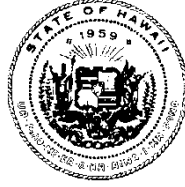


JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813
FAX: (808) 587-0600

Statement of DEAN MINAKAMI

Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HOUSING

March 11, 2025 at 1:10 p.m.
State Capitol, Room 225

In consideration of H.B. 740 HD2 RELATING TO HOUSING

Chair Chang, Vice Chair Hashimoto, and members of the Committee.

HHFDC **supports** HB 740 HD2, which establishes the Accessory Dwelling Unit (ADU) Financing and Deed Restriction Program to allocate funds to the counties to provide grants to eligible homeowners or homebuyers to finance construction costs, development costs, and non-reoccurring closing costs associated with the construction of an ADU and purchase deed restrictions on such property.

The upfront costs of designing and permitting an ADU are barriers for many homeowners. HHFDC supports the ADU Financing and Deed Restriction program as a way to increase the inventory of rental units in the State. In addition, the deed restriction program will create an inventory of homes for local residents, stabilize home prices, and reduce speculation in our housing market.

Thank you for the opportunity to testify on this bill.



TESTIMONY IN SUPPORT OF HB740 HD2
RELATING TO HOUSING
Senate Committee on Housing

March 11th, 2025

1:10 p.m.

Room 225

Aloha e Chair Chang, Vice Chair Hashimoto, members of the committee:

The Office of Hawaiian Affairs (OHA) submits this testimony in **SUPPORT** of **HB740 HD2**, which would establish an accessory dwelling unit (ADU) financing and deed restriction program under the Hawai'i Housing Finance and Development Corporation (HHFDC).

This inventive measure will provide funding for counties to assist eligible homeowners or homebuyers with financing the construction of accessory dwelling units (ADUs) by purchasing equity in their properties. In exchange, the homeowner must agree to place a deed restriction on their property in perpetuity to ensure the unit is occupied by . ADUs create a wide range of housing options and can increase housing affordability for homeowners and tenants. This bill helps with addressing the housing crisis in Hawai'i where more than 50% of households spend more than 30% of their income on rent.¹

Furthermore, this bill supports community needs within each county. The deed restriction requires the property be occupied by an owner or lessee that works at minimum 30 hrs. at a qualifying business. This ensures that housing stock of AUDS are made for local workforce in respected areas. Also, prevents homes from being sold to non-resident buyers or used as short-term vacation rentals. The program will preserve affordability for Kama'aina and protect property value to ensure it remains attainable and accessible to Hawai'i residents as primary residences. It seeks to prioritize kama'aina housing needs and is an investment in local communities, a sustainable economy, and future generations of kama'aina.

This initiative is in line with OHA's mission to improve the conditions of Native Hawaiians and ensure their equitable access to housing, education, healthcare, and economic opportunities. It reflects our commitment to advancing the well-being of our beneficiaries and the broader community.

OHA appreciates the opportunity to share our mana'o and urges the Legislature to PASS HB740 HD2. Mahalo nui loa.

¹ 1 University of Hawai'i Economic Research Organization. (2024). *Hawai'i housing factbook 2024*. Last accessed 030925, <https://uhero.hawaii.edu/wp-content/uploads/2024/05/HawaiiHousingFactbook2024.pdf>

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 740, H.D. 2, Relating to Housing.

BEFORE THE:

Senate Committee on Housing

DATE: Tuesday, March 11, 2025

TIME: 1:10 p.m.

LOCATION: State Capitol, Room 225

Chair Chang, Vice-Chair Hashimoto, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 740, H.D. 2, for your consideration.

Section 6 of H.B. 740, H.D. 2, amends section 247-3, Hawaii Revised Statutes (HRS), to exempt from conveyance tax any property with a county-owned deed restriction according to the new provisions under chapter 201H, HRS, in this bill. Section 6 also exempts any document or instrument conveying a county-owned deed restriction.

The measure has a defective effective date of July 1, 3000.

DOTAX requests that if this bill is passed, section 6 take effect on January 1, 2026, to allow for form and instruction changes necessary to implement the proposed conveyance tax exemption.

Thank you for the opportunity to provide comments on this measure.

Council Chair
Alice L. Lee

Vice-Chair
Yuki Lei K. Sugimura

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Tom Cook
Gabe Johnson
Tamara Paltin
Keani N.W. Rawlins-Fernandez
Shane M. Sinenci
Nohelani U'u-Hodgins



Director of Council Services
David M. Raatz, Jr., Esq.

Deputy Director of Council Services
Richelle K. Kawasaki, Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

March 10, 2025

TO: The Honorable Stanley Chang, Chair
Senate Committee on Housing

FROM: Alice L. Lee
Council Chair

A handwritten signature in cursive script, appearing to read "Alice L. Lee", is written over the printed name and title.

SUBJECT: **HEARING OF MARCH 11, 2025; TESTIMONY IN SUPPORT OF HB740, HD2, RELATING TO HOUSING**

I **support** this measure to establish an Accessory Dwelling Unit (ADU) Financing and Deed Restriction Program under the Hawai'i Housing Finance and Development Corporation.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I **support** this measure for the following reasons:

1. By reducing financial barriers to ADU construction, this bill encourages homeowners to develop additional housing units on their properties. These units can provide long-term rental options for local families, kūpuna, and workforce members who are struggling to find stable housing.
2. The voluntary deed restriction program helps prevent ADUs from being used for short-term rentals or speculative resale. By preserving these units for local residents, this bill ensures that the benefits of increased housing stock remain within the community for generations to come.
3. Instead of requiring counties to apply for individual grants, this bill streamlines the process by allocating an annual lump sum, allowing counties to effectively plan, administer, and distribute resources to homeowners based on their specific housing needs.

