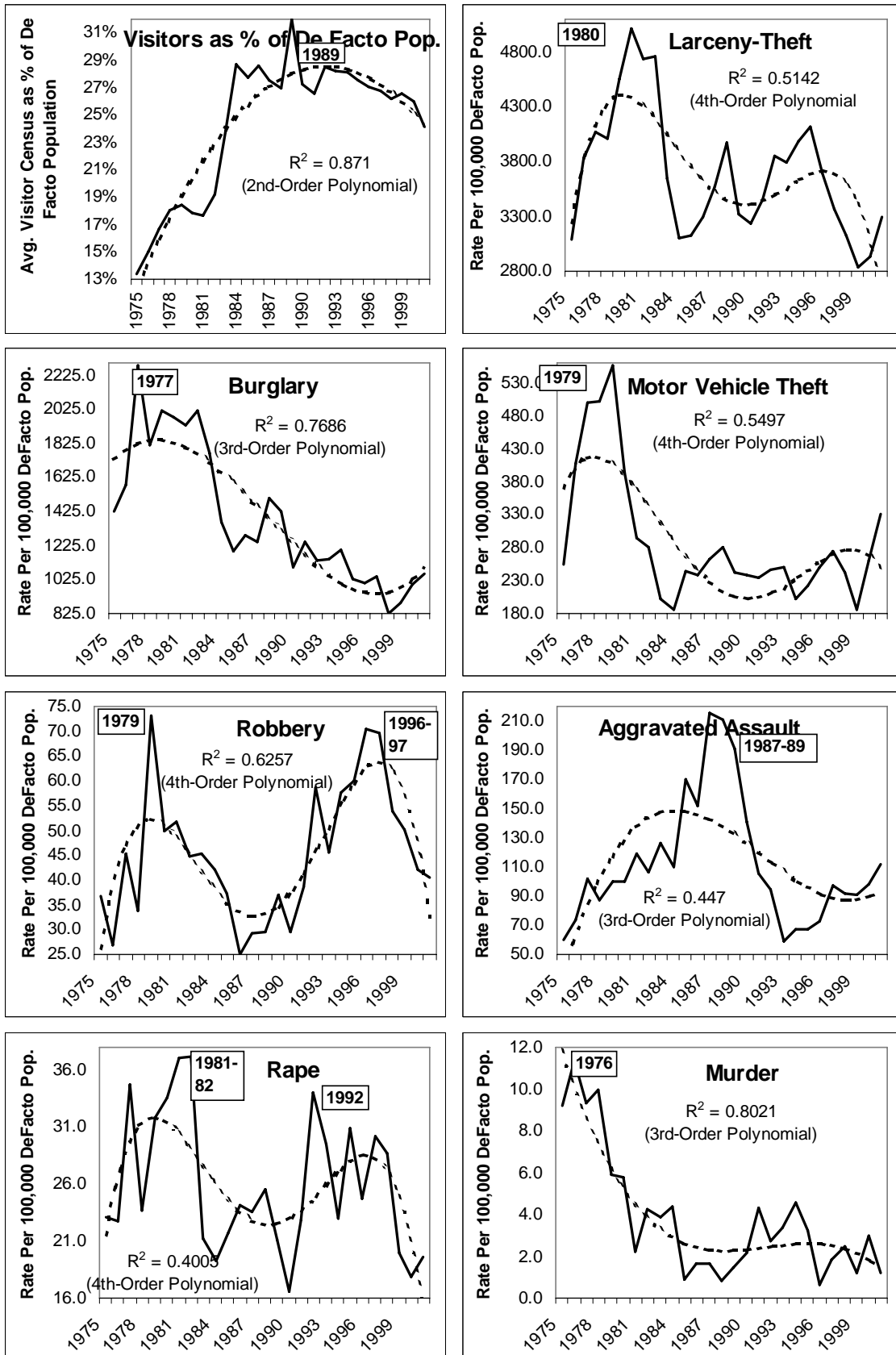
<u>Crime Rates</u>	<u>Visitors as % of DeFacto Pop.</u>	<u>Males 15-24 as % of Total Resident Pop.</u>	<u>Unem- ployment Rate</u>	<u>Sentenced Prison Ad- missions per 100,000 Adults*</u>
Murder	-0.22	0.21	-0.03	0.09
Rape	0.01	-0.05	0.01	0.18
Robbery	-0.58	<b>0.68</b>	-0.18	-0.61
Ag. Assault	-0.53	<b>0.79</b>	-0.33	-0.47
Burglary	-0.72	<b>0.94</b>	-0.26	-0.87
Larceny	-0.58	<b>0.68</b>	-0.13	-0.76
Vehicle Theft	-0.37	<b>0.55</b>	-0.34	-0.53

Inter-Correlations

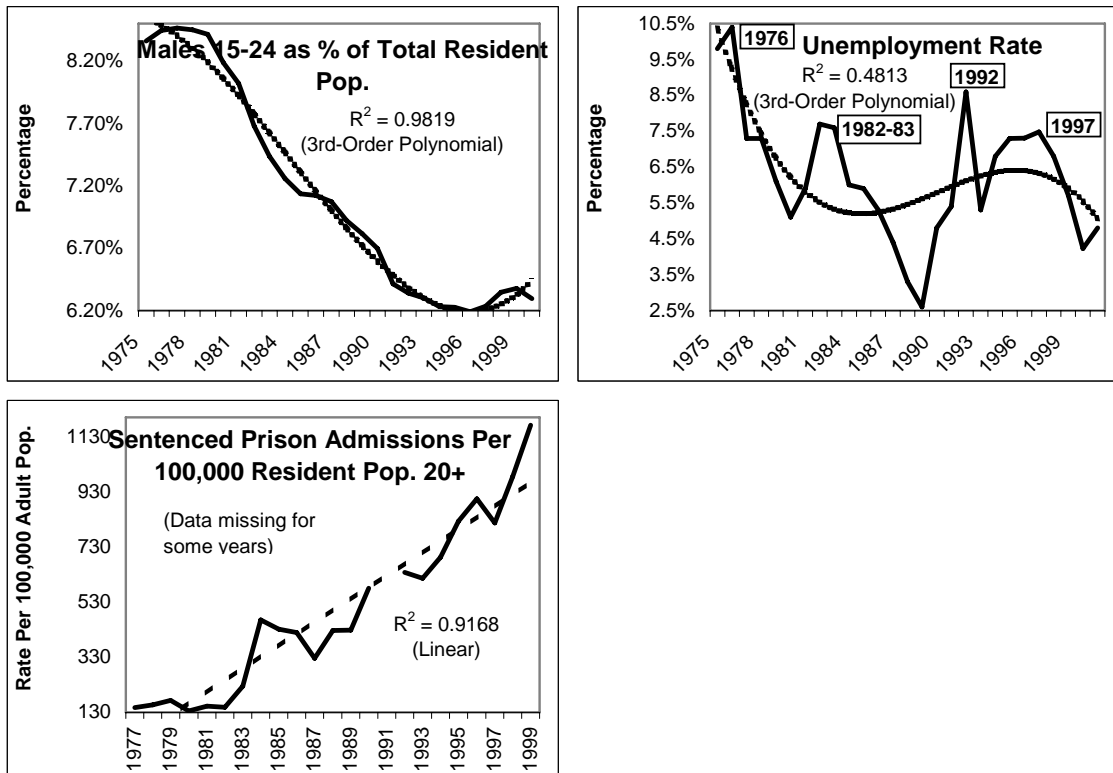
Males 15-24	-0.66		
Unemploy.	-0.32	-0.39	
Sent. Prison*	0.46	-0.85	0.48

\* Correlations based on 1979-2000, excl. 1991

Exhibit IV-10: Trends for Tourism Vs. Index Offense Crimes, 1975-2001 – MAUI COUNTY



**Exhibit IV-11: Other Possible Predictors and Correlations with Crime Rates – MAUI COUNTY**



Simple zero-order Pearson correlation coefficients for Maui County, 1975-2000:

<u>Crime Rates</u>	<u>Visitors as % of DeFacto Pop.</u>	<u>Males 15-24 as % of Total Resident Pop.</u>	<u>Unem- ployment Rate</u>	<u>Sentenced Prison Ad- missions per 100,000 Adults*</u>
Murder	<b>-0.79</b>	0.74	0.60	-0.51
Rape	-0.38	0.26	0.25	-0.37
Robbery	0.03	-0.26	0.24	0.30
Ag. Assault	0.36	-0.01	<b>-0.66</b>	-0.34
Burglary	-0.71	<b>0.86</b>	0.13	-0.89
Larceny	-0.49	0.47	0.12	<b>-0.65</b>
Vehicle Theft	-0.68	<b>0.73</b>	0.18	-0.56

Inter-Correlations

Males 15-24	-0.86		
Unemploy.	-0.55	0.32	
Sent. Prison*	0.61	-0.87	0.02

\* Correlations based on 1977-2000, excl. 1991

these. If trend lines for two variables essentially matched perfectly, the correlation would be +1.0, and high figures like 0.8 still suggest a very good match. If trend lines were reverse images (e.g., crime rising while, say, unemployment is falling), the correlation would be, or would approach, a perfect negative figure of -1.0. The closer a correlation is to zero, the less “match” between the two variables.

In this part of each exhibit, we have **bold-faced** the single strongest correlation figure with each crime. For example, on O`ahu, Murder is more correlated with the percentage of young males (+0.73) than with tourism (-0.47) or with any other possible predictor variable.

Here is what these simple correlations tell us:

- Tourism is sometimes positively but often *negatively* correlated with various crimes. A negative correlation means that crime tends to go down when tourism goes up – it’s the *opposite* of tourism “making crime worse.”<sup>70</sup> If we pay attention only to moderate or strong correlations in excess of either +0.3 or -0.3, we see that six of the 28 correlations between tourism and Index Offense crime rates are positive while 14 are actually negative, with the remainder falling in the indeterminate zone.
- Only two crimes have been consistently related to tourism in the same way for all counties, and both are consistent *negative* correlations: Murder and Burglary rates generally declined over the last quarter-century, when tourism increased, for all four counties. The Murder relationship is fairly weak for Hawai`i and Kaua`i Counties, but the negative Burglary correlation is moderate to strong across all counties.

For other crimes, a correlation may be positive for one county, but negative or close to zero for others. For example, Rape is positively associated with tourism for O`ahu and Hawai`i County, zero-correlated for Kaua`i, and somewhat negatively correlated for Maui

- Non-tourism factors usually were more correlated to various crimes than was tourism: On O`ahu, only Larceny had a higher correlation with tourism than did any other possible predictor.<sup>71</sup> For Hawai`i County, only Rape. And for Maui County, only Murder (with a *negative* correlation). The demographic, economic, and prison/deterrence variables were

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<sup>70</sup> Of course, correlations do not establish cause-and-effect. A negative correlation does not mean tourism “make crime better.” It just means that, on the face of it, the statistical relationship between tourism and these types of crime certainly do not support the idea that tourism makes crime worse.

