
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 State's housing crisis. A 2019
3 study commissioned by the department of business, economic
4 development, and tourism found that the State will require an
5 additional 50,156 homes by the year 2025, which many consider to
6 be an impossible task.

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



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

5 The purpose of this Act is to mitigate the present housing
6 crisis by establishing a program to encourage the construction
7 of accessory dwelling units by providing a subsidy for the
8 construction costs plus a general excise tax exemption for the
9 first three years of renting the accessory 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 throughout the
18 State.

19 (b) Notwithstanding any other law to the contrary, the
20 authority shall promote and administer the accessory dwelling
21 unit housing development program.



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

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

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

11 **§206E-B Accessory dwelling unit housing development**

12 **program special fund.** (a) There shall be established the
13 accessory dwelling unit housing development special fund into
14 which shall be deposited:

- 15 (1) Appropriations made by the legislature to the fund;
16 (2) All contributions from public or private partners;
17 (3) All interest earned on or accrued to moneys deposited
18 in the special fund; and
19 (4) Any other moneys made available to the special fund
20 from other sources.



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

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

7 "§237- Accessory dwelling unit exemption. (a)
8 Notwithstanding any law to the contrary, taxes under this
9 chapter shall not be due on income generated by rental sales of
10 any accessory dwelling unit funded pursuant to section 206E-A
11 for the first three years that the accessory dwelling unit is
12 rented by the owner of the accessory dwelling unit; provided
13 that:

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

17 (2) The tax liability savings generated by this section
18 shall be passed on by the owner of the accessory
19 dwelling unit to the renter without any increase in
20 rent price.



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

8 SECTION 4. There is appropriated out of the general
9 revenues of the State of Hawaii the sum of \$ or so much
10 thereof as may be necessary for fiscal year 2023-2024 and the
11 same sum or so much thereof as may be necessary for fiscal year
12 2024-2025 for deposit into the accessory dwelling unit special
13 fund.

14 SECTION 5. There is appropriated out of accessory dwelling
15 unit special fund the sum of \$ or so much thereof as may
16 be necessary for fiscal year 2023-2024 and the same sum or so
17 much thereof as may be necessary for fiscal year 2024-2025 to
18 provide matching funds for the accessory dwelling unit housing
19 development program.

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



H.B. NO. 1170

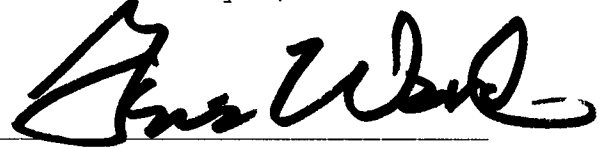
1 SECTION 6. In codifying the new sections added by sections
2 2 and 3 of this Act, the revisor of statutes shall substitute
3 appropriate section numbers for the letters used in designating
4 the new sections in this Act.

5 SECTION 7. New statutory material is underscored.

6 SECTION 8. This Act shall take effect on July 1, 2023.

7

INTRODUCED BY: _____



JAN 24 2023



H.B. NO. 1170

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.