Thank you for your consideration.

OFFICE OF HOUSING
KE KE'ENA HO'OLĀLĀ KŪKULA HALE
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 306 • HONOLULU, HAWAII 96813
PHONE: (808) 768-4675 • FAX: (808) 768-4242 • WEBSITE: www.honolulu.gov/housing

RICK BLANGIARDI
MAYOR
MEIA



KEVIN AUGER
EXECUTIVE DIRECTOR
PO'O HO'OKO

March 10, 2025

2025-HOU-035

The Honorable Stanley Chang, Chair
The Honorable Troy N. Hashimoto, Vice Chair
and Members of the Senate Committee on Housing
Hawaii'i State Capitol
415 South Beretania Street
Honolulu, Hawaii'i 96813

Dear Chair Chang, Vice Chair Hashimoto, and Committee Members:

SUBJECT: Testimony Supporting the Intent of HB740 HD2 – Relating to Housing
Hearing: Tues., Mar. 11, 2025, 1:10 p.m. at the State Capitol, Rm. 225

The Office of Housing **supports the intent** of HB740 HD2 that would establish the Accessory Dwelling Unit Financing and Deed Restriction Program to incentivize the development of Accessory Dwelling Units (ADUs). This bill would enable the Hawaii'i Housing Finance and Development Corporation (HHFDC) to allocate funds from the Dwelling Unit Revolving Fund (DURF) to the counties for the purposes of: 1) providing grants to homeowners to support the development of ADUs, and; 2) for the counties to purchase and own deed restrictions on eligible properties with a primary dwelling unit and ADU.

ADUs can help to increase our supply of lower-cost housing, but there are many barriers for interested homeowners, including high construction costs, financing challenges for unit construction, and infrastructure insufficiencies. While the City's ADU Ordinance was adopted in 2015 and various exemptions have been extended to homeowners for the creation of these units, these barriers have mitigated against the designed stimulation of ADU development.

While the City supports this innovative proposal to increase housing inventory, we have concerns about capacity challenges, lack of positions and staff, potential impacts to real property tax revenues, eligibility criteria, implementation timelines, enforceability, and potential liability associated with the bill in its current form.

HB740 HD2 requires that counties be responsible for administering, validating evidence, and ensuring compliance with the program. While it also allows the counties to establish and collect fees and premiums to cover these costs, there is no dedicated funding source to establish and stand-up full-time equivalent (FTE) positions to administer, train staff, and enforce the program, or meet the annual reporting requirements that will continue for the length of recorded deed restrictions, potentially into perpetuity, even if program funding is terminated at some point in the future.

The Honorable Stanley Chang, Chair
The Honorable Troy N. Hashimoto, Vice Chair
and Members of the Senate Committee on Housing
Hawai'i State Capitol
March 10, 2025
Page 2

The City and County of Honolulu does not currently have the capacity to administer this program, and the bill's language is unclear if a portion of the DURF funds provided to the counties could be used for administrative funding purposes. Additionally, the City is not currently in the business of purchasing and owning deed restrictions as this process usually is conducted by an applicant or homebuyer directly through the Hawai'i State Bureau of Conveyances. If the City was to take on this responsibility, we would need appropriate funding and time to either onboard new staff with the required expertise, train new and existing staff, or contract out to a third-party entity. The time and skill required to negotiate the price of a deed restriction on a case-by-case basis alone would require extensive costs and may require clarification that these purchases are in the public interest, despite being exempt from the procurement process.

Furthermore, the bill requires that eligible homeowners or buyers indicate their capability to properly use the grant; however, no criteria for this evaluation has been established. The lack of an AMI requirement raises concerns about whether this program will indeed increase the supply of "affordable" housing in the State. The absence of a restriction on short-term rentals may make this program ripe for abuse, and the ambiguous restriction on the funds preventing its use for purposes of "entertainment or perquisites" are questionably ambiguous. If the evaluation process criteria and the responsibility for cleaning up vague terms are left to the individual counties to determine, we would not only see a further delay through the administrative rules public hearing process while these criteria are established, but also potentially allow inconsistent policies throughout the state.

Finally, the bill creates an immunity for State officers, employees, and agents. However, it leaves out county officers, employees, and agents. If the bill continues to insist that the counties administer the program, county officers, employees, and agents should be provided the same statutory protections.

Given these concerns, if this measure is to move forward, we request these issues be addressed as the discussions continue. Thank you for the opportunity to testify.

Sincerely,



Kevin D. Auger
Executive Director

APPROVED:

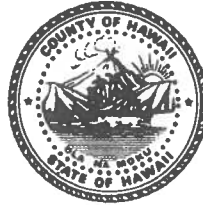


Michael D. Formby, Managing Director
Office of the Managing Director

C. Kimo Alameda, Ph.D.
Mayor

William V. Brilhante Jr.
Managing Director

Merrick Nishimoto
Deputy Managing Director



Kehaulani M. Costa
Housing Administrator

Keiko M. Mercado
Assistant Housing Administrator

County of Hawai'i
Office of Housing and Community Development

1990 Kino'ole Street, Suite 102 • Hilo, Hawai'i 96720 • (808) 961-8379 • Fax (808) 961-8685
Existing Housing: (808) 959-4642 • Fax (808) 959-9308
Kona: (808) 323-4300 • Fax (808) 323-4301