<sup>71</sup> But in the other three counties, Larceny was either essentially uncorrelated to tourism (Hawai`i County) or negatively correlated (Kaua`i and Maui Counties).

more likely to have the strongest relationships – though these were also sometimes positive and sometimes negative, varying by county.

- Tourism was often more correlated with other possible predictor variables than with crime rate variables: There was also a high degree of inter-correlation among the other predictor variables – young males, unemployment rates, etc.

This last finding poses a serious problem for the intended next phase of the analysis, as discussed in the following Section F of the chapter.

**Discussion:** This sort of analysis is never definitive, because (1) there is still a possibility that Tourism can have *short-term* effects on crime despite the lack of match or correlation between the general long-term trends; and (2) as noted, correlations do not establish cause-and-effect in any case.

But what Exhibits IV-4 through IV-11 do make very apparent is that tourism in Hawai'i during this period was not a *sole or major* determinant of any serious Index Offense crime rate in any county. That is, no form of crime in Hawai'i seems to be consistently linked over time (in the expected positive way) to general changes in visitor population.

How can we find so little apparent crime-tourism relationship for the period since 1975, when an earlier study did find relationships for 1961-75, at least on a statewide basis? There are several possible explanations:

- As previously noted, tourism-crime relationships seem to be a matter of circumstance, not a “law of nature.” So it is possible that an observable relationship can exist for one period in time but not another, even in the same place.
- The earlier study using 1961-75 data went farther than our analysis has done so far. It used complex statistical techniques to try to measure the effects of tourism on crime when other factors – such as unemployment or demographics – were held equal. So our last section will look at what might also be possible if these statistical procedures were applied to our present dataset.

## **F. Multiple Regression Analysis (Partial Findings)**

This section assumes the reader has at least a conceptual understanding of Ordinary Least Squares (OLS) multiple regression and the uses of regression in time series analysis, the techniques used in many previous crime-tourism studies.

Multiple regression theoretically has the potential to disentangle inter-correlations among predictor variables and then provide a predictive equation that tells us –

- Whether tourism is part of the equation at all for predicting crime;
- If so, whether tourism is relatively more important than other explanations we *have* measured (such as unemployment); and
- Whether an equation involving tourism does a good job predicting crime, or whether other things we *have not* measured (including simple random chance) are probably more important.

Unfortunately, however, we encountered problems in the data that limited the conclusions we could draw from multiple regression analysis.

### **1. *Difficulties in Conducting Multiple Regression with Available Data***

Multiple regression, like many other advanced statistical techniques, depends on assumptions about the nature of the data. Despite its theoretical potential to answer questions about tourism-crime data, there are many things that can make a multiple regression analysis problematic. Two of them are worth emphasizing here:

- (1) Independent variables should not be highly inter-correlated: As was already noted, Exhibits IV-5 to IV-11 showed us time-series data for tourism, unemployment, sentenced prison rates, etc. that unfortunately *are* highly inter-correlated in most counties for this time period.
- (2) For time-series data such as these, more years of observation are usually needed to overcome “auto-correlation” issues.<sup>72</sup> Typically, statisticians would wish for at least 50 observations in order to analyze a complex time series that consists of anything other than a very simple trend. We have at best 26 or 27 years of observations and we have even fewer when considering prison data.

“Auto-correlation” means that a variable is related to itself. For a set of social statistics gathered over time, such as our crime figures – the best predictor of Year 10 crime results would be the crime rates before year 10, not changes in some other variable. Auto-correlation becomes an issue because repeated observations in a time series often show a *trend* over time. (This is because the underlying factors that produce a crime rate in a particular year will themselves

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<sup>72</sup> From a statistical point of view, the key issue is that “observations are not independent” in time-series analyses. But the practical implication for this study has to do with the need to have lots of years of observations in order to help overcome this problem.

change in highly predictable ways over time, so that they produce similar crime rates in following years.)

As was noted at the very beginning of this analysis, many Hawai'i crime rates do show clear trends, though the nature of those trends vary depending on the crime and the county – the “picture” for some of them is close to a straight line going up or down, while others rise and fall over time like waves. Also, Exhibits IV-5 to IV-11 showed that most of the other possible predictors of crime (unemployment, etc.) themselves have clear trends.

When this is the case, multiple regression analyses become more complicated, and even a simple analysis without complicated modeling may require two different steps. These steps involve disaggregating each variable's time series into two different components:

- **Long-Term Trends:** The first component would be the underlying general trends shown by the “best-fit” trend lines super-imposed on Exhibits IV-4 to IV-11. We could go beyond the simple analysis done in the foregoing Section E (i.e., just describing the trends) by doing an actual multiple regression analysis to determine whether the Tourism trend line has a relationship with any of the crime best-fit trend lines for various counties.
- **Short-Term Changes:** The second component looks at year-to-year *differences* over time between actual observed values and the expected value according to the “best-fit” general trend line. In other words, a particular crime rate may be changing over time in a way that is best described by a straight line going up or down – but the actual data are *close to* a straight line rather than perfectly forming the straight line. The differences between the line and the actual data can be measured, and are called *residuals*. It is possible to conduct a second and separate multiple regression analysis based not on the original data, but rather on the residuals. The question here is not whether crime and tourism seem to be moving in the same direction over the long haul, but whether short-term “peaks” or “valleys” in tourism are associated with immediate “peaks” or “valleys” in crime.<sup>73</sup>

## **2. Limited Findings from Multiple Regression Analysis of Residuals**

We elected not to attempt a multiple regression for the long-term trend lines because we felt it was unnecessary and because the independent variables in such an analysis are generally highly inter-correlated. The simple visual analysis of peak years and best-fit trends lines in Section E was sufficient to make the point that long-term trends for tourism and crime rates are generally not very similar. Trying to do a multiple regression using the best-fit trends lines would

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<sup>73</sup> We should remember that in addition to meaningful short-term year-to-year variation, all measurement errors for each variable are also contained in that residual.

make sense only if we are testing some sort of theory which related to trends of a particular predicted nature. That seemed a more appropriate task for an academic analysis.

We did, however, feel it would be appropriate to attempt some multiple regression analysis for the short-term residuals, despite the data limitations. This type of analysis addresses the kind of question that social agencies – or, for that matter, the general public – might often ask: “If tourism suddenly rises unexpectedly a whole lot next year, will crime suddenly rise a whole lot, too?”<sup>74</sup>

Knowing that our results would be tentative and constrained by the previously discussed data limitations, we decided to conduct analyses just for O`ahu and Maui.<sup>75</sup> And in order to keep the number of observations as high as possible, we:

- Dropped the “sentenced prison admission rate” from our set of independent variables for this particular analysis;
- Kept the number of observations at 27 for all variables by assuming that the 2001 value for “% of young males” would be identical to the 2000 value;
- Restricted our analysis to “synchronous” (same-year) effects, rather than searching for “lagged” relationships (e.g., seeing if crime in one year responded to tourism changes in a preceding year rather than the same year);
- For the analysis of residuals, sometimes chose “best-fit” trend lines that minimized loss of observations (“degrees of freedom”) even though a more complicated line would actually fit better – e.g., several O`ahu crimes clearly had wave patterns with several peaks, and 4<sup>th</sup>-order polynomials would fit better, but we worked instead with simple curves and 2<sup>nd</sup>- or 3<sup>rd</sup>-order polynomial equations to maximize the power of the analysis.

**O`ahu Results:** First, we calculated correlations between the residuals for Tourism and the residuals for the seven Index Offense crimes. We found one statistically significant correlation and one that was not significant but somewhat approached significance. Interestingly, these were for the two crimes that also appeared to have some possible long-term relationship as well with tourism on O`ahu, as was noted in the foregoing Section E:

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<sup>74</sup> The analysis of “peak years” in Section E has already shown us this has not been the case historically. However, analysis of residuals is really asking a slightly more complicated question: “If tourism suddenly rises a whole lot next year – but everything else that might affect crime stays the same” – would crime rise a whole lot, too (independent of other factors)?”

<sup>75</sup> As may be seen in Exhibits IV-4, IV-6, IV-8, and IV-10, the underlying trend lines – around which residuals are measured – provide fairly good fits for most crimes on O`ahu and Maui. However, the Hawai`i and Kaua`i County “best-fit” lines often had extremely low R<sup>2</sup> values.



- *Aggravated Assault residuals*: Correlation of +0.47 with Tourism residuals (using best-fit lines described in Exhibit IV-12 below).
- *Larceny residuals*: Correlation of +.26 with Tourism residuals (not significant, using best-fit lines described in Exhibit IV-13 below).

Based on this, we conducted a multiple regression analysis using these two O`ahu crime rates as dependent variables.

**Exhibit IV-12: Regression Analysis of Residuals, Using O`ahu Aggravated Assault as Dependent Variable**

	Tourism	Unemployment	Young Males	Constant	R <sup>2</sup>	F-Test Signif.
Unstandardized Coefficients	+1,436	+0.39	-2,990	+.40	0.64	.000
Standardized Coefficients	+.418	+.024	-.651			
Signif. of Standard. Coeff.	.008	.870	.000			
(Residuals calculated from: Ag. Assault, linear; Tourism, S-curve; Unemployment, 2 <sup>nd</sup> -order polynomial; and Young Males, linear)						

The results indicate that short-term changes in O`ahu's Aggravated Assault rate for this period *were* statistically associated with changes in Tourism, though the relationship with Young Males was even stronger. Unemployment would be "weeded out" of the equation because the statistical significance of its standardized coefficient was far higher than the 0.05 level which is the usual cut-off point.

**Exhibit IV-13: Regression Analysis of Residuals, Using O`ahu Larceny as Dependent Variable**

	Tourism	Unemployment	Young Males	Constant	R <sup>2</sup>	F-Test Signif.
Unstandardized Coefficients	+28,152	+65	+9,828	-14	0.10	.492
Standardized Coefficients	+.349	+.167	+.091			
Signif. of Standard. Coeff.	.138	.469	.658			
(Residuals calculated from: Larceny, 3 <sup>rd</sup> -order polynomial; Tourism, S-curve; Unemployment, 2 <sup>nd</sup> -order polynomial; and Young Males, linear)						

In this analysis, all three of the possible predictors – including Tourism – would be "weeded out," though Tourism came closer than the others to being statistically significant. However, the overall R<sup>2</sup> was just 0.10, indicating that these independent variables simply lacked much ability at all to predict O`ahu's Larceny rate in the short run.

