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Testimony of the Department of Commerce and Consumer Affairs

Before the
Senate Committee on Commerce and Consumer Protection
Wednesday, March 27, 2024
9:30 a.m.
Conference Room 229

On the following measure:
H.B. 1633, H.D.1, S.D.1, RELATING TO CONTRACTORS

WRITTEN TESTIMONY ONLY

Chair Keohokalole and Members of the Committee:

My name is Esther Brown, and I am the Complaints and Enforcement Officer of the Regulated Industries Complaints Office (RICO). RICO is an agency within the Department of Commerce and Consumer Affairs and we partner with the Contractors License Board (Board) to protect the health, safety, and welfare of consumers by ensuring that contracting activity in the State is performed by legitimate licensees and, that if a person is constructing buildings and structures without a contractor's license, the conduct does not in any way deviate from the short list of narrowly-tailored exceptions to licensure that are found in section 444-2, Hawaii Revised Statutes (HRS).

RICO defers to and supports the Board's position on the S.D.1 draft (S.D.1), and must therefore **OPPOSE** the measure for the sound reasons set forth in the Board's testimony. In addition, the stated purpose of the measure, as introduced initially, was to remove the one-year prohibition on the leasing of structures built by an owner or lessee

of property (owner-builder) who is currently eligible, by virtue of section 444-2(7), HRS, to act as a general contractor without a Board-issued license when the completed dwelling described in section 444-2.5, HRS (444-2.5 structure), is occupied by the owner-builder or their 'Ohana only (owner-builder exemption). Though the measure's intent was laudable and appreciated, the Board expressed concerns because construction activity by an unlicensed general contractor is dangerous to the public. As the gate-keeper to the construction/contracting industry, therefore, the Board takes seriously the charge to ensure public safety when they license only the most qualified, experienced, fiscally-sound, and vetted general contractors so that dwellings that are built and offered on the market to consumers, are overseen and managed safely and competently.

The S.D.1 has the following unintended consequences too: (1) it does not ensure the safety of future consumers and occupants of a 444-2.5 structure; and (2) it decreases potential housing inventory.

1. Public safety jeopardy. With regard to public safety, the prior H.D.1 draft removed the reason for the exemption from having a general contractor's license – that the completed 444-2.5 structure be occupied by the owner-builder and/or the owner-builder's 'Ohana. The continued absence of the requirement from the S.D.1 jeopardizes the welfare and safety of future non-family occupants because the dangers and risks resulting from unlicensed general contracting will be borne by them.

Ironically, by supposedly allowing 444-2.5 structures built by unlicensed general contractors to be placed on the market for imminent consumption by renters, the S.D.1 is sanctioning the very conduct that Chapter 444, HRS, seeks to protect the public from – unlicensed contracting. And it does so to the chagrin of the hundreds of law-abiding, licensed general contractors in the State who are ready, able, competent, and willing to undertake such projects to assure they are constructed safely for future consumers.

2. Reduction of rental inventory. Under the current law, lessees can qualify as "owner-builder" unlicensed contractors if they erect dwellings on their property for 'Ohana occupancy. The S.D.1 no longer permits lessees to qualify as "owner-builder" unlicensed contractors, and in doing so it removes their leased realty as possible foundations for 444-2.5 structures. See examples in the S.D.1 at page 2, lines 4, 11, 16, and 19; page 3, lines 15 and 21; etc.

RICO wishes to close with a reminder that unlicensed contracting is unlawful and criminal for an important reason. A well-intentioned but poorly constructed building can lead to a host of foreseeable and unforeseeable dangers that affect real property and finances, and can even cause a tragic loss of life. Chapter 444, HRS, therefore, mandates – with very few and limited exemptions – the possession of a Board-issued contractor’s license by any person who undertakes a construction project. If conduct falls outside of one of the few exceptions to licensure listed in section 444-2, HRS, the conduct becomes unjustified and constitutes unlawful unlicensed activity.