March 10, 2025

TESTIMONY IN SUPPORT OF HOUSE BILL 740, HD2
A BILL FOR AN ACT RELATING TO HOUSING
COMMITTEE ON HOUSING

Sen. Stanley Chang, Chair

Sen. Troy N. Hashimoto, Vice Chair

Hearing Date: Tuesday, March 11, 2025, at 1:10 PM

Place of Hearing: Conference Room 225 & Videoconference

Aloha Honorable Chairs Chang and Hashimoto, and members of the Committee on Housing,

Thank you for the opportunity to provide testimony on **House Bill 740, HD2**, which proposes the establishment of an accessory dwelling unit (ADU) financing and deed restriction program under the Hawai'i Housing Finance and Development Corporation (HHFDC). On behalf of the County of Hawai'i Office of Housing and Community Development (OHCD), we express our firm **support** for this important initiative to address the housing crisis in Hawai'i.

ADUs offer an effective solution to increase housing supply, especially in residential areas with available space for additional dwellings. However, the upfront costs of design and permitting remain a significant barrier to homeowners. This bill provides essential financial support to homeowners who are willing to build ADUs but lack the funds to do so.

Furthermore, the program includes a deed restriction component, ensuring the long-term affordability of housing, which is critical in a state where housing costs continue to rise.

Additionally, the County of Hawai'i's recent Ordinance 24-7, passed in fall 2024, allows residents to build up to three ADUs on their property. This bill complements that effort and provides a much-needed tool for homeowners to contribute to the housing solution.



March 10, 2025

Page 2

Thank you for the opportunity to provide testimony in support of HB 740, HD2. Passage of this measure will help provide immediate housing opportunities while securing long-term affordability.

Mahalo,



Kehaulani M. Costa
Housing Administrator



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice

Support for HB 740 HD2 – Relating to Housing

Senate Committee on Housing

Tuesday, March 11, 2025 at 1:10PM | Conf. Rm. 225 and via Videoconference

Aloha Chair Chang, Vice Chair Hashimotoi, and Members of the Committee:

Mahalo for the opportunity to testify in **strong support of HB740 HD2**, which would establish an Accessory Dwelling Unit (ADU) Financing and Deed Restriction Program.

This innovative legislation addresses two critical challenges facing our communities: the severe shortage of affordable housing causing an increase in cost burdened households and the subsequent displacement of local families. By providing grants for ADU construction while ensuring long-term affordability through deed restrictions, this bill offers a practical solution that could create immediate housing opportunities while preserving them for Hawaii's workforce. Approximately 56% of households across the state are rent-burdened, that is spending more than 30% of their income on rent¹

Additionally, this bill addresses concerns which were expressed by community members after the passing of Act 39 by providing financial means for our local homeowners to participate in and contribute to addressing our housing shortage as well as making Hawaii a place where residents can remain.

We strongly support this measure for several key reasons:

Addresses Financial Barriers: Estimates for ADU construction in Hawaii is about \$250-\$350 per square foot². Many homeowners who wish to build ADUs to help address our housing crisis face significant financial barriers. The grant program will make it possible for more moderate-income homeowners to participate in creating housing solutions.

Protects Local Workforce: The deed restriction requirements ensuring occupancy by local workers, maintaining employment within the county, demonstrate a thoughtful approach to preserving housing for Hawaii's working families. This helps prevent the conversion of these units to vacation rentals or investment properties and help establish a locals only market.

Creates Sustainable Solutions: The perpetual deed restrictions ensure that these housing units will remain available for local workers and residents for generations to

¹ <https://uhero.hawaii.edu/wp-content/uploads/2024/05/HawaiiHousingFactbook2024.pdf>

²

[https://www.talbuilders.com/adu/#:~:text=How%20Much%20Do%20ADUs%20Cost,to%20\\$350%20per%20square%20foot.](https://www.talbuilders.com/adu/#:~:text=How%20Much%20Do%20ADUs%20Cost,to%20$350%20per%20square%20foot.)



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice

Support for HB 740 HD2 – Relating to Housing

Senate Committee on Housing

Tuesday, March 11, 2025 at 1:10PM | Conf. Rm. 225 and via Videoconference

come, creating a lasting legacy of workforce housing that grows over time as more homeowners participate in the program.

Empowers Residents to Actively Contribute: This program enables resident homeowners to play an active role in addressing Hawaii's housing challenges, empowering them to become part of the solution and directly contribute to building a stronger, more sustainable community.

The bill also includes important accountability measures, such as annual reporting requirements and clear qualification criteria for both property owners and tenants. These provisions help ensure the program serves its intended purpose while remaining transparent and accountable to the public.

Aligned with Hawaii Appleseed's mission to promote social and economic justice, **we view this program as an essential tool for tackling Hawaii's housing crisis while helping working families stay rooted in their communities.** By pairing financial assistance with long-term affordability requirements, the program strikes a thoughtful balance that benefits both present and future generations.

We respectfully urge your committee to pass HB 740 HD2. This legislation represents a significant step forward in creating sustainable, community-based solutions to our housing challenges while protecting opportunities for local working families and establishing a true "locals only" housing market.

Mahalo for the opportunity to testify on this measure.