For O`ahu, we conclude that a possible tourism-crime connection exists only for Aggravated Assault, though the weak connection with Larceny might attain statistical significance in a longer data series.

**Maui Results:** Again we calculated correlations between Maui Tourism residuals and those for the seven Index Offenses. We found some significant *negative*

correlations between Tourism and the crimes of Rape, Burglary, and (unlike O`ahu, where the relationship was positive) Larceny. These match and reinforce the overall negative long-term negative correlations for these and other crimes reported for Maui back in Exhibit IV-11.

So the principal finding for Maui – both long-term and short-term – would be that “Crime does *not* make tourism worse there.” Correlational data do not establish cause and effect, but most of the Maui results would be more consistent with a hypothesis that tourism increases are associated with economic improvement that reduces crime.

We found one barely-significant positive correlation of Tourism residuals with a Maui crime rate residual series:

- *Aggravated Assault residuals*: Correlation of +0.35 with Tourism residuals (using best-fit lines described in Exhibit IV-14 below).

Especially because of apparent consistency with O`ahu results, we proceeded with the multiple regression analysis of residuals to see if the Tourism-Assault relationship would survive or would be “weeded out” (i.e., explained by the effects of other variables):

**Exhibit IV-14: Regression Analysis of Residuals, Using Maui Aggravated Assault as Dependent Variable**

	Tourism	Unemployment	Young Males	Constant	R <sup>2</sup>	F-Test Signif.
Unstandardized Coefficients	+4.1	-12.5	-9.5	.000	.36	.016
Standardized Coefficients	+.233	-.507	-.036			
Signif. of Standard. Coeff.	.227	.016	.859			
(Residuals calculated from: Ag. Assault, 3 <sup>rd</sup> -order polynomial; Tourism, 2 <sup>nd</sup> -order polynomial; Unemployment, 2 <sup>nd</sup> -order polynomial; and Young Males, 3 <sup>rd</sup> -order polynomial)						

Exhibit IV-14 shows the Tourism effect on Maui’s short-term Aggravated Assault crime rate was in fact “weeded out,” apparently due to inter-relationship with Unemployment. However, the effect of Unemployment on Aggravated Assault in this equation is a highly counter-intuitive *negative* one, and Young Males – the sole statistically significant predictor of short-term O`ahu Aggravated Assault residuals in Exhibit IV-12 – is shown to have inconsequential effects on Maui.

**Concluding Statement:** Multiple regression is a potentially powerful statistical tool, but the limitations in the data – inter-correlated predictors and a relatively small number of years of observations for a time-series – result in somewhat muddy results.

And yet, muddy results are the norm for tourism-crime studies. It is typical to find a statistical link between tourism and one type of crime (but not others) in one place, and between tourism and another type of crime in a different place.

We pushed the limit of statistical methodology in doing these analyses so that we could say we made the greatest possible effort to test the hypothesis that “tourism makes crime worse.” We found only a few hints that this might occasionally be true in Hawai`i. We found more hints that the reverse is true equally or more often – that many types of crime have declined as tourism has increased. Overall, though, we found little evidence of consistent and systematic links over time between Hawai`i crime and tourism in the various counties of the state.



**APPENDIX A:  
HAWAI`I STATEWIDE CRIME RATES  
VS. NATIONAL CRIME RATES,  
1975 – 2001**

Exhibit A-1: Comparing Hawaii vs. U.S. Total Crime Rates

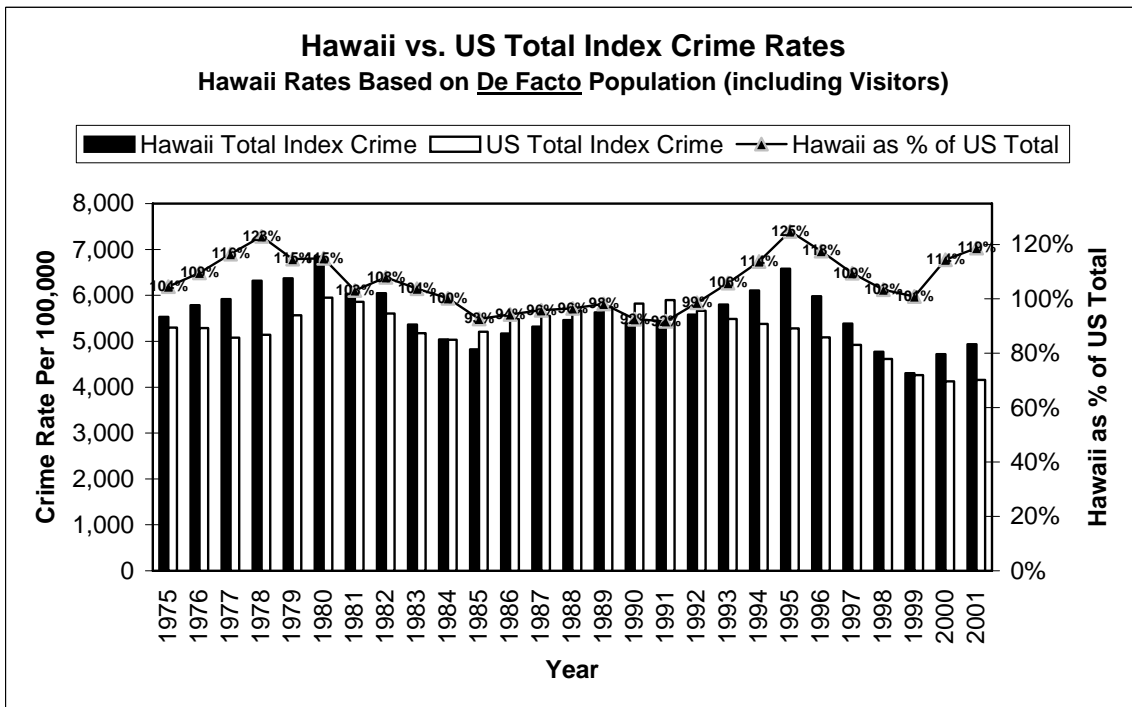
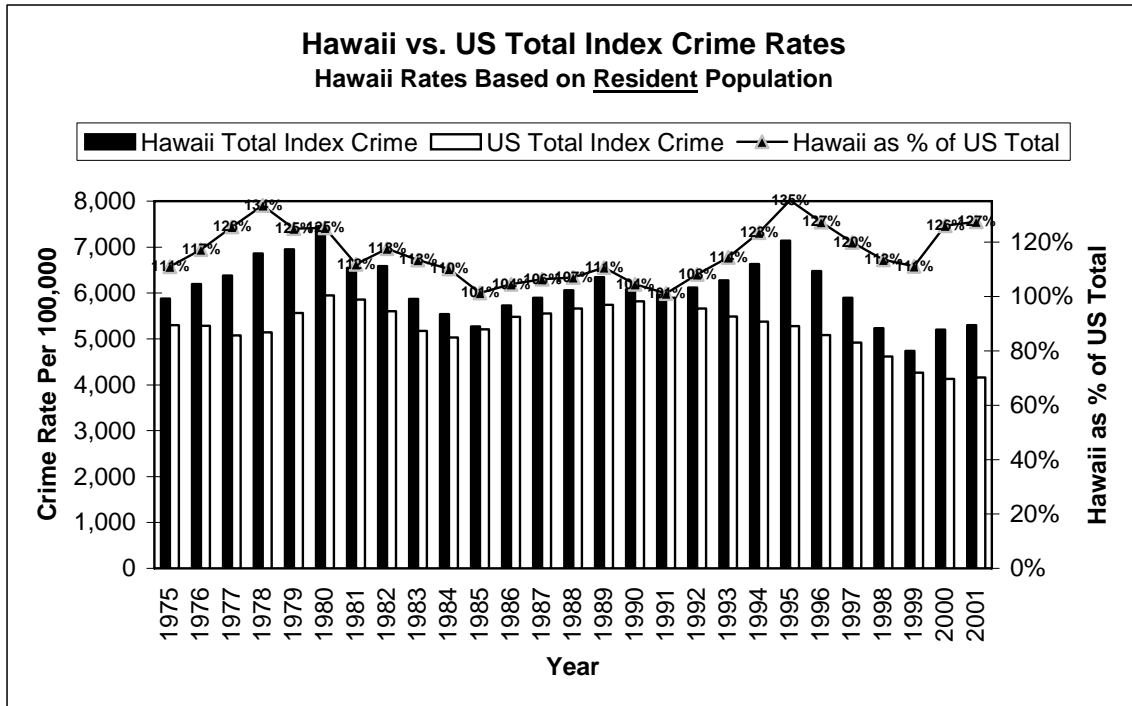
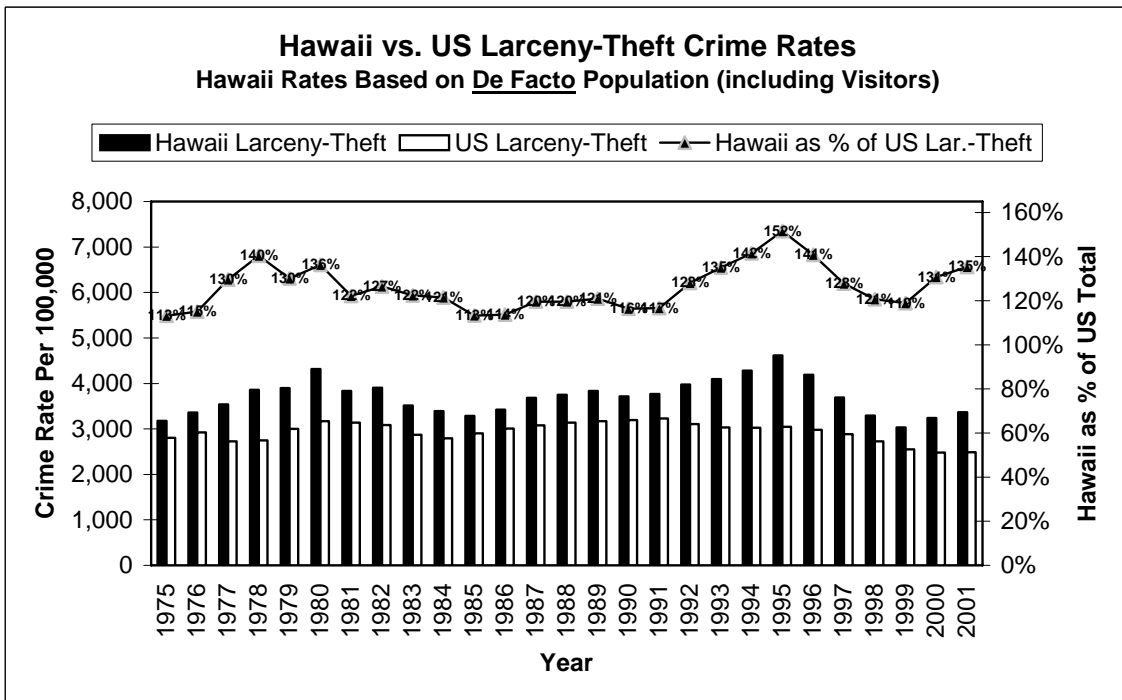
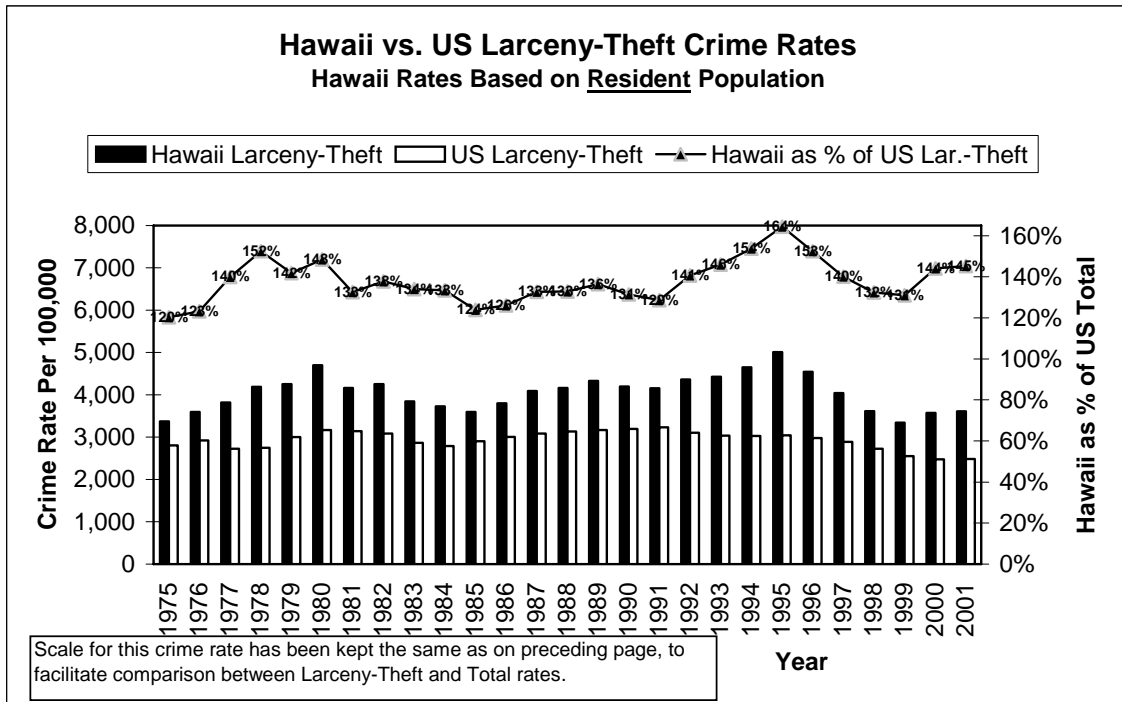