RICO reiterates that in the case of the narrowly-tailored owner-builder exemption set out in section 444-2.5, HRS, the sole guardrail that is in place to protect the public is the current law’s requirement that the 444-2.5 structure be occupied by the owner-builder or their close family members only (occupancy requirement). The occupancy requirement ensures ***that the unlicensed owner-builder general contractor has an obvious personal stake in the safety and quality of the 444-2.5 structure*** that they built without applying for and receiving a contractor’s license from the Board. Meaning, only the owner-builder (or lessee-builder, under the current law) and their family must live with – quite literally – the risks of acting as an unlicensed general contractor without having any general contracting background, knowledge, or experience.¹ In doing so, the owner-builder will hopefully be incentivized to repair any defects that are discovered while occupying the structure. Therefore, repealing the occupancy requirement, which has been in the statute since 1974,² vitiates the exemption; departs significantly from well-established law and policy; and foists upon vulnerable, unsuspecting, and unknowing consumers who may be desperate for housing, structures that were overseen and managed by an unlicensed general contractor.

¹ It is important to note that general building contractors are not easy to emulate. They have enough experience, depth, and specialized knowledge in at least two or more unrelated trades and crafts to auto-qualify for specialties such as cabinetry, millwork, carpentry, scaffolding, drywall, building moving/wrecking, cement concrete, fencing, etc. Moreover, they are knowledgeable about the building process, building codes, permitting requirements, and so forth.

² See House Bill No. 2589-74, Regular Session of 1974, enacted as Act 112, Session Laws of Hawaii 1974.

Testimony of DCCA (Regulated Industries Complaints Office)

H.B. 1633, H.D.1, S.D.1

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For the foregoing reasons, passage of this measure would be in contradiction of Chapter 444, HRS' main policy of protecting consumers. We therefore join the Board in opposing the bill and **respectfully request that the measure be held in Committee.**

Thank you for the opportunity to testify on this measure.

Testimony of the Contractors License Board

**Before the
Senate Committee on Commerce and Consumer Protection
Wednesday, March 27, 2024
1:00 p.m.
Conference Room 229 and Videoconference**

**On the following measure:
H.B. 1633, H.D. 1, S.D. 1, RELATING TO CONTRACTORS**

WRITTEN TESTIMONY ONLY

Chair Keohokalole and Members of the Committee:

My name is Neal Arita, and I am the Chairperson of the Contractors License Board (Board). The Board **STRONGLY OPPOSES** this bill.

The purpose of this bill is to repeal the leasing restriction on owner-builders who obtain an owner-builder exemption to act as their own contractor and who build or improve residential or farm buildings or structures on their own property and do not offer the buildings or structures for sale.

The Board **STRONGLY OPPOSES** this measure because the purpose of the one-year lease restriction on owner-builders and the requirement that the structures be built for the owner builder's own use, or for use by their grandparents, parents, siblings, or children is to prevent the use of the owner-builder exemption to circumvent contractor licensing requirements. To control and abate the unlawful activities of unlicensed contractors, in 1974, the Legislature added the restriction to the owner-builder exemption that a structure that an owner builder builds on their property must only be for their own use and not offered for sale or lease. Lifting these restrictions conflicts with the Board's objective to protect the health, safety and welfare of persons contracting with the construction industry, and afford the public effective and practical protection against the incompetent, inexperienced, unlawful, and unfair practices of unlicensed contractors.

The owner builder exemption permits an owner to act as their own general contractor. They are responsible for supervising construction, ensuring that subcontractors are properly licensed, and ensuring work safety standard are met. The

owner-builder is also responsible for ensuring the project passes building codes and building inspections, and complies with employment and tax laws for any persons working on the project who are not licensed. The average homeowner would not have adequate construction knowledge to carry out the responsibilities of a general building contractor. A licensed general building contractor is required to have at least four years of supervisory experience constructing buildings from foundation to roof, and to possess knowledge of the laws that they are required to follow, such as Occupational Health and Safety requirements, building codes, and tax and labor laws. Owners are often advised by unlicensed contractors to obtain an owner-builder permit so that the owner can hire or contract with an unlicensed person. In many instances, owner builders come to realize that they are not capable of performing the responsibilities of a general contractor, and resort to hiring unlicensed contractors to act as a general contractor.

The owner-builder exemption law has been amended several times since 1974, to narrow the exemption to protect the public from the dangers of unlicensed contracting activity. This bill removes a crucial requirement, which currently curtails unlicensed contracting. It lessens the restrictions on the owner builder exemption and allows anyone who owns property to be exempt from the contractor licensing requirements. Removing the requirement that the structure be built for use by the owner-builder or their family permits anyone who owns land, including real estate investors, to build for purposes other than personal usage, such as short-term vacation rentals. This was never the intent of the owner-builder exemption.