Sincerely,

Arjuna Heim
Director of Housing Policy



Hawai'i YIMBY

Honolulu, HI 96814

hawaiiyimby.org

info@hawaiiyimby.org

March 11, 2025

Senate Committee on Housing

Hawai'i State Capitol

Honolulu, HI 96813

RE: SUPPORT for HB 740 HD2 - RELATING TO HOUSING

Aloha Chair Chang, Vice Chair Hashimoto, and Members of the Committee,

On behalf of Hawai'i YIMBY, we are writing in **support of HB 740 HD2** which would establish the Additional Dwelling Unit Financing and Deed Restriction Program, funding and allowing counties to purchase voluntary deed restrictions from eligible homeowners and homebuyers. Those eligible may use the funds towards the cost of constructing an ADU. ADUs are an important type of housing that adds gentle density to existing, established neighborhoods. ADUs can house a young professional, a retired grandparent, or many other members of the community. However, many homeowners lack the money to build an ADU, despite having the willingness and space.

We believe in fixing incentives, and this includes creating innovative and targeted incentives. Hawai'i homebuyers continue to struggle to compete with non-Hawai'i buyers both because of lack of funds and a non-dedicated housing stock. This innovative incentive will let counties purchase **voluntary** deed restrictions that require the owner-occupant and/or renters be recently retired from or is a full time employee of a Hawai'i business, with appropriate protections for those experiencing involuntary unemployment or disability. In the long-term, more homeowners would volunteer for the deed restriction and build ADUs. This will create a stock of homes dedicated to those who work and live in Hawai'i.



Hawai'i YIMBY

Honolulu, HI 96814

hawaiiyimby.org

info@hawaiiyimby.org

This alone will not solve the housing crisis, however, it will increase our overall supply of housing. Although small, building ADUs on plots of land that previously only had one unit, increasing the number of units on that same plot to two or three, is a much more efficient and affordable use of space.

Hawai'i YIMBY (*Yes In My Backyard*) is a volunteer-led grassroots advocacy organization dedicated to supporting bold and effective solutions for Hawai'i's devastating housing crisis. Our members are deeply concerned about Hawai'i's chronic and worsening housing shortage, which has caused home prices to rise much faster than incomes and pushes thousands of kama'āina out to the mainland or into homelessness every single year.

We ask your support for this bill. Thank you for the opportunity to testify.

Sincerely,

Damien Waikoloa

Chapter Lead, Hawai'i YIMBY

Edgardo Díaz Vega

Chapter Lead, Hawai'i YIMBY



March 11, 2025

TO: Chair Chang and members of the Senate Committee on Housing
RE: SB 740, HD2 RELATING TO HOUSING.

LATE

Dear Chair Chang and Committee Members,

Housing Hawai'i's Future is a nonprofit dedicated to creating opportunities for Hawai'i's next generation by ending the workforce housing shortage.

We support the establishment of the Accessory Dwelling Unit (ADU) Financing and Deed Restriction program through HB 740, HD2.

Local families with existing ADU capacity on their residential lots often lack the capital necessary to gain financing for the construction of new housing. We need to stimulate ADU construction while generating a new, permanent market of affordable workforce housing for residents.

We support the construction of accessory dwelling units as a strategy for generating more affordable housing across Hawai'i. HB 740 will tangibly operationalize the Accessory Dwelling Unit Act of 2024, also known as Act 39, SLH 2024.

Placing new ADUs under deed restrictions will guarantee that this housing remains workforce housing. As HHF concluded in our sixth policy brief, deed restrictions are an underutilized mechanism for meeting our housing needs.¹

We are grateful for your careful consideration of HB 740, HD2.

Thank you,



Lee Wang
Executive Director
Housing Hawai'i's Future
lee@hawaiiisfuture.org



Perry Arrasmith
Director of Policy
Housing Hawai'i's Future
perry@hawaiiisfuture.org

¹ Housing Hawai'i's Future. "Policy Brief #6: Deed Restrictions in Maui County." 2024.
<https://www.hawaiiisfuture.org/resources/policy-brief-mau-deed-restrictions>.

To: Senator Stanley Chang, Chair
Senator Troy N. Hashimoto, Vice Chair
Senate Committee on Housing

From: Chevelle Davis, MPH - Director of Early Childhood & Health Policy
Hawai'i Children's Action Network Speaks!

Subject: Measure H.B. No. 740 H.D. 2 – Relating to Housing

Hearing: Tuesday, March 11, 2025, at 1:10 PM, Conference Room 225

POSITION: STRONG SUPPORT

Aloha e Chair Chang, Vice Chair Hashimoto, and Members of the Committee,

Mahalo for the opportunity to testify in **STRONG SUPPORT of H.B. No. 740 H.D. 2**, which would establish an Accessory Dwelling Unit (ADU) Financing and Deed Restriction Program. This bill presents a crucial opportunity to support Hawai'i's working families and children by addressing one of the biggest barriers they face—affordable housing.

Hawai'i families are struggling to remain in their communities as rising housing costs push them out. More than half of renters statewide are cost-burdened, spending over 30% of their income on rent, leaving less for necessities like food, healthcare, and childcare. The lack of affordable housing directly affects children's stability, education, and well-being. H.B. No. 740 H.D. 2 offers a practical solution to create more affordable homes while ensuring they remain available for local working families for generations to come.

We **strongly support** this measure for several reasons:

Keeps Families Together – Too many parents must consider leaving Hawai'i to find housing they can afford. By making it easier for homeowners to build ADUs and ensuring these units remain affordable for local working families, this bill helps keep families together, ensuring that children can grow up with extended family support and stability.

Provides Relief for Working Parents – The high cost of housing forces many parents to work multiple jobs, reducing the time they can spend with their children. By increasing access to affordable rental units, this program helps relieve financial stress so parents can focus on their families rather than just making ends meet.