Exhibit A-2: Comparing Hawaii vs. U.S. Larceny-Theft Rates



(Scale for Exhibit A-2 identical to that for Exhibit A-2 to facilitate comparison; scales for remaining Exhibits A-3 to A-8 are necessarily different.)

Exhibit A-3: Comparing Hawaii vs. U.S. Burglary Rates

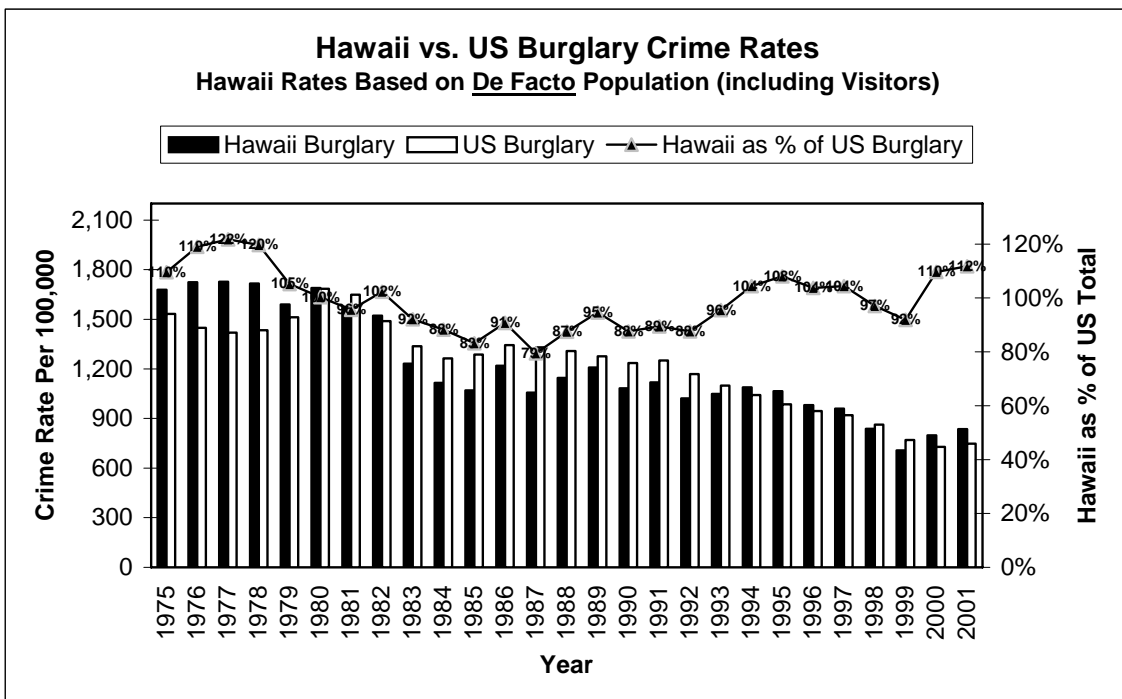
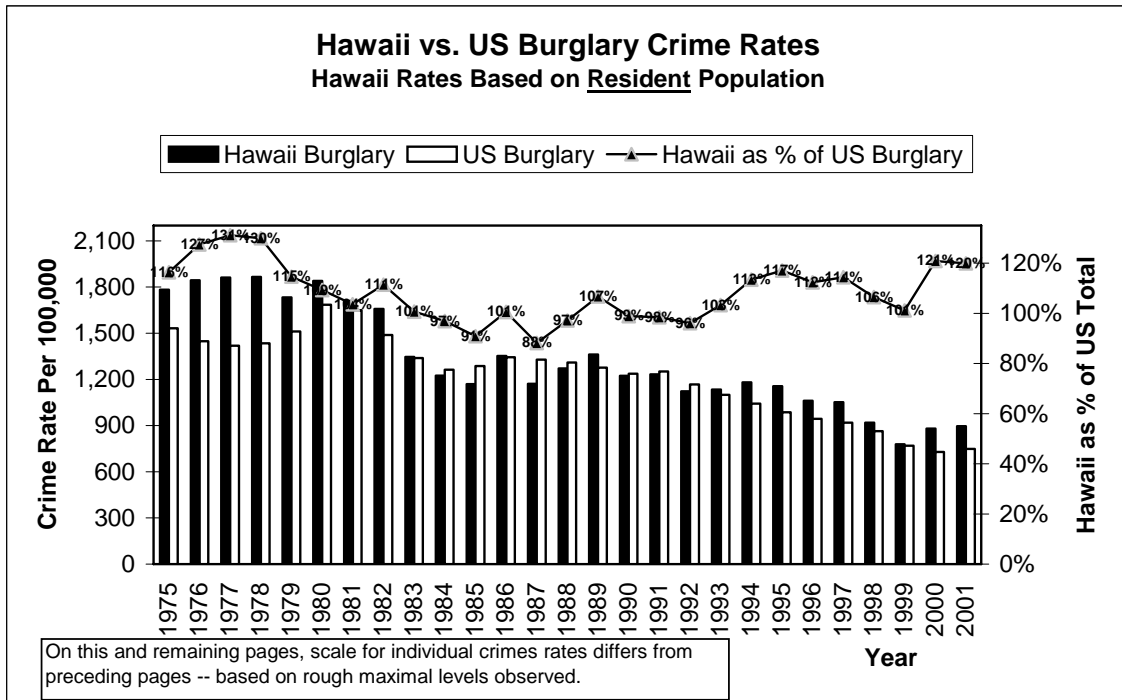




