
A BILL FOR AN ACT

RELATING TO HOUSING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that there is an
2 inexpensive solution to the housing crisis caused by the 2023
3 Maui wildfires. According to January 2024 estimates,
4 approximately six thousand people displaced by the Maui
5 wildfires continue to need long-term housing.

6 The legislature further finds that incentivizing the
7 construction of low-cost accessory dwelling units, commonly
8 known as ADUs, will help to reduce the housing shortage. An
9 accessory dwelling unit is a separate additional living unit
10 either attached or detached from the primary residential unit.
11 Accessory dwelling units provide a legal alternative to illegal
12 rental units and are similar to ohana dwelling units, but with
13 less restrictions, particularly the absence of the requirement
14 that the unit be rented to a family member only. Accessory
15 dwelling units also cost less than traditional housing units
16 because there is no need to purchase additional land for the
17 structure and construction costs are considerably less. For



1 example, building a public housing unit costs between \$300,000
2 and \$400,000, whereas building an eight hundred square foot
3 accessory dwelling unit costs less than half as much.

4 Accordingly, the purpose of this Act is to mitigate the
5 present housing crisis by establishing a program to encourage
6 the construction of accessory dwelling units by providing a
7 subsidy for the construction costs plus a general excise tax
8 exemption for the first four years of renting the accessory
9 dwelling unit.

10 SECTION 2. Chapter 206E, Hawaii Revised Statutes, is
11 amended by adding a new part to be appropriately designated and
12 to read as follows:

13 **"PART . ACCESSORY DWELLING UNIT HOUSING DEVELOPMENT PROGRAM**

14 **§206E-A Accessory dwelling unit housing development**

15 **program.** (a) There is established the accessory dwelling unit
16 housing development program to provide matching funds to promote
17 the construction of accessory dwelling units. The accessory
18 dwelling unit housing development program shall apply to any
19 accessory dwelling unit constructed on an island with a
20 population of more than one hundred thousand, but less than one
21 hundred seventy-five thousand.



1 (b) Notwithstanding any other law to the contrary, the
2 authority shall promote and administer the accessory dwelling
3 unit housing development program.

4 (c) The authority shall adopt rules without regard to
5 chapter 91 to implement the accessory dwelling unit housing
6 development program; provided that pursuant to the rules, the
7 program shall award:

8 (1) Matching funds for homeowners who construct or
9 contract to construct an accessory dwelling unit in
10 conformity with applicable county accessory dwelling
11 unit requirements; and

12 (2) Matching funds in the amount of three dollars from the
13 authority for each dollar contributed by the
14 homeowner, up to a maximum contribution of \$75,000 per
15 accessory dwelling unit from the authority.

16 **§206E-B Accessory dwelling unit housing development**

17 **program special fund.** (a) There shall be established the
18 accessory dwelling unit housing development special fund into
19 which shall be deposited:

20 (1) Appropriations made by the legislature to the fund;

21 (2) All contributions from public or private partners;



1 (3) All interest earned on or accrued to moneys deposited
2 in the special fund; and

3 (4) Any other moneys made available to the special fund
4 from other sources.

5 (b) Moneys in the fund shall be expended by the authority
6 to award matching funds for the accessory dwelling unit housing
7 development program."

8 SECTION 3. Chapter 237, Hawaii Revised Statutes, is
9 amended by adding a new section to be appropriately designated
10 and to read as follows:

11 "§237- Accessory dwelling unit exemption. (a)
12 Notwithstanding any law to the contrary, taxes under this
13 chapter shall not be due on income generated by rental sales of
14 any accessory dwelling unit funded pursuant to section 206E-A
15 for the first four years that the accessory dwelling unit is
16 rented by the owner of the accessory dwelling unit; provided
17 that:

18 (1) This section shall not apply more than five years
19 after the construction of the accessory dwelling unit;
20 and

21 (2) The tax liability savings generated by this section
22 shall be passed on by the owner of the accessory



1 dwelling unit to the renter without any increase in
2 rent price.

3 (b) The owner of the accessory dwelling unit shall not be
4 required to obtain a special license, a permit, or other
5 documentation of sales during the exemption period; provided
6 that the owner's records shall clearly identify the address of
7 the accessory dwelling unit, the date the construction is
8 completed, the dates of rents owed and paid, and the amount of
9 taxes exempted by this section."

10 SECTION 4. In accordance with section 9 of article VII, of
11 the Constitution of the State of Hawaii and sections 37-91 and
12 37-93, Hawaii Revised Statutes, the legislature has determined
13 that the appropriations contained in this Act will cause the
14 state general fund expenditure ceiling for fiscal year 2024-2025
15 to be exceeded by \$, or per cent. The reasons
16 for exceeding the general fund expenditure ceiling are that the
17 appropriations made in this Act are necessary to serve the
18 public interest and to meet the needs provided for by this Act.

19 SECTION 5. There is appropriated out of the general
20 revenues of the State of Hawaii the sum of \$ or so
21 much thereof as may be necessary for fiscal year 2024-2025 for
22 deposit into the accessory dwelling unit special fund.



H.B. NO. 1730

1 SECTION 6. There is appropriated out of accessory dwelling
 2 unit special fund the sum of \$ _____ or so much thereof as
 3 may be necessary for fiscal year 2024-2025 to provide matching
 4 funds for the accessory dwelling unit housing development
 5 program.

6 The sum appropriated shall be expended by the Hawaii
 7 community development authority for the purposes of this Act.

8 SECTION 7. In codifying the new sections added by sections
 9 2 and 3 of this Act, the revisor of statutes shall substitute
 10 appropriate section numbers for the letters used in designating
 11 the new sections in this Act.

12 SECTION 8. New statutory material is underscored.

13 SECTION 9. This Act shall take effect on July 1, 2024.

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INTRODUCED BY:

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H.B. NO. 1730

Report Title:

Housing; Accessory Dwelling Unit; HCDA; Appropriation; General Fund Expenditure Ceiling Exceeded

Description:

Establishes the accessory dwelling unit housing development program with the Hawaii Community Development Authority to award subsidies to individuals who build accessory dwelling units on an island with a population of more than 150,000, but less than 175,000. Exempts those accessory dwelling units from general excise tax for the first 4 years of rental. Appropriates moneys. Declares that the appropriation exceeds the state general fund expenditure ceiling for 2024-2025.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