Supports Local Workforce Stability – The deed restrictions ensure that these ADUs serve local workers, not vacation rentals or outside investors. This means more teachers, healthcare

workers, and service industry employees—many of whom are parents—can afford to live near their workplaces, benefiting the entire community.

Creates Long-Term Housing Solutions – With built-in affordability protections, this program ensures that the homes created today will still be there for Hawai'i's keiki in the future. By making housing a permanent resource for working families, we are investing in children's futures and helping break the cycle of housing insecurity.

This program also includes important accountability measures, ensuring that financial assistance is used as intended and that homeowners and tenants meet the necessary criteria. By prioritizing working families, H.B. No. 740 H.D. 2 aligns with our mission to ensure that all keiki in Hawai'i have the opportunity to thrive in stable, supportive communities.

We urge the committee to pass this bill, which would be a significant step toward making Hawai'i a place where working families can afford to stay, grow, and succeed.

Mahalo for the opportunity to testify on this critical measure.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON HOUSING
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225
Tuesday, March 11, 2025, 1:10 P.M.**

To The Honorable Senator Stanley Chang, Chair
The Honorable Senator Troy N. Hashimoto, Vice Chair
Members of the committee on Housing

SUPPORT HB740 HD2 RELATING TO HOUSING

The Maui Chamber of Commerce wholeheartedly **SUPPORTS HB740 HD2** which establishes the Accessory Dwelling Unit Financing and Deed Restriction Program to allocate funds to the counties to provide grants to eligible homeowners or homebuyers to finance construction costs, development costs, and non-reoccurring closing costs associated with the construction of an accessory dwelling unit and purchase deed restrictions on such property.

Housing is a top priority for the Maui Chamber of Commerce and continues to be so as the crisis escalates following the wildfires and it directly impacts businesses and our economic revitalization. Before the wildfires, we needed over 10,000 units by 2025, but that number has only increased as 3% of our housing was lost in Lahaina. This is one of the main factors in the ever-increasing pricing of housing.

This is another excellent tool in the toolbox for housing.

For these reasons, we **SUPPORT HB740 HD2**.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF HB 740 HD2: RELATING TO HOUSING

TO: Senate Committee on Housing

FROM: Tina Andrade, President and CEO, Catholic Charities Hawai'i

Hearing: Tuesday, 3/11/25; 1:10 pm; CR 225& via Videoconference

Chair Chang, Vice Chair Hashimoto, and Members, Committee on Housing:

Catholic Charities Hawai'i **supports HB 740 HD2**, which establishes the Accessory Dwelling Unit Financing and Deed Restriction Program. It allocates funds to the counties for grants to eligible homeowners/homebuyers to develop accessory dwelling units and to purchase deed restrictions on these properties.

Catholic Charities Hawai'i (CCH) is a tax exempt, community-based organization that has been providing social services in Hawai'i for over 77 years. CCH has programs serving elders, veterans, children, families, homeless and immigrants. Our mission is to provide services and advocacy to the most vulnerable of the people in Hawai'i. We assist over 40,000 people annually across the state and have a long history of addressing affordable housing and homelessness.

Hawai'i is in critical need of more housing for our local residents, as soon as possible. Accessory dwelling units (ADUs) offer a faster and more effective solution to increase housing supply while ensuring these homes remain accessible to local residents, especially our workforce.

Numerous studies show that a significant percentage of Hawai'i's workforce is considering leaving due to the severe housing shortage, which continues to drive up rents. Assisting property owners to build an ADU, on their own land, can provide more options in our housing tool box. This initiative could bring much-needed relief to our local workforce.

Implementing deed restrictions on these units will ensure they remain available to local workers. We strongly support the Legislature's efforts to clarify any constitutional concerns regarding these deed restrictions, ensuring that government-assisted ADUs are prioritized for bona fide Hawai'i residents, including kūpuna and individuals with disabilities.

Catholic Charities Hawai'i urges **your support** of this bill.

If you have any questions, please contact our Legislative Liaison, Betty Lou Larson, at (808) 527-4813.

**Council for Native Hawaiian Advancement
91-1270 Kinoaiki St., Bldg. 1
Kapolei, HI 96707**

Hawai'i State Senate Committee on Housing

HB740 – Relating to Housing

RE: Strong support of HB740

March 11, 2025

The Council for Native Hawaiian Advancement (CNHA) writes in **strong support of HB740**. This bill is critical to mitigating the ongoing and worsening impacts of the rising cost of living that make it difficult for working local and Native Hawaiian residents to secure attainable housing.

The average price of a home in Hawai'i has now surpassed \$800,000. As a result, Native Hawaiians are forced to seek affordable housing out of state, leading to more Native Hawaiians residing outside of Hawai'i than within. Since 1984, existing home prices have increased by 155%, while Hawai'i's median household income has risen only 24%. High housing prices disproportionately impact our working families and young people, prospective homeowners who find it nearly impossible to build a future here in Hawai'i. According to DBEDT's 2024 report on Demographic, Social, and Economic Characteristics of Hawai'i's Race Groups, around 62 percent of Native Hawaiians in Hawai'i are employed, yet they earn significantly less than other major race groups in the state, with medium annual earnings falling below \$40,000 for full-time, year-round work.

HB740 creates innovative housing solutions that prioritize residents first and foremost. By reducing financial barriers to ADU construction, this bill encourages homeowners to develop additional housing units on their properties. These units can provide long-term rental options for local families, kūpuna, and workforce members who are struggling to find stable housing. In coupling financing with voluntary deed restriction, this bill helps to prevent ADUs from being used for short-term rentals or speculative resale. By preserving these units for local residents, this bill ensures that the benefits of increased housing stock remain within the community for generations to come.