Exhibit A-4: Comparing Hawaii vs. U.S. Motor Vehicle Theft Rates

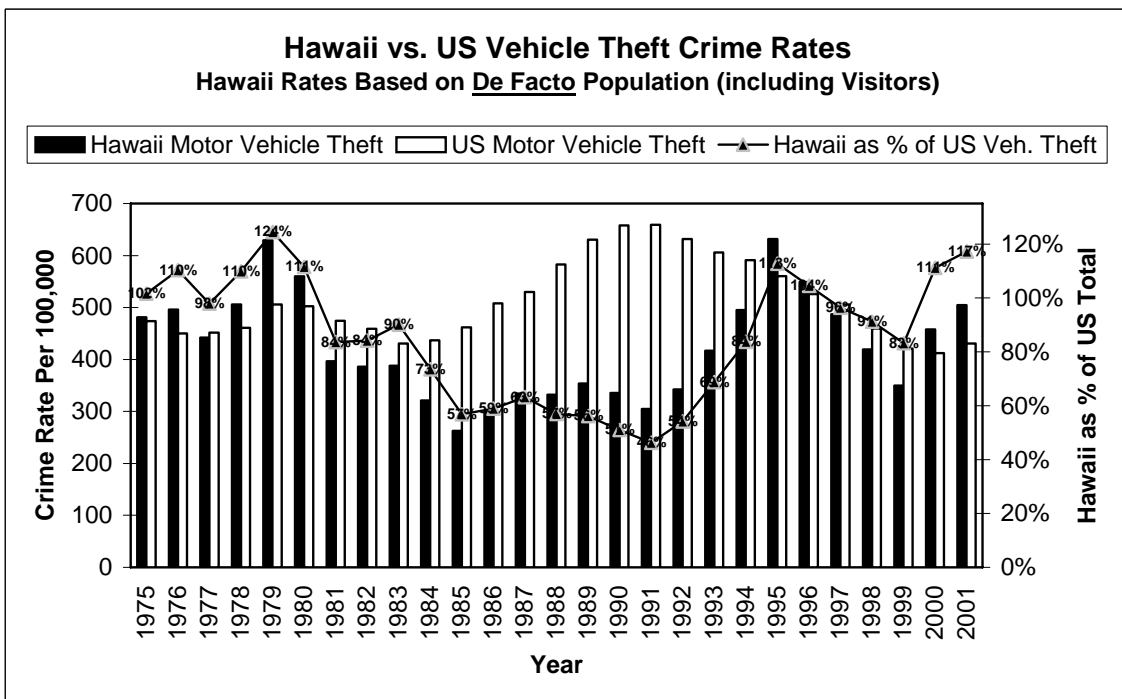
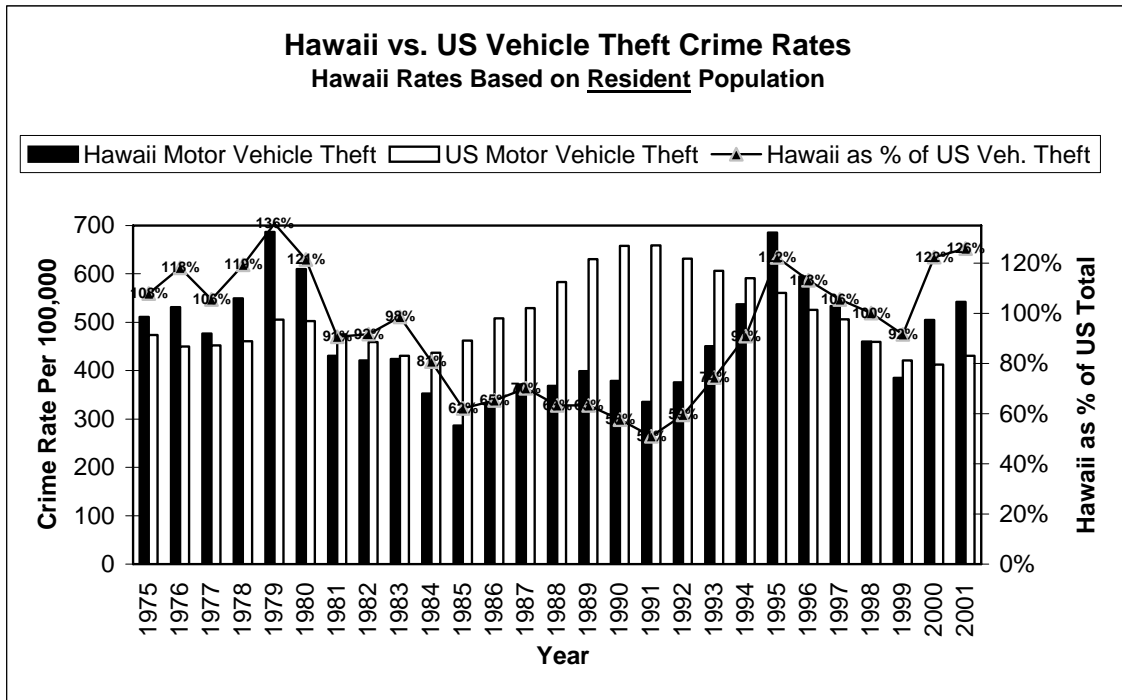


Exhibit A-5: Comparing Hawaii vs. U.S. Aggravated Assault Rates

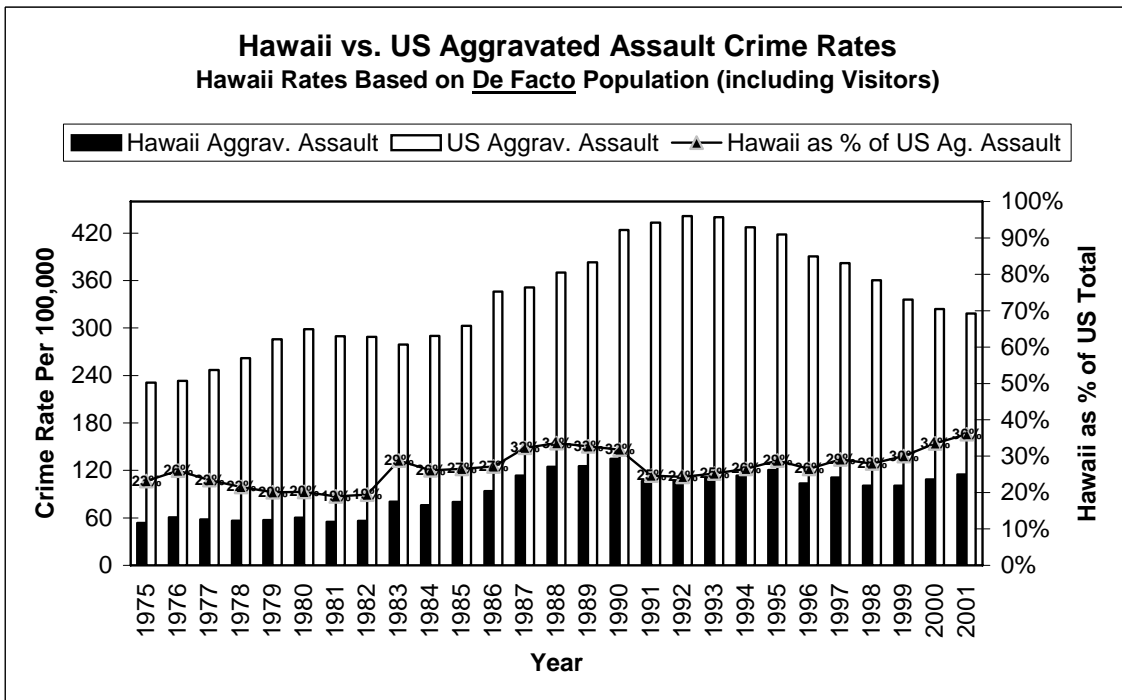
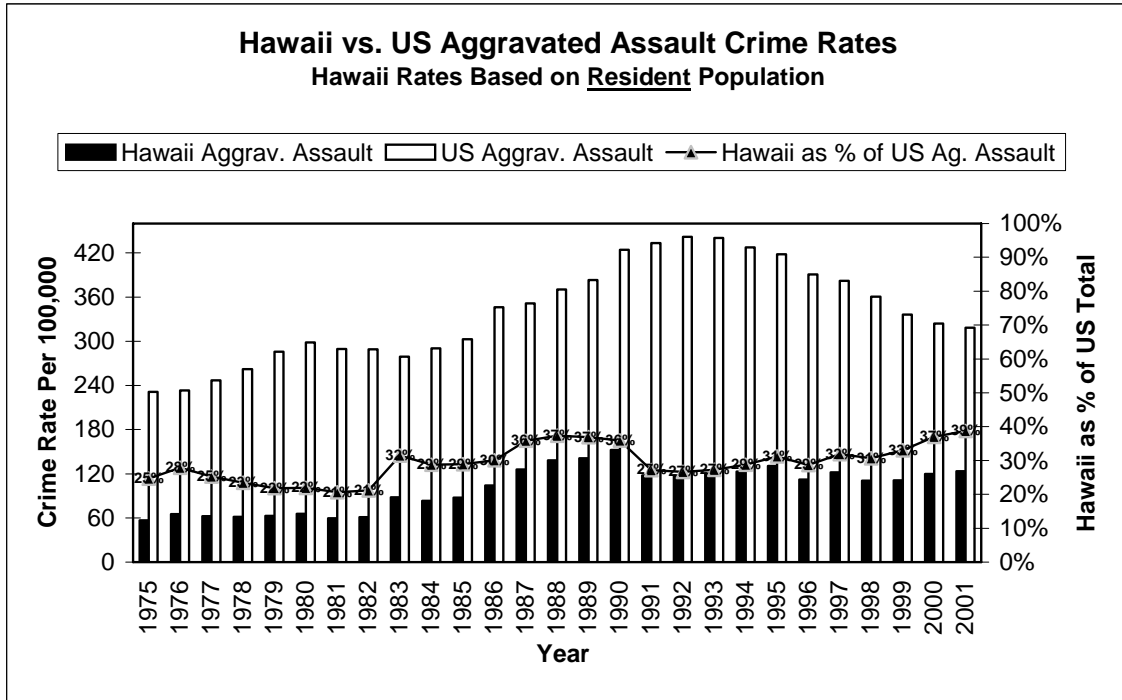


