
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 in 2023, affordable
2 housing was declared an emergency in the state, citing Hawaii's
3 housing supply as the most expensive in the nation. It has been
4 estimated that 50,000 homes are needed in the next five years to
5 address our housing crisis.

6 The legislature further finds that there is an inexpensive
7 remedy for our extensive housing supply shortage. Incentivizing
8 the construction of low-cost accessory dwelling units, commonly
9 known as ADUs, is a greatly underutilized solution to spur
10 affordable housing development. An accessory dwelling unit is a
11 separate additional living unit either attached or detached from
12 the primary residential unit. Accessory dwelling units provide a
13 legal alternative to illegal rental units and are similar to
14 ohana dwelling units, but with fewer restrictions, particularly
15 the absence of the requirement the unit be rented to a family
16 member only.



1 The legislature finds accessory dwelling units cost
2 substantially less than traditional housing units because there
3 is no need to purchase additional land for the structure and
4 construction costs are considerably lower. For example, a public
5 housing unit costs between \$300,000 and \$400,000 whereas an
6 eight hundred square foot accessory dwelling unit costs less
7 than half as much.

8 The legislature additionally finds that the August 2023
9 Maui wildfires, which either destroyed or made uninhabitable
10 over 3,700 residential structures, further exacerbated the
11 state's housing crisis, making it more important than ever to
12 adopt out-of-the-box solutions.

13 The purpose of this Act is to establish a program to
14 encourage the construction of accessory dwelling units by
15 providing a subsidy for the construction costs plus a general
16 excise tax exemption for the first three years of renting the
17 unit.

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

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



1 **206E-A Accessory dwelling unit housing development**

2 **program.** (a) There is established the accessory dwelling unit
3 housing development program to provide matching funds to promote
4 the construction of accessory dwelling units throughout the
5 State.

6 (b) Notwithstanding any other law to the contrary, the
7 authority shall promote and administer the accessory dwelling
8 unit housing development program.

9 (c) The authority shall adopt rules without regard to
10 chapter 91 to implement the accessory dwelling unit housing
11 development program; provided that pursuant to the rules, the
12 program shall award:

13 (1) Matching funds for homeowners who construct or
14 contract to construct an accessory dwelling unit in
15 conformity with applicable county accessory dwelling
16 unit requirements; and

17 (2) Matching funds on a one-to-one basis, up to a maximum
18 of \$ per accessory dwelling unit.

19 **§206E-B Accessory dwelling unit housing development**

20 **program special fund.** (a) There shall be established the



1 accessory dwelling unit housing development special fund into
2 which shall be deposited:

- 3 (1) Appropriations made by the legislature to the fund;
- 4 (2) All contributions from public or private partners;
- 5 (3) All interest earned on or accrued to moneys deposited
6 in the special fund; and
- 7 (4) Any other moneys made available to the special fund
8 from other sources.

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

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

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



1 (1) This section shall not apply more than four years
2 after the construction of the accessory dwelling unit;
3 and

4 (2) The tax liability savings generated by this section
5 shall be passed on by the owner of the accessory
6 dwelling unit to the renter without any increase in
7 rent price.

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

15 SECTION 4. In accordance with section 9 of article VII, of
16 the Constitution of the State of Hawaii and sections 37-91 and
17 37-93, Hawaii Revised Statutes, the legislature has determined
18 that the appropriations contained in this Act will cause the
19 state general fund expenditure ceiling for fiscal year 2024-2025
20 to be exceeded by \$, or per cent. The reasons
21 for exceeding the general fund expenditure ceiling are that the



H.B. NO. 2333

1 appropriations made in this Act are necessary to serve the
2 public interest and to meet the need provided for by this Act.

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

7 SECTION 6. There is appropriated out of the general
8 revenues of the State of Hawaii the sum of \$ or so much
9 thereof as may be necessary for fiscal year 2024-2025 to provide
10 matching funds for the accessory dwelling unit housing
11 development program.

12 The sums appropriated shall be expended by the Hawaii
13 community development authority for the purposes of this Act.

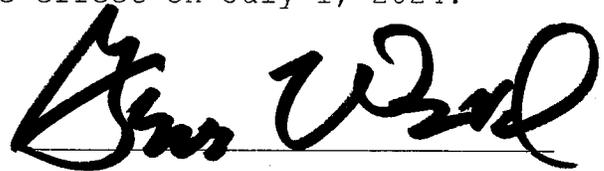
14 SECTION 7. In codifying the new sections added by sections
15 2 and 3 of this Act, the revisor of statutes shall substitute
16 appropriate section numbers for the letters used in designating
17 the new sections in this Act.

18 SECTION 8. New statutory material is underscored.

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

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INTRODUCED BY:



JAN 22 2024



H.B. NO. 2333

Report Title:

Housing; Accessory Dwelling Unit; HCDA; Appropriation

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. Exempts those accessory dwelling units from general excise tax for the first 3 years of rental. Appropriates moneys.

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