This measure establishes housing solutions to keep Hawai'i affordable for its local residents. Prioritizing initiatives to address inequalities in housing accessibility creates economic stability for Hawai'i's workforce and fosters community development for future generations residing in Hawai'i. For these reasons, we humbly ask that you **PASS HB740**.

Me ka ha'aha'a,

Madelyn McKeague

Director of Advocacy, CNHA

LATE

HB-740-HD-2

Submitted on: 3/10/2025 5:33:03 PM

Testimony for HOU on 3/11/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Doris Matsunaga	Testifying for Save Medicaid Hawaii	Support	Written Testimony Only

Comments:

Save Medicaid Hawaii supports HB740 HD2



TO: SENATE COMMITTEE ON HOUSING
The Honorable Senator Stanley Chang, Chair
The Honorable Senator Troy N. Hashimoto, Vice Chair, and
Members of the Committee

FROM: Micah A. Kāne, CEO & President

RE: Testimony in Support for HB 740 HD2, Relating to Housing

DATE: Tuesday, March 11, 2025 at 1:10pm

PLACE: Conference Room 225

The Hawai'i Community Foundation (HCF) supports HB 740 HD2, Relating to Housing, which establishes the Accessory Dwelling Unit Financing and Deed Restriction Program.

Housing is a priority area within HCF's CHANGE Framework under the "C" sector of Community Centered Economy. Per UHERO, "median housing costs in Hawaii are more than 2.7 times the national level"¹ and median rents are the highest in the country.² ALICE families are more vulnerable because of our current housing market.

The demand for attainable local housing currently enveloping Hawai'i is at crisis levels. Too many people who do not live or work in Hawai'i are owning and driving up the costs of our housing market, which contributes to a record outmigration of local residents. The agony of this dynamic punctuated by the fact that more Hawaiians now live out of Hawai'i than in Hawai'i.

While efforts to improve housing have shown progress, it is evident that the current perspectives and efforts need to be expanded, and new creative solutions must be adopted. Hyper prioritization of major off-site infrastructure improvements that can effectuate housing, broad-based collaboration and regulatory reform are more critical now than ever.

We support the creation of the Accessory Dwelling Unit Financing and Deed Restriction Program. The program envisioned by this bill can simultaneously stimulate an increase of our housing supply while also dedicating units to be used for local workforce housing.

¹ [UHERO 2023 Hawaii Housing Factbook](#) at page 1.

² [UHERO 2024 Hawaii Housing Factbook](#) at page 6.



Kama'āina want to stay in Hawai'i and HB 740 HD2 can open that door and provide that hope. There is universal agreement that locals need more places to call home. Homes must be affordable so residents will be free from the pressure of leaving the island. HB 740 HD2 is another solution that contributes to more housing for our community. HCF supports this bill.



**Testimony to the Senate Committee on Housing
Senator Stanley Chang, Chair
Senator Troy N. Hashimoto, Vice Chair**

**Tuesday, March 11, at 1:10PM
Conference Room 225 & Videoconference**

RE: HB740 HD2 Relating to Housing

Aloha e Chair Chang, Vice Chair Hashimoto, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports House Bill 740 House Draft 2 (HB740 HD2), which Establishes the Accessory Dwelling Unit Financing and Deed Restriction Program to allocate funds to the counties to provide grants to eligible homeowners or homebuyers to finance construction costs, development costs, and non-reoccurring closing costs associated with the construction of an accessory dwelling unit and purchase deed restrictions on such property.

HB740 HD2 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Business Services. This bill promotes policies that drive economic growth, enhance workforce opportunities, and improve the quality of life for Hawaii's residents.

There is an urgent need to expand affordable housing while ensuring that local workers in Hawaii have secure homes. To address this, the measure establishes an accessory dwelling unit financing and deed restriction program under the Hawaii Housing Finance and Development Corporation. The program offers grants to eligible homeowners or homebuyers to finance the construction and associated development costs of accessory dwelling units, while also enabling counties to purchase deed restrictions that ensure these properties remain affordable and occupied by local residents.

The measure also amends existing statutes to enhance county powers in facilitating affordable housing through loan programs, revolving funds, and tax exemptions, while setting strict compliance and reporting obligations for properties with deed restrictions. By integrating financial assistance with regulatory oversight, it ensures that funds are used effectively to promote sustainable housing development and protect local occupancy standards. The Chamber supports this initiative because it will significantly boost affordable housing opportunities, preserve community integrity, and secure homes for Hawaii's hardworking residents.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.

We respectfully ask to pass House Bill 740 House Draft 2. Thank you for the opportunity to testify.



March 11, 2025

The Honorable Stanley Chang, Chair

Senate Committee on Housing

State Capitol, Conference Room 225 & Videoconference

RE: House Bill 740, HD2, Relating to Housing

HEARING: Tuesday, March 11, 2025, at 1:10 p.m.

Aloha Chair Chang, Vice Chair Hashimoto, 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 10,000 members. HAR provides **comments** on House Bill 740, HD2, which establishes the Accessory Dwelling Unit Financing and Deed Restriction Program to allocate funds to the counties to provide grants to eligible homeowners or homebuyers to finance construction costs, development costs, and non-reoccurring closing costs associated with the construction of an accessory dwelling unit and purchase deed restrictions on such property. Effective 7/1/3000

Hawai'i REALTORS® supports the creation of accessory dwelling units to help increase the supply of housing and help address Hawaii's housing challenges. We do however have concerns that the deed restrictions contained in this measure are in perpetuity. Having deed restrictions on a property in perpetuity can be problematic especially in land use planning, as communities can change and uses for a property may need to change as well over time. We respectfully suggest that the deed restrictions be amortized over 10 years but are open to other proposals for alternative timeframes. We look forward to further discussions on this matter.