Exhibit A-6: Comparing Hawaii vs. U.S. Robbery Rates

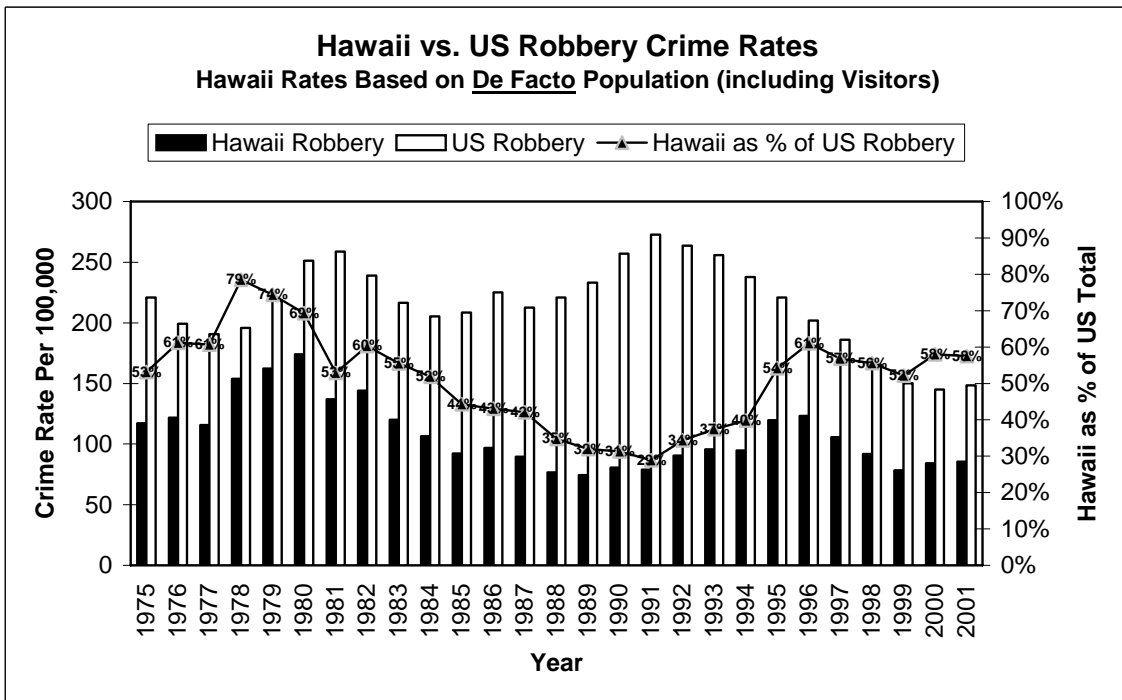
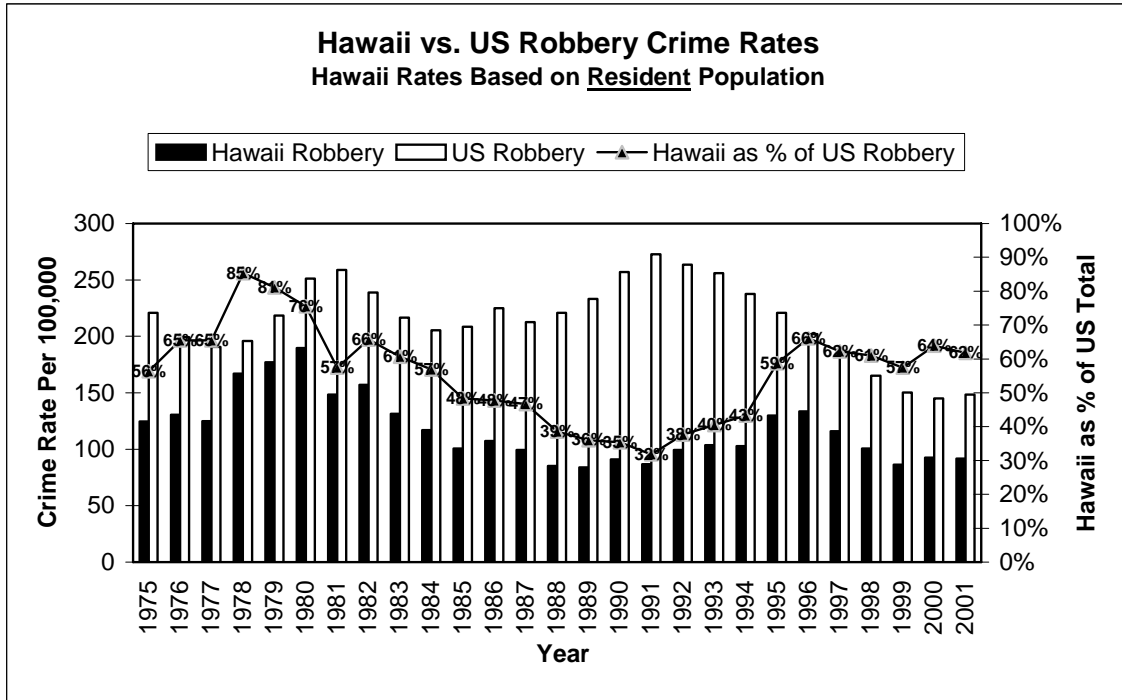


Exhibit A-7: Comparing Hawaii vs. U.S. Forcible Rape Rates

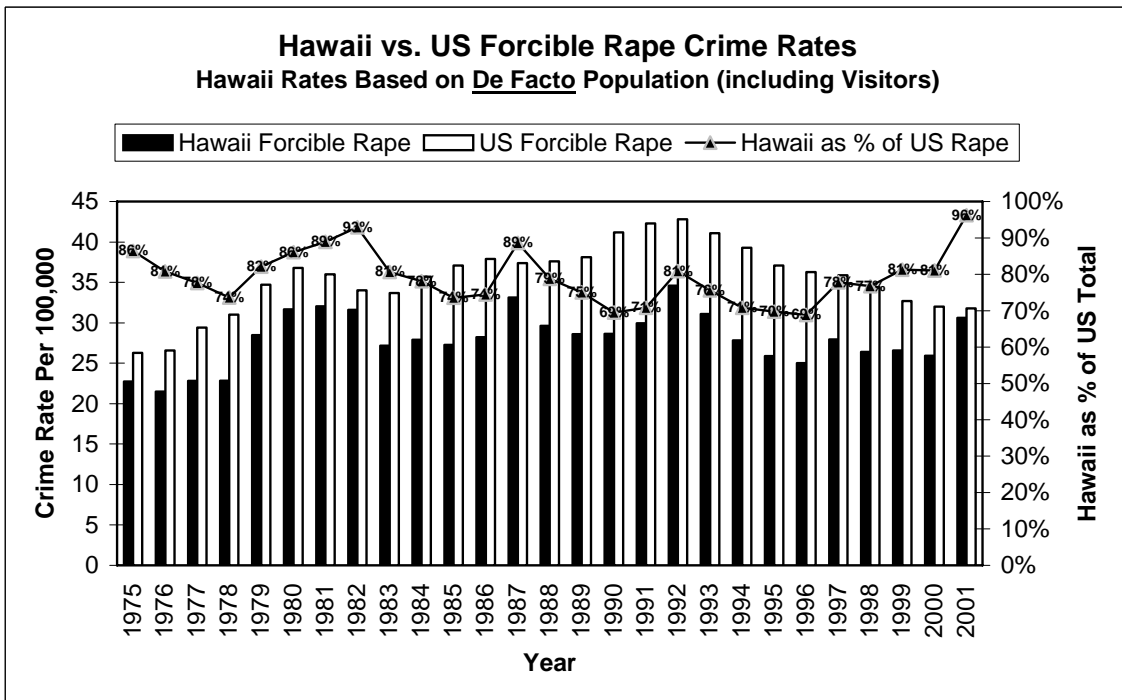
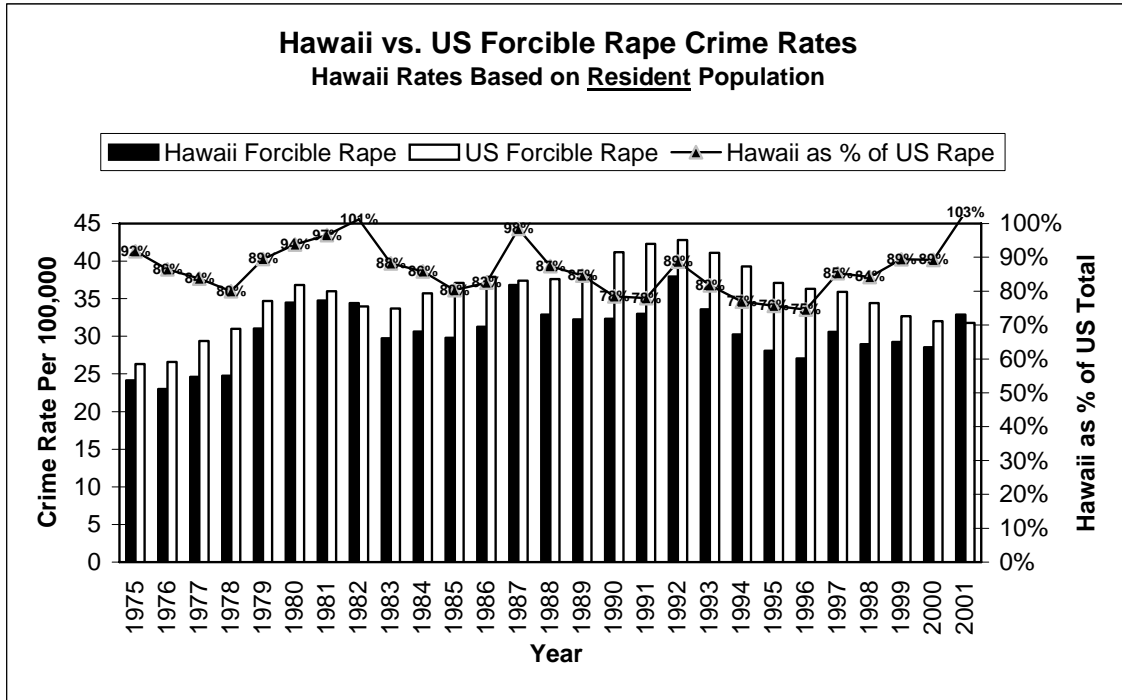
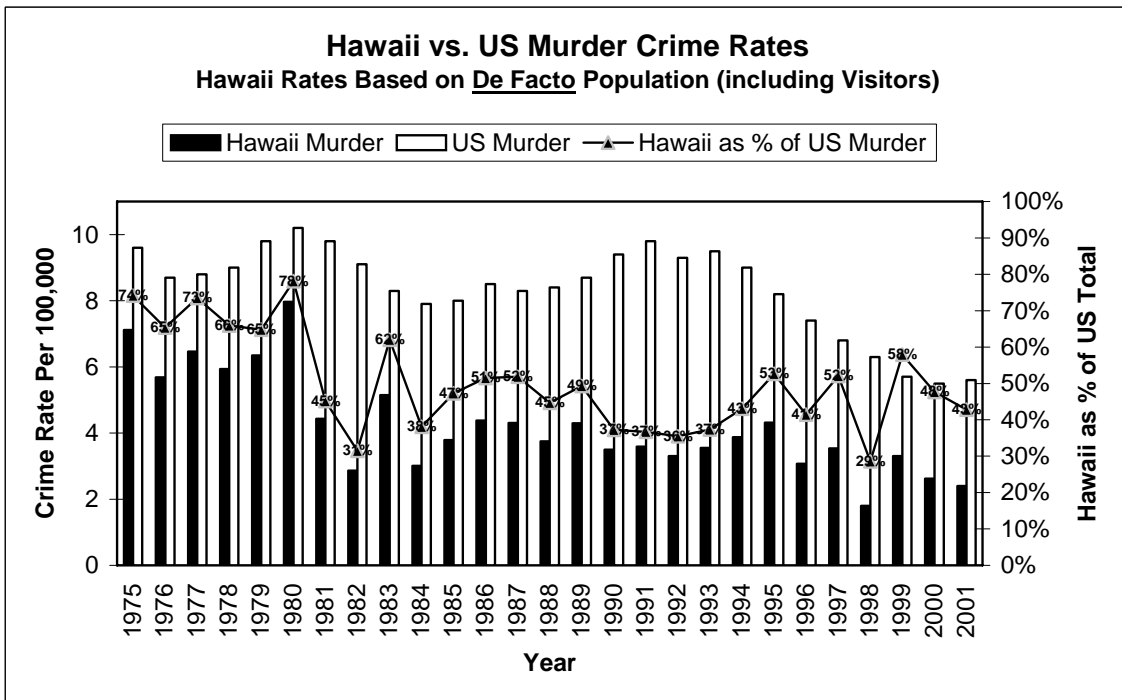
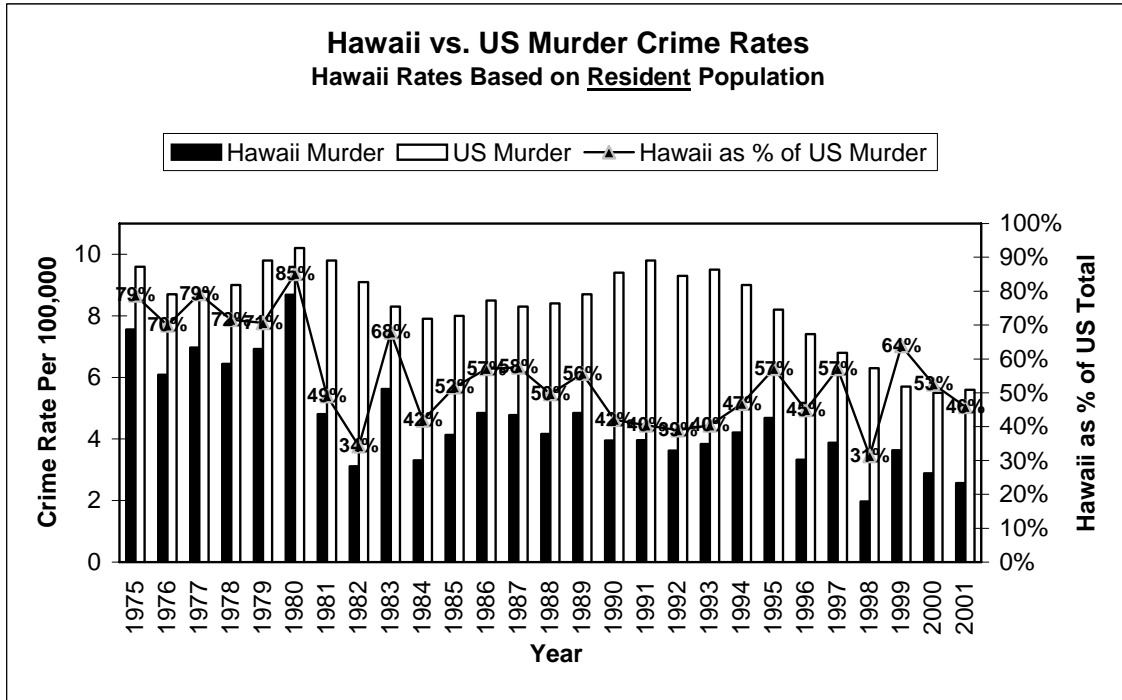