Homeowners also have the option of hiring a licensed contractor as an alternative to using the owner-builder exemption to build additional dwellings on their property. The Board notes Mayor Blangiardi in his State of the County Address, declared that by March 14, 2025, the average amount of time it takes for a residential permit to be reviewed by the Department of Planning and Permitting will be two to four weeks. In addition, Mayor Roth stated that permitting for a single-family home is forty-two days in the County of Hawaii.

On February 13, 2024, the Department of Commerce and Consumer Affairs (Department) issued a press release emphasizing the importance of hiring a licensed

contractor (see attached). The Board is currently supporting the broadcast of a public service announcement (PSA) on the Department's Business Check website which allows consumers to, among other things, check whether businesses or individuals are licensed. The Board is also working on a PSA on "Hiring a Licensed Contractor."

The Board respectfully requests that this bill be held in Committee. This bill undermines the contractor licensing law and contradicts the intent of the owner builder exemption by removing controls and safeguards that were enacted to protect the public from the dangers of unlicensed contracting activity.

Thank you for the opportunity to testify on this bill.



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
KA 'OIHANA PILI KĀLEPA

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

NADINE Y. ANDO
DIRECTOR | KA LUNA HO'OKELE

FOR IMMEDIATE RELEASE
February 13, 2024

**Protecting Maui's Rebuilding:
A Call for Vigilance in Contractor Hiring Amid Wildfire Aftermath**

HONOLULU — In the aftermath of the destructive Maui wildfires, homeowners are urged to exercise caution and prioritize hiring licensed contractors for rebuilding and repair projects. The Hawai'i Department of Commerce and Consumer Affairs (DCCA) emphasizes the importance of choosing licensed professionals to ensure safety, adherence to building codes, and proper permit acquisition.

Now six months after the wildfires, the devastated communities are in the process of recovery and rebuilding with cranes, excavators, and bulldozers now clearing the lots. An estimated 3,971 properties were destroyed and approximately \$1.23 billion in combined residential property and personal motor vehicle losses have been paid out by insurers. With ongoing claims processing, it remains imperative to prioritize the engagement of licensed contractors to ensure the continued success of the recovery efforts.

Incidents of cold-calling landowners, attempting to take advantage of their vulnerability, have been reported. Each year, DCCA receives hundreds of tips and complaints regarding unlicensed contractors. The complaints range from construction that has been poorly done, to money being taken and no work being done at all. Unlicensed contractors may also go door-to-door with deceptive or fraudulent claims to pressure consumers into procuring their services.

Penalties for unlicensed activity include fines, imprisonment, and injunctive relief. Given that a home is a substantial investment, it is crucial to invest time in research to hire a licensed contractor. The conduct of licensees as outlined in the Hawai'i Administrative Rules, mandates reporting any unlawful activities to the Regulated Industries Complaints Office (RICO). In addition to legal responsibilities, engaging unlicensed

individuals may jeopardize homeowners' insurance policies, if claims arise from faulty work.

A comprehensive list of licensed contractors in the state and additional consumer tips and resources are available on the Licensed Contractor website at <http://licensedcontractor.hawaii.gov>.

The public can verify a contractor's license by visiting www.businesscheck.hawaii.gov. This online tool provides information about licensed contractors, electricians, and plumbers, including license status, classifications, proof of insurance, and records of complaints.

Reasons to Hire a Licensed Contractor:

- A contractor's license is mandatory for projects exceeding \$1,500 in labor and material or requiring a building, electrical or plumbing permit. Electrical and plumbing contractors must employ licensed electricians and plumbers to perform the actual electrical and plumbing work, respectively.
- Hiring a licensed contractor ensures proper training, experience, background checks, and compliance with safety regulations.
- Licensed contractors carry worker's compensation and liability insurance, providing protection for homeowners against injuries or damage during the project.
- Licensed contractors can obtain and sign building permits, and in case of issues, homeowners may access the Contractor's Recovery Fund if a licensed contractor was hired.

Choosing the Right Contractor:

- General Engineering (type "A") for specialized engineering projects.
- General Building (type "B") for structures.
- Specialty (type "C") for specific skills like electrical work or roofing.