Mahalo for the opportunity to provide testimony on this measure.

OUR MISSION

To support and advance public policies that make Hawai'i affordable for all working families.

OUR VISION

Collaborative, sustainable, and evidence-based public policies that create a diverse and sustainable Hawai'i economy, an abundance of quality job opportunities, and a future where all working families living in Hawai'i can thrive.

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827 Fort Street Mall, 2nd Floor
Honolulu, Hawai'i 96813

+1 (808) 542-4089
info@holomuacollaborative.org

HolomuaCollaborative.org

Committee: Senate Committee on Housing
Bill Number: HB 740 HD2, Relating to Housing
Hearing Date and Time: March 11, 2025, 1:10pm (Room 225)
Re: Testimony of Holomua Collaborative – Comments

Aloha Chair Chang, Vice Chair Hashimoto, and members of the committee:

Mahalo for hearing HB740 HD2, Relating to Housing, and for the opportunity to submit testimony offering **comments** on this bill.

Holomua Collaborative believes that deed restrictions are a useful tool to help secure long-term workforce housing that will help keep local families in Hawai'i, and that HB 739 HD2 and HB740 HD2 can help serve that purpose.

In the event that the Committee is inclined to only move a single deed restriction vehicle at this point in the legislative session, Holomua Collaborative respectfully requests that this Committee **move HB 739 HD2 and defer HB 740 HD2**. Like this measure, HB 739 HD2 allows for program funding to be used for ADU construction costs, while also allowing for the funding for other uses critical to help local families and our housing market, such as the down payment on first home, cesspool conversion, and infrastructure repair and remodel.

Mahalo for your consideration.

Sincerely,



Joshua Wisch
President & Executive Director

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE; Accessory Dwelling Units; Grants; Voluntary Deed Restrictions; Dwelling Unit Revolving Fund

BILL NUMBER: HB 740 HD 2

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Establishes the Accessory Dwelling Unit Financing and Deed Restriction Program to allocate funds to the counties to provide grants to eligible homeowners or homebuyers to finance construction costs, development costs, and non-reoccurring closing costs associated with the construction of an accessory dwelling unit and purchase deed restrictions on such property.

SYNOPSIS: Adds a new part to chapter 201H, HRS, to establish the program. Under the program, the HHFDC is allowed to allocate funds from the Dwelling Unit Revolving Fund to a county to (1) Provide grants to eligible homeowners or homebuyers to finance construction costs, development costs, and non-reoccurring closing costs associated with the construction of an accessory dwelling unit; and (2) Purchase a deed restriction from eligible homeowners or homebuyers to be placed on the primary dwelling unit and accessory dwelling unit funded under this program.

The deed restriction placed on a property and owned by a county shall require that the property be occupied by at least one owner-occupant or tenant who:

- (1) Works an average of thirty hours or more per week at a qualified business;
- (2) Is involuntarily unemployed:
 - (A) From a job in which the owner-occupant or tenant worked an average of thirty hours or more per week at a qualified business at the time of initial occupancy; and
 - (B) For a period of less than three hundred sixty-five days;
- (3) Is retired; provided that the retiree:
 - (A) Was sixty-five years of age or older at the time of retirement; and
 - (B) Worked an average of thirty hours or more per week at a qualified business within the county; or
- (4) Has a disability, as defined in section 515-2, HRS; provided that the owner or tenant with a disability worked an average of thirty hours or more per week at a qualified business.

Makes conforming changes to section 46-15.2, HRS, to allow the counties power to participate in the program.

Amends section 103D-102, HRS, to provide that purchasing deed restrictions under the program is exempt from the Procurement Code.

Makes a conforming change to section 201H-191, HRS, that governs the DURF.

Amends section 247-3, HRS, to allow a conveyance tax exemption for any conveyance of real property with a county owned deed restriction under this program.

Makes a conforming change to section 525-4, HRS, to allow the deed restriction to be permanent and not subject to the rule against perpetuities.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: The program proposed by this bill proposes to allow counties to buy an easement over property that would restrict future use of the property in a way that presumably would make it unattractive to or unusable for vacation home or second home use, and thus would rein in housing costs for those eligible to live in the property.

Digested: 3/8/2025

HB-740-HD-2

Submitted on: 3/10/2025 9:59:18 AM

Testimony for HOU on 3/11/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Support	Written Testimony Only

Comments:

GREAT IDEA TO HELP SOLVE OUR HOUSING CRISIS. MAHALO!

HB-740-HD-2

Submitted on: 3/10/2025 10:42:45 AM

Testimony for HOU on 3/11/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Ellen Godbey Carson	Individual	Support	Written Testimony Only

Comments:

Please support this ADU Deed program. It offers another helpful and effective approach to making our islands for affordable for our residents.

Ellen Carson

Honolulu, Hawaii

HB-740-HD-2

Submitted on: 3/10/2025 10:55:26 AM

Testimony for HOU on 3/11/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Will Caron	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Chang, Vice Chair Hashimoto, and members of the committee,

My name is Will Caron and I am a resident of Kahalu‘u, on O‘ahu's windward side, where I was born and raised. I am currently a renter, and despite having a secure, relatively well-paying job, rent still takes up approximately 30 percent of my annual income after taxes, putting me right on the edge of being cost burdened. Many of my neighbors pay a much higher portion of their income on housing costs.