Exhibit A-8: Comparing Hawaii vs. U.S. Murder Rates





**APPENDIX B:  
DATA USED IN HAWAI`I TOURISM-  
CRIME ANALYSIS,  
1975 – 2001**

**Exhibit B-1: Raw Data Used for Oahu Analyses**

Year	<b>Tourism Measures, Population Data, and Other Potential Predictors</b>								
	Total Resident Population	Population ages 20+	Male Residents Ages of 15-24	Military Personnel	Avg. Daily Visitor Census	De Facto Pop.	No. of Visitor Units	Total Prison Admissions	Sentenced Prison Admissions
1975	717,221	462,163	86,654	43,071	48,669	757,091	25,352	N/A	N/A
1976	726,645	473,228	87,311	43,903	55,691	772,939	25,851	N/A	N/A
1977	734,966	483,979	87,498	42,835	61,100	786,783	27,363	1,423	488
1978	740,500	493,725	88,277	43,907	66,346	797,227	28,546	1,582	486
1979	753,426	507,443	88,665	45,408	67,688	816,006	30,065	1,836	572
1980	764,600	516,033	87,162	43,313	66,680	822,408	34,334	1,922	493
1981	767,573	524,932	85,670	44,141	66,455	823,849	33,967	2,111	595
1982	776,075	534,616	82,748	44,470	73,445	835,903	33,492	2,325	632
1983	789,097	547,550	81,255	44,651	66,695	844,984	34,354	2,327	868
1984	797,791	557,347	79,915	47,648	67,370	851,350	36,848	2,786	1,436
1985	804,294	564,282	78,427	46,875	65,280	853,605	38,600	3,077	1,753
1986	810,444	573,596	78,115	46,122	73,870	869,891	39,010	2,989	2,021
1987	818,447	584,015	77,438	47,262	74,660	880,191	38,185	2,954	1,975
1988	824,072	590,635	75,169	45,843	80,450	887,025	37,841	3,421	2,295
1989	831,337	598,982	73,653	45,935	88,750	898,727	36,467	4,317	2,797
1990	838,534	609,817	72,071	41,887	82,783	913,268	36,899	3,796	3,469
1991	850,510	614,943	70,373	44,092	75,008	901,717	36,623	N/A	N/A
1992	863,959	621,582	69,940	44,864	77,785	912,514	36,851	4,589	3,194
1993	870,348	623,696	68,841	42,958	78,108	909,506	36,604	4,687	3,556
1994	878,591	627,803	68,638	42,161	81,526	919,898	36,194	4,187	3,156
1995	881,399	628,871	68,163	38,172	81,362	921,626	36,170	4,252	2,775
1996	883,443	629,848	68,001	36,392	80,833	921,609	36,146	3,862	2,545
1997	886,711	633,913	68,131	34,826	76,150	932,931	35,971	3,910	2,547
1998	886,909	636,844	68,437	34,643	72,623	931,439	36,206	5,229	3,579
1999	878,906	634,908	67,534	32,708	79,497	927,689	35,861	5,539	4,104
2000	875,670	644,132	66,256	33,930	84,910	925,233	36,303	5,272	4,474
2001	881,295	N/A	N/A	34,322	79,699	925,250	36,824	N/A	N/A

**Reported Crime for Index Offenses (Raw Counts)**

Year	Murder and Non-Negligent Man-slaughter	Forcible Rape	Robbery	Aggravated Assault	Burglary	Larceny-Theft	Motor Vehicle Theft
	1975	58	169	1,050	319	13,404	24,768
1976	40	164	1,112	380	13,728	26,082	4,260
1977	46	176	1,081	357	13,291	28,286	3,747
1978	38	187	1,473	346	13,878	31,567	4,403
1979	48	223	1,568	357	12,803	32,166	5,761
1980	65	264	1,729	398	13,848	36,189	5,225
1981	40	265	1,320	340	12,576	31,362	3,645
1982	25	269	1,457	400	12,381	32,416	3,652
1983	45	249	1,243	599	10,044	30,195	3,853
1984	25	255	1,117	553	9,320	30,191	3,099
1985	36	248	965	552	8,989	28,837	2,421
1986	46	241	1,052	737	10,675	30,846	2,858
1987	36	322	985	915	9,136	34,239	3,316
1988	28	283	833	1,042	9,811	34,227	3,245
1989	43	269	809	1,044	10,654	36,305	3,558
1990	34	278	889	1,211	9,785	35,514	3,317
1991	29	275	860	894	9,905	36,019	3,050
1992	31	326	1,013	1,012	9,106	38,563	3,507
1993	31	286	1,085	1,099	9,296	40,148	4,460
1994	35	266	1,058	1,169	10,018	42,552	5,727
1995	38	217	1,371	1,256	10,127	46,696	7,440
1996	27	222	1,421	1,078	9,026	41,915	6,370
1997	34	257	1,214	1,131	8,755	36,430	5,589
1998	17	242	1,052	1,031	7,692	32,669	4,750
1999	37	235	907	1,019	6,087	30,396	3,997
2000	20	240	984	1,058	6,946	32,197	5,214
2001	20	293	999	1,141	7,340	33,052	5,597



**Exhibit B-2: Raw Data Used for Hawaii County Analyses**

**Tourism Measures, Population Data, and Other Potential Predictors**

<u>Year</u>	<u>Total Resident Population</u>	<u>Population ages 20+</u>	<u>Male Residents Ages of 15-24</u>	<u>Military Personnel</u>	<u>Avg. Daily Visitor De Facto Census Pop.</u>	<u>No. of Visitor Units</u>	<u>Total Prison Admissions</u>	<u>Sentenced Prison Admissions</u>
1975	77,212	49,163	6,844	N/A	6,496	83,258	5,348	N/A
1976	80,480	51,747	7,063	N/A	6,782	86,850	6,045	N/A
1977	82,608	53,617	7,154	N/A	7,195	89,348	5,929	642
1978	85,661	56,097	7,275	N/A	8,094	93,350	6,002	591
1979	89,069	58,764	7,417	N/A	7,996	96,712	6,093	652
1980	92,900	61,314	7,434	N/A	7,195	99,181	5,889	724
1981	96,122	64,055	7,473	N/A	6,561	101,597	6,705	678
1982	98,798	66,147	7,282	N/A	6,725	104,087	7,167	713
1983	100,764	67,764	7,112	N/A	8,690	108,331	7,469	555
1984	103,528	69,871	7,047	N/A	7,570	109,480	7,149	600
1985	105,900	71,582	7,004	N/A	8,040	112,343	7,511	809
1986	108,362	73,725	7,081	N/A	9,870	116,451	7,280	741
1987	111,735	76,436	7,158	N/A	10,210	120,289	7,328	857
1988	113,439	77,719	7,029	N/A	10,690	122,038	8,823	966
1989	116,585	80,036	7,024	N/A	17,760	131,153	8,161	1,069
1990	121,572	84,019	7,116	N/A	16,698	133,202	8,952	1,156
1991	127,266	87,287	7,322	N/A	17,535	141,240	9,383	N/A
1992	131,630	89,780	7,513	N/A	19,244	146,421	9,170	1,572
1993	135,085	91,463	7,692	N/A	18,974	148,014	9,140	1,366
1994	137,713	92,727	7,761	N/A	18,902	150,311	9,595	1,482
1995	140,492	94,199	7,872	N/A	18,547	152,482	9,577	1,599
1996	141,935	95,044	7,954	N/A	19,285	154,364	9,558	1,370
1997	144,445	96,884	8,148	N/A	21,656	161,225	9,913	1,171
1998	145,833	98,152	8,294	N/A	23,993	165,205	9,655	993
1999	146,970	99,099	8,356	N/A	22,736	164,570	9,815	1,152
2000	149,199	105,857	9,862	N/A	21,831	166,384	9,774	1,192
2001	152,083	N/A	N/A	N/A	21,864	168,524	9,944	N/A