Key Considerations for Homeowners:

- **On-Site Verification:** Licensed electricians and plumbers are mandated by law to visibly display their licenses while on the job, providing a tangible means of verification for homeowners.
- **Handyman:** For smaller projects with a total cost, including labor and materials, not exceeding \$1,500, homeowners have the option to hire a handyman.

Typically, handymen undertake minor repairs and projects described as "odd jobs" or "fix-up tasks." However, it's important to note that handymen without a contractor's license should refrain from working on projects that:

- Exceed \$1,500 in total cost,
 - Require a building, electrical, or plumbing permit,
 - Involve electrical work,
 - Involve plumbing work.
- **Penalties for Unlicensed Activity:** Engaging in unlicensed contracting, especially for projects exceeding the defined limits, carries serious consequences for contractors. Homeowners are strongly advised to be cautious and to consider hiring a licensed professional regardless of the project's cost.
 - **Reporting of Unlicensed Activity:** If you come across a person or business that is engaged in or offering to do contracting work but you discover that the person or business does not hold a contractor's license, notify the Regulated Industries Complaints Office at 808-587-4272 or submit a complaint online at <https://cca.hawaii.gov/rico/file/>.

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Media Contact:

William Nhieu
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Department of Commerce and Consumer Affairs
Email: wnhieu@dcca.hawaii.gov
Phone: 808-586-7582



Regulated Industries Complaints Office

235 S. Beretania Street, Ninth Floor

Honolulu, Hawaii 96813

cca.hawaii.gov/rico

TOP 10 TIPS FOR CONSTRUCTION PROJECTS

In the planning of work, during the progress of work, and after the completion of work on your home – from the smallest paint job to a major remodeling or the installation of a pool – make sure that you:

1. **Hire a licensed contractor.** Check licensure and prior complaints history by calling 587-4272 or online at cca.hawaii.gov/businesscheck. Confirm the contractor is licensed, bonded and has the necessary insurance coverage to operate.
2. **Know how much you can spend.** Fix your budget in advance and keep some in reserve to pay for changes or unanticipated costs.
3. **Shop around.** Get at least 3 bids or estimates. Make sure the bids are based on the same work and the same materials. If bid amounts vary significantly, ask why.
4. **Ask for references.** Call trade organizations or ask friends or relatives for referrals. Ask to see other projects the contractor has completed and to meet other clients.
5. **Insist on a written contract.** Among other things, a written contract should include the contractor's license number, total cost, start and stop date, the work to be performed, and the materials to be used. Get any promises, guarantees or warranties in writing!
6. **Make sure your project is in compliance with city and county codes.** If building, electrical or plumbing permits are required, ask the contractor who will be responsible for the permitting process. Know the risks and responsibilities of being an "owner-builder."
7. **Monitor the job and keep good records.** Keep a file with the contract, cancelled checks, and correspondence. Make sure any change orders are in writing. Don't forget blueprints, plans, and specifications.
8. **Pay as you go.** Set a payment schedule that follows the amount of work completed and avoid paying all of the money up front. Get receipts for any payments made.
9. **Know who your subcontractors are and avoid liens.** Get lien releases from subcontractors and material suppliers after the work is completed and upon their receipt of payment. Get partial lien releases for partial payments made and a final lien release for final payments made. Publish a notice of completion in the newspaper once the job is done.
10. **Do a thorough "walk-through" and take care of any "punch list" items immediately.**

If my project is only for minor repairs, can I hire a handyman or handyperson? If the total cost of your project, including labor and materials is less than \$1,500, and doesn't require a building permit, you can hire a handyman. "Handymen" usually perform minor repairs and projects that are typically described as "odd jobs" or "fix-up tasks." Without a contractor's license, handymen who do projects that are (1) over \$1,500 or (2) require a building, electrical or plumbing permit, are engaged in unlicensed contracting. And remember, the so called "handyman exemption" *does not apply to electrical or plumbing work!*

Other helpful hints:

- ✓ Consider purchasing performance, material and completion bonds through the contractor.
- ✓ Notify your homeowner's insurance company of the planned construction and remember, plans may need to be approved.
- ✓ Make sure you see and understand all plans/blueprints before approving them.
- ✓ Check that the materials used are the materials specified in the contract.
- ✓ Periodically check on the progress of the work and/or keep a construction journal.
- ✓ Put any changes to the scope of the work or the materials used in writing.
- ✓ If there are problems with the construction, notify the contractor in writing and provide the contractor an opportunity to fix the problems.