As you know, the housing crisis is the number one driver of displacement of local families and houselessness. Something must be done to reduce housing costs, which is why I am so glad to see the legislature advancing innovative solutions this session.

I am writing here in strong support of one of those solutions: HB740 HD2, which would establish the Accessory Dwelling Unit Deed Restriction Program to create a protected market of housing specifically for Hawai‘i workforce residents.

This bill provides grants for ADU construction while securing long-term affordability through deed restrictions, creating immediate housing opportunities and preserving them for Hawai‘i’s workforce. Many homeowners looking to build ADUs to ease the housing crisis struggle with financial barriers. This grant program will help more moderate-income homeowners contribute to housing solutions.

This program addresses a core driver of Hawai‘i’s housing crisis: the competition between local families and outside investors that has made home prices completely disconnected from local incomes.

Many longtime local landowners want to preserve housing for locals, yet face increasing financial pressure to sell to outside investors. This program offers a practical solution while also helping to increase our housing stock. Offering financial incentives to increase ADU supply will provide local families with more versatile housing options; ones that offer smaller, more practical homes for local residents, as opposed to the luxury housing options currently available in the private housing market.

Because of the smaller nature of ADUs, these units are typically more affordable and work for a variety of housing situations that fit local needs such as:

- Starter homes for young adults;
- Nearby residences for kūpuna to age in place; and
- Independent spaces for family members who can't yet afford their own home while preventing overcrowding.

By separating our local housing market from the global investment market, we can begin to address the massive gap between local incomes and housing costs that is forcing families to leave Hawai'i.

I strongly urge the committee to pass HB740 HD2 to create housing stability for Hawai'i's families.

Mahalo for the opportunity to testify.

HB-740-HD-2

Submitted on: 3/10/2025 11:54:19 AM

Testimony for HOU on 3/11/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Thomas Brandt	Individual	Support	Written Testimony Only

Comments:

TO: Senate Committee on Housing

RE: **Strong Support HB740 HD2**

Hawai'i State Capitol, Conference Room 225 & Via Videoconference

Tuesday, March 11, 2025, 1:10PM

Aloha Chair Chang, Vice Chair Hashimoto, and members of the committee:

I am writing in **strong support of HB740 HD2**, which would establish the Accessory Dwelling Unit Deed Restriction Program to create a protected market of housing specifically for Hawaii workforce residents.

This bill provides grants for ADU construction while securing long-term affordability through deed restrictions, creating immediate housing opportunities and preserving them for Hawaii's workforce. Many homeowners looking to build ADUs to ease the housing crisis struggle with financial barriers. This grant program will help more moderate-income homeowners contribute to housing solutions.

This program addresses a core driver of Hawaii's housing crisis: the competition between local families and outside investors that has made home prices completely disconnected from local incomes.

- Only 20% of Hawaii residents can afford a median-priced home
- Outside buyers spend on average 46% more than local residents on home purchases
- Median housing costs are 2.7 times the national level
- Housing costs has been cited as the primary reason for locals leaving Hawaii, with a mass exodus of thousands of local families leaving

Many longtime local landowners want to preserve housing for locals, yet face increasing financial pressure to sell to outside investors. This program offers a practical solution while also helping to increase our housing stock. Offering financial incentives to increase ADU supply will provide local families with more versatile housing options; ones that offer smaller, more practical homes for local residents, as opposed to the luxury housing options currently available in the private housing market. Because of the smaller nature of ADUs, these units are typically more affordable and work for a variety of housing situations that fit local needs such as

- starter homes for young adults
- nearby residences for kupuna to age in place
- independent spaces for family members who can't yet afford their own home while preventing overcrowding

By separating our local housing market from the global investment market, we can begin to address the massive gap between local incomes and housing costs that is forcing families to leave Hawaii.

I strongly urge the committee to pass HB740 HD2 to create housing stability for Hawaii's families.

Mahalo for the opportunity to testify.

HB-740-HD-2

Submitted on: 3/10/2025 12:54:57 PM

Testimony for HOU on 3/11/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Lei Fisher	Individual	Support	Written Testimony Only

Comments:

Aloha mai,

I **STRONGLY SUPPORT** this measure, as a lifelong resident of O'ahu, Native Hawaiian, and parent who fears for the future of her child to continue to live and work in her ancestral land.

I strongly disagree that just "building more" will help with the affordable housing crisis - the issue is infrastructure, and what is being built is largely Not affordable anyway -- just becoming second homes & investment properties for wealthy folks (e.g. the embarrassing yet predictable failure of Kaka'ako). Even seemingly "family friendly" places like Koa Ridge are priced well above what most local families can afford (\$1million+ for a CPR single family home). We already have tons of housing that is just simple Not Affordable anymore. With this bill idea already an established successful program in Colorado, it seems like a no-brainer that we start moving away from the "build more" approach to smarter options like this. I personally would love to be a part of this program if it comes to fruition.

Mahalo nui loa to Representative Evslin for introducing & championing this effort.

Please **PASS** this HB740.

Mahalo nui loa,

Lei Fisher

LATE

HB-740-HD-2

Submitted on: 3/10/2025 9:41:22 PM

Testimony for HOU on 3/11/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Mai Hall	Individual	Support	Written Testimony Only

Comments:

I support keeping local residents housed