**Reported Crime for Index Offenses (Raw Counts)**

<u>Year</u>	<u>Murder and Non-Negligent Man-slaughter</u>	<u>Forcible Rape</u>	<u>Robbery</u>	<u>Aggravated Assault</u>	<u>Burglary</u>	<u>Larceny-Theft</u>	<u>Motor Vehicle Theft</u>
1975	3	20	16	63	912	2,057	121
1976	6	16	35	84	1,101	2,493	169
1977	9	14	19	60	1,312	2,576	176
1978	9	16	39	74	1,326	2,767	208
1979	11	33	41	86	1,338	2,911	199
1980	13	20	48	92	1,526	3,309	199
1981	3	32	58	86	1,763	3,461	220
1982	2	23	47	81	1,516	3,666	181
1983	5	27	30	83	1,182	3,374	168
1984	3	23	28	96	1,163	3,146	238
1985	4	26	31	103	1,223	3,518	206
1986	2	40	37	105	1,408	3,521	226
1987	13	27	28	114	1,198	3,360	193
1988	13	23	33	134	1,391	4,057	259
1989	7	33	47	178	1,613	4,613	340
1990	7	46	71	202	1,711	4,972	451
1991	7	51	52	242	1,815	4,716	343
1992	6	44	46	171	1,601	4,713	314
1993	6	43	47	155	1,767	4,548	314
1994	7	43	57	157	1,690	4,895	267
1995	10	49	72	174	1,568	4,881	320
1996	8	45	61	133	1,581	4,718	309
1997	9	46	68	161	1,651	5,029	353
1998	3	45	73	134	1,660	4,474	368
1999	5	62	41	149	1,400	3,870	288
2000	4	53	54	126	1,449	4,355	384
2001	8	68	63	138	1,538	4,677	493

**Exhibit B-3: Raw Data Used for Kauai County Analyses**

**Tourism Measures, Population Data, and Other Potential Predictors**

<u>Year</u>	<u>Total Resident Population</u>		<u>Male Residents</u>		<u>Avg. Daily Visitor</u>	<u>De Facto Pop.</u>	<u>No. of Visitor Units</u>	<u>Total Prison Admissions</u>	<u>Sentenced Prison Admissions</u>
	<u>Population</u>	<u>ages 20+</u>	<u>Ages of 15-24</u>	<u>Military Personnel</u>					
1975	33,305	21,296	2,609	N/A	4,941	38,074	3,102	N/A	N/A
1976	34,765	22,456	2,760	N/A	5,445	40,083	3,520	N/A	N/A
1977	35,414	23,115	2,830	N/A	6,025	41,262	3,657	N/A	N/A
1978	36,696	24,177	2,934	N/A	7,069	43,609	3,786	N/A	N/A
1979	38,011	25,246	3,036	N/A	7,394	45,211	4,202	264	47
1980	39,400	26,139	3,073	N/A	7,259	46,341	4,322	223	54
1981	40,457	27,157	3,099	N/A	7,225	47,246	4,738	294	51
1982	41,804	28,203	3,066	N/A	7,050	48,304	5,147	414	55
1983	42,796	29,011	3,036	N/A	7,990	50,419	4,193	540	81
1984	43,634	29,710	3,015	N/A	10,930	54,027	5,313	625	179
1985	44,357	30,259	3,005	N/A	11,470	55,086	5,656	523	131
1986	45,567	31,309	3,076	N/A	14,840	59,599	5,922	586	166
1987	47,203	32,624	3,154	N/A	15,510	62,007	5,956	495	134
1988	48,549	33,637	3,164	N/A	16,400	64,090	7,180	602	167
1989	49,847	34,630	3,193	N/A	19,140	67,300	7,398	593	174
1990	51,676	36,145	3,237	N/A	17,378	66,699	7,546	566	167
1991	53,379	37,054	3,201	N/A	17,720	69,605	7,567	N/A	N/A
1992	54,439	37,546	3,221	N/A	13,479	66,076	7,778	672	284
1993	55,461	37,948	3,262	N/A	8,283	61,262	4,631	694	283
1994	56,478	38,472	3,318	N/A	13,268	67,161	5,870	411	196
1995	57,068	38,720	3,344	N/A	14,439	68,844	6,315	548	294
1996	57,688	39,031	3,362	N/A	15,572	70,474	6,760	597	312
1997	57,712	39,083	3,369	N/A	15,999	71,763	6,589	570	303
1998	57,843	39,309	3,418	N/A	17,909	73,920	6,969	623	360
1999	58,264	39,722	3,448	N/A	18,214	74,441	6,872	659	347
2000	58,545	41,711	3,676	N/A	18,041	74,711	7,159	809	414
2001	59,223	N/A	N/A	N/A	16,830	74,088	7,202	N/A	N/A

**Reported Crime for Index Offenses (Raw Counts)**

<u>Year</u>	<u>Murder and Non-Negligent Man-slaughter</u>		<u>Forcible Rape</u>	<u>Robbery</u>	<u>Aggra-vated Assault</u>	<u>Burglary</u>	<u>Larceny-Theft</u>	<u>Motor Vehicle Theft</u>
	<u>slaughter</u>	<u>Rape</u>						
1975	0	10	14	83	553	1,050	62	
1976	1	12	14	72	736	1,245	89	
1977	2	10	12	80	788	1,152	81	
1978	5	9	17	82	707	1,480	106	
1979	2	13	17	69	667	1,594	110	
1980	1	21	15	58	730	1,672	140	
1981	2	10	29	52	667	1,660	85	
1982	0	15	14	28	685	1,688	85	
1983	3	3	10	78	573	1,569	67	
1984	1	15	9	82	546	1,416	76	
1985	2	11	9	61	582	1,397	71	
1986	1	19	10	71	591	1,610	116	
1987	0	15	12	51	645	1,688	132	
1988	3	17	16	51	641	1,674	122	
1989	1	22	12	62	676	1,866	135	
1990	0	13	12	88	597	1,766	120	
1991	3	17	20	55	555	1,632	94	
1992	1	20	6	43	633	1,624	170	
1993	3	21	14	66	545	1,562	135	
1994	1	15	18	33	488	1,729	81	
1995	3	22	17	30	541	1,931	93	
1996	4	20	13	25	590	2,242	83	
1997	1	19	8	29	644	2,068	80	
1998	0	18	12	30	465	1,658	80	
1999	0	24	13	25	460	1,486	68	
2000	6	23	14	101	591	1,764	79	
2001	2	15	12	67	506	1,648	96	

**Exhibit B-4: Raw Data Used for Maui County Analyses**

**Tourism Measures, Population Data, and Other Potential Predictors**

<u>Year</u>	<u>Total Resident Population</u>	<u>Population ages 20+</u>	<u>Male Residents</u>	<u>Ages of 15-24</u>	<u>Military Personnel</u>	<u>Avg. Daily Visitor</u>	<u>De Facto Pop.</u>	<u>No. of Visitor Units</u>	<u>Total Prison Admissions</u>	<u>Sentenced Prison Admissions</u>
1975	56,668	36,559	4,738	N/A	8,731	65,056	5,830	N/A	N/A	
1976	60,171	39,236	5,082	N/A	10,622	70,451	7,232	N/A	N/A	
1977	62,765	41,393	5,312	N/A	12,468	74,892	8,037	268	61	
1978	65,947	43,895	5,572	N/A	14,492	80,118	8,736	393	69	
1979	69,536	46,669	5,850	N/A	15,598	84,760	9,472	349	81	
1980	71,600	48,025	5,861	N/A	15,363	86,288	9,701	203	65	
1981	74,043	50,220	5,939	N/A	15,727	88,895	11,359	248	77	
1982	77,103	52,624	5,921	N/A	18,090	94,016	12,162	325	78	
1983	80,060	54,961	5,952	N/A	24,670	103,829	12,749	379	124	
1984	82,969	57,225	6,021	N/A	32,790	114,230	13,138	571	266	
1985	85,147	58,854	6,075	N/A	31,910	115,125	14,152	552	254	
1986	87,389	60,815	6,224	N/A	34,330	119,885	14,096	524	255	
1987	90,532	63,388	6,403	N/A	33,890	122,906	13,849	499	207	
1988	93,767	65,785	6,491	N/A	33,870	125,484	15,168	536	281	
1989	96,819	68,106	6,599	N/A	44,020	137,460	15,708	635	292	
1990	101,575	71,978	6,801	N/A	37,657	138,390	17,869	716	418	
1991	105,458	74,124	6,764	N/A	37,060	139,703	18,702	N/A	N/A	
1992	108,440	75,785	6,875	N/A	41,740	146,651	19,290	728	483	
1993	111,798	77,546	7,043	N/A	42,132	149,067	19,127	730	478	
1994	114,595	78,944	7,141	N/A	42,933	152,434	18,804	815	547	
1995	117,731	80,644	7,330	N/A	42,751	155,144	18,314	964	664	
1996	120,526	82,261	7,462	N/A	42,608	157,468	17,824	1,171	744	
1997	122,603	83,613	7,642	N/A	43,383	162,011	18,552	1,130	683	
1998	124,484	85,185	7,901	N/A	42,864	163,562	18,650	1,359	839	
1999	126,002	86,523	8,037	N/A	43,992	165,743	18,609	1,598	1,014	
2000	128,867	92,442	8,113	N/A	43,854	168,439	18,270	1,517	937	
2001	131,797	N/A	N/A	N/A	40,650	168,213	18,234	N/A	N/A	

**Reported Crime for Index Offenses (Raw Counts)**

<u>Year</u>	<u>Murder and Non-Negligent Man-slaughter</u>	<u>Forcible Rape</u>	<u>Robbery</u>	<u>Aggra-vated Assault</u>	<u>Burglary</u>	<u>Larceny-Theft</u>	<u>Motor Vehicle Theft</u>
1975	6	15	24	39	928	2,009	165
1976	8	16	19	52	1,117	2,701	287
1977	7	26	34	76	1,709	3,048	374
1978	8	19	27	70	1,458	3,213	402
1979	5	27	62	85	1,714	3,863	472
1980	5	29	43	86	1,707	4,331	339
1981	2	33	46	106	1,720	4,216	261
1982	4	35	42	100	1,895	4,478	263
1983	4	22	47	131	1,837	3,782	209
1984	5	22	48	126	1,559	3,539	212
1985	1	25	43	196	1,370	3,605	282
1986	2	29	30	182	1,544	3,945	286
1987	2	29	36	265	1,536	4,391	323
1988	1	32	37	265	1,883	4,988	352
1989	2	29	51	263	1,965	4,570	333
1990	3	23	41	195	1,518	4,483	329
1991	6	32	54	147	1,736	4,828	327
1992	4	50	86	139	1,666	5,644	360
1993	5	44	68	88	1,702	5,654	374
1994	7	35	88	102	1,833	6,084	308
1995	5	48	93	104	1,596	6,399	346
1996	1	39	111	114	1,584	5,826	395
1997	3	49	113	157	1,691	5,457	446
1998	4	47	88	150	1,352	5,113	396
1999	2	33	83	150	1,474	4,706	307
2000	5	30	71	165	1,679	4,938	437
2001	2	33	68	188	1,778	5,548	557

## **APPENDIX C: REFERENCES FOR TOURISM-CRIME STUDY (FOR EXHIBIT IV-1)**

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