There are lots of good reasons why a consumer should consider hiring a licensed contractor, including:

- ✓ **Training and experience.** In order to qualify for a contractor's license, applicants must demonstrate they have the necessary training and experience to get a contractor's license. The Contractors License Board also requires applicants demonstrate "a good reputation for honesty, truthfulness, financial integrity and fair dealing," submit tax clearances, proof of insurance, and other required qualifications.
- ✓ **Insurance.** Insurance is important because a lot can happen on a construction project - accidents, falling objects - not to mention fire, vandalism, malicious mischief, and theft of building items. Licensed contractors are required to carry liability insurance and are responsible if a worker is injured on a jobsite. This protects you as a homeowner from putting your property at risk if anything is damaged on your project or if anyone is injured.
- ✓ **Obtain required permits.** Licensed contractors are able to apply for and obtain building permits. If an unlicensed contractor is asking you to apply for an owner-builder permit, it may be because they can't get a building permit for you. For information about building, electrical, and plumbing permits, contact the planning and permitting department for your county.
- ✓ **Contractors Recovery Fund.** The Contractors Recovery Fund helps to compensate homeowners if something goes wrong with their project. The Contractor's Recovery Fund is only available to consumers who have hired a licensed general contractor. *(For information about the Contractor's Recovery Fund, or if you have questions about what kind of a contractor you may want to hire, call the Contractor's License Board at [808] 586-2700.)*

Each year, RICO receives hundreds of tips and complaints about unlicensed contractors. The complaints range from construction that has been poorly done, to money being taken and no work being done at all. Unlicensed contractors may go door-to-door claiming they "just finished a job down the street" or "have materials left over from another job." Unlicensed contractors may even use a fake license number or a license number that belongs to someone else. So, remember to check license information with our office. You may also want to ask to see a picture I.D. so you know exactly who you're dealing with. And, most importantly, remember...never pay all of the money up front. Your home is the single biggest investment you'll probably ever make, so take your time, do your homework, and consider hiring a licensed contractor. To check licensing status or for information about hiring a licensed professional, call the Consumer Resource Center (CRC) at 587-4272 or visit the State's website at: cca.hawaii.gov/rico.



Regulated Industries Complaints Office

235 S. Beretania Street, Ninth Floor

Honolulu, Hawaii 96813

cca.hawaii.gov/rico

HIRE A LICENSED CONTRACTOR BECAUSE...

There are lots of good reasons why a consumer should consider hiring a licensed contractor, including:

► **Training and experience.** In order to qualify for a contractor's license, applicants must demonstrate they have the necessary training and experience to get a contractor's license. The Contractors License Board also requires applicants demonstrate "a good reputation for honesty, truthfulness, financial integrity and fair dealing," submit tax clearances, proof of insurance, and other required qualifications.



► **Insurance.** Insurance is important because a lot can happen on a construction project - accidents, falling objects - not to mention fire, vandalism, malicious mischief, and theft of building items. Licensed contractors are required to carry liability insurance and are responsible if a worker is injured on a jobsite. This protects you as a homeowner from putting your property at risk if anything is damaged on your project or if anyone is injured.

► **Obtain required permits.** Licensed contractors are able to apply for and obtain building permits. If an unlicensed contractor is asking you to apply for an owner-builder permit, it may be because they can't get a building permit for you. For information about building, electrical, and plumbing permits, contact the planning and permitting department for your county.

► **Contractors Recovery Fund.** The Contractors Recovery Fund helps to compensate homeowners if something goes wrong with their project. The Contractor's Recovery Fund is only available to consumers who have hired a licensed general contractor. *(For information about the Contractor's Recovery Fund, or if you have questions about what kind of a contractor you may want to hire, call the Contractor's License Board at [808] 586-2700.)*

What kind of a contractor do I need? There are three types of contractors: (1) General Engineering (or Type "A") contractors have specialized engineering knowledge and skill. If your project has drainage or flood control issues, you may need to consult a general engineering contractor; (2) General Building (or Type "B") contractors build structures, like houses and buildings; (3) Specialty (or Type "C") contractors are licensed in specialty areas like drywall, landscaping, flooring, or roofing.

The right license for the job. It's important to hire the right kind of contractor for your particular job. If you're just putting on a new roof, a specialty roofing contractor may be for you. But if your job includes more than two specialties, (for example, an extension requiring framing, flooring, drywall, *and* roofing), you should consider hiring a general contractor. A general contractor will be licensed to do most of the work and will hire licensed subcontractors to take care of any specialty work for which he/she isn't licensed to do .

"Electrical contractors" and "electricians" are two different things. "Licensed electrical contractors" are people or companies that employ electricians. "Licensed electricians" are individual tradesmen with the training and experience to do the actual work. So, you may hire a licensed electrical contractor to rewire your house, but you should see licensed electricians doing the work. The same goes for plumbers and plumbing contractors. Electrical and plumbing contractors are licensed by the Contractors License Board. Electricians and plumbers are licensed by Hawaii's Board of Electricians and Plumbers. *Only licensed persons or companies can apply for electrical or plumbing permits.*

If my project is only for minor repairs, can I hire a handyman or handyperson? If the total cost of your project, including labor and materials is not more than \$1,500.00, and does not require a building permit, you can hire a handyman. "Handymen" usually perform minor repairs and projects that are typically described as "odd jobs" or "fix-up tasks." Without a contractor's license, handymen who do projects that are (1) over \$1,500.00, or (2) require a building, electrical, or plumbing permit, are engaged in unlicensed contracting. The penalties for unlicensed activity include fines, imprisonment, and injunctive relief. Regardless of the cost of your project, you may still want to consider hiring a licensed person.

How do I know a contractor is licensed?

The Department of Commerce and Consumer Affairs (DCCA) and its Regulated Industries Complaints Office (RICO) offer tools, tips, and services you can use to check out an individual or business, including:

- **Professional and Vocational license search:** Search for information about licensed contractors, electricians, and plumbers, including license status, license classifications, and proof of insurance.
- **RICO complaint history search:** Search for information about complaints filed against licensees and for information about unlicensed contracting investigations.

Checking out a licensee or business on these sites isn't a guarantee, but it's a good step to take that can help you to determine if the licensee or business is qualified to handle your particular job. It's also one of several steps you can take to protect yourself against unscrupulous or unqualified people. Go to: **cca.hawaii.gov/businesscheck**.

Unlicensed Contracting and RICO

Each year, RICO receives hundreds of tips and complaints about unlicensed contractors. The complaints range from construction that has been poorly done, to money being taken and no work being done at all.

Unlicensed contractors may go door-to-door claiming they "just finished a job down the street," or "have materials left over from another job." They may try to pressure you, offering a discounted price, but only if you act today. Remember, a great deal today, will probably be just as good a deal tomorrow, so take the time you need to consider the situation carefully.

Unlicensed contractors may even use a fake license number or a license number that belongs to someone else. So remember to check license information with our office. You may also want to ask to see a picture I.D. so you know exactly who you're dealing with.

And, most importantly, remember...*never pay all of the money up front*. Unlicensed contractors may ask for cash payments, substantial down payments, or for all of the money to be paid in advance. After they get the money, they may move a little dirt or, worse, demolish a wall or driveway, and not come back the next day.

Your home is the single biggest investment you'll probably ever make, so take your time, do your homework, and consider hiring a licensed contractor.

Unlicensed contracting and violations of Hawaii's licensing laws are investigated by RICO. To check licensing status or for information about hiring a licensed professional, call the Consumer Resource Center (CRC) at 587-4272 or visit the State's website at: **cca.hawaii.gov/rico**.

RESOURCES

The DCCA and RICO offers tools, tips, and services you can use to check out an individual or business. Information is available by calling **(808) 587-4272** or online at **cca.hawaii.gov/businesscheck**. For information about filing a complaint or to report unlicensed activity, call RICO's CRC at **(808) 587-4272** or visit us online at **cca.hawaii.gov/rico**. To call Oahu-RICO, dial the following toll free numbers: Kauai 274-3141, ext. 74272; Maui 984-2400, ext. 74272; Big Island 974-4000, ext. 74272; Molokai and Lanai 1-800-468-4644, ext. 74272, followed by the # sign.

RICO is the enforcement arm for over 45 professional boards, commissions, and programs that are administratively attached to the DCCA. RICO receives complaints, conducts investigations, and prosecutes licensing law violations. RICO also prosecutes unlicensed activity through the issuance of citations and by filing civil lawsuits in the Circuit Courts. RICO works to resolve consumer complaints where appropriate and provides consumer education about various issues relating to licensing and consumer protection. RICO also administers the State Certified Arbitration Program (SCAP) for "lemon" motor vehicle claims.

This brochure is for informational purposes only and not intended for the purposes of providing legal advice. Information provided is subject to change. This material is available in alternate formats including large print. Submit requests to the RICO Complaints and Enforcement Officer at 586-2666.

REASONS TO HIRE A LICENSED CONTRACTOR

Reason #1

A contractor's license is required by law for any project exceeding \$1,500 in total labor and costs, and for any project, regardless of cost, that requires a building, electrical or plumbing permit. Unlicensed contracting is illegal and a crime and can be punished by fines, injunctions, and imprisonment.

Reason #2

Hiring a licensed contractor ensures proper training, experience, background checks, and compliance with safety regulations.

Reason #3

Licensed contractors carry worker's compensation and liability insurance, providing protection for homeowners against injuries or damages during the project.

Reason #4

Licensed contractors can obtain and sign building permits, and in case of issues, homeowners may access the Contractor's Recovery Fund if a licensed contractor was hired.

To view a comprehensive list of licensed contractors, please visit:

licensedcontractor.hawaii.gov



March 27, 2024

The Honorable Jarrett Keohokalole, Chair

Senate Committee on Commerce and Consumer Protection
State Capitol, Conference Room 229 & Videoconference

RE: House Bill 1633, HD1, SD1, Relating to Contractors

HEARING: Wednesday, March 27, 2024, at 9:30 a.m.

Aloha Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawaii and its over 11,000 members. HAR **supports** House Bill 1633, HD1, SD1, which repeals the leasing restriction on owner-builders who obtain an owner-builder exemption to act as their own contractor and who build or improve residential or farm buildings or structures on their own property and do not offer the buildings or structures for sale. Takes effect 7/1/3000.

An owner-builder is a property owner who has an owner-builder permit from the county to build or improve residential structures on a property for personal use or by their immediate family. As an owner-builder, one acts as their own general contractor, ensuring that all applicable laws, building codes, and zoning regulations are followed amongst other requirements. Additionally, a property owner may not apply for another owner-builder permit for three years.

Under current law, an owner-builder cannot sell or lease, or even offer to sell or lease the structure for one year after completion. The current restriction on leasing means that properties that could offer units on Hawaii's rental market are unable to do so in that period. We support eliminating the one-year lease restriction for owner-builders to assist with increasing the supply of Hawaii's rental market.

Mahalo for the opportunity to testify in support of this measure.

March 27, 2024, 9:30 a.m.
Hawaii State Capitol
Conference Room 229 and Videoconference

To: Senate Committee on Commerce and Consumer Protection
Sen. Jarrett Keohokalole, Chair
Sen. Carol Fukunaga, Vice-Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

TESTIMONY IN SUPPORT OF HB1633 HD1 SD1 — RELATING TO CONTRACTORS

Aloha Chair Keohokalole, Vice-Chair Fukunaga and other members of the Committee,

The Grassroot Institute of Hawaii would like to offer its **support** for the portions of [HB1633 HD1 SD1](#) that would let property owners more easily convert their single-family homes into multi-family dwellings or build new detached dwellings that could be made available for rent.

Specifically, the bill would “remove the leasing restriction on owner-builders who obtain owner-builder exemption to act as their own contractor and who build or improve residential or farm buildings or structures on their own property and do not offer the buildings or structures for sale.”

Owner-builders currently can build a home for themselves or their families on their own lands, but they cannot either sell or lease the house within a year of its construction. This bill would remove the prohibition on leasing.

The state of California allows owner-builders to lease their homes under their owner-builder exemption,¹ so there is already some precedent for this type of change.

Removing this bit of red tape would help Hawaii homeowners seeking to build an extra unit on their land, and would complement many of the strategies being now used to ease the state's housing shortage.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

¹[Cal. Bus. & Prof. Code § 7044. Building or improvement by owner](#), accessed March 25, 2024.