
A BILL FOR AN ACT

RELATING TO ACCESSORY DWELLING UNITS.

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

1 SECTION 1. The legislature finds that accessory dwelling
2 units are an option for people to maximize their residential
3 lots and adapt to changing living conditions, responsibilities,
4 and growing families. However, traditional financing for
5 accessory dwelling units may be difficult to secure.

6 The purpose of this Act is to promote affordable housing by
7 establishing an accessory dwelling unit loan program under the
8 Hawaii housing finance and development corporation.

9 SECTION 2. Chapter 201H, Hawaii Revised Statutes, is
10 amended by adding a new subpart to part III to be appropriately
11 designated and to read as follows:

12 **"SUBPART . ACCESSORY DWELLING UNIT LOAN PROGRAM**

13 **§201H-A Definitions.** The following words or terms as used
14 in this subpart shall have the following meanings unless a
15 different meaning clearly appears from the context:

16 "Accessory dwelling unit" means an accessory or second
17 dwelling unit that includes its own kitchen, bedroom, and



1 bathroom facilities, and is attached or detached from the
2 primary dwelling unit on the zoning lot.

3 "Eligible borrower" means a person or family, without
4 regard to race, creed, national origin, or sex, who:

5 (1) Is a citizen of the United States or a resident alien;

6 (2) Is a bona fide resident of the State;

7 (3) Is at least eighteen years of age;

8 (4) Is financing an accessory dwelling unit that will be
9 on the eligible borrower's principal residence;

10 (5) Has a recorded property interest in the land on which
11 the accessory dwelling unit will be constructed; and

12 (6) Meets other qualifications as established by rules
13 adopted by the corporation.

14 **§201H-B Accessory dwelling unit loan program; established.**

15 (a) There is established within the corporation an accessory
16 dwelling unit loan program. Under the accessory dwelling unit
17 program, the corporation may:

18 (1) Make loans to non-depository community development
19 financial institutions, which may then make accessory
20 dwelling unit loans to eligible borrowers to finance
21 the construction of accessory dwelling units,



1 including the upgrade or conversion of a cesspool to a
2 wastewater system or the connection of an accessory
3 dwelling unit to a sewerage system; and

4 (2) Provide technical assistance grants to community
5 development financial institutions.

6 (b) The interest rate on loans to non-depository community
7 development financial institutions shall not to exceed one per
8 cent.

9 (c) An accessory dwelling unit loan to any one eligible
10 borrower shall not exceed \$300,000. In no event shall the loan
11 amount and purchase money mortgage amount exceed one hundred per
12 cent of combined loan-to-value. The interest rate on an
13 accessory dwelling unit loan to an eligible borrower may range
14 from one per cent to six per cent, depending on the borrower's
15 income and program rules relating to evaluation criteria and
16 underwriting.

17 (d) A technical assistance grant to any one community
18 development financial institution shall not exceed \$200,000.

19 (e) The repayment of every accessory dwelling unit loan
20 shall be secured by a duly recorded mortgage executed by the



1 borrower and non-depository community development financial
2 institution on the primary residential property of the borrower.

3 (f) The principal of the accessory dwelling unit loan,
4 together with accrued interest, shall be due and payable upon
5 the sale, transfer, or refinancing of the property or shall be
6 repaid by the non-depository community development financial
7 institution borrower in installments as determined by the
8 corporation; provided that the corporation may provide a period
9 in which payments may be waived. The period over which the
10 principal and interest shall be paid need not coincide with the
11 period over which the loan from the mortgage lender for the
12 balance of the purchase price must be repaid. The borrower may
13 repay the whole or any part of the unpaid balance of the
14 accessory dwelling unit loan, plus accrued interest, at any time
15 without penalty.

16 (g) The construction of accessory dwelling units financed
17 through the program established by this section shall be exempt
18 from chapter 104.

19 (h) Accessory dwelling units financed through the program
20 shall not be furnished as transient accommodations.



1 (i) The corporation shall adopt rules pursuant to chapter
2 91 to carry out the purposes of this subpart.

3 **§201H-C Accessory dwelling unit loan revolving fund.** (a)

4 There is created an accessory dwelling unit loan revolving fund
5 to be administered by the corporation.

6 (b) The accessory dwelling unit loan revolving fund may
7 include appropriations made by the legislature, private
8 contributions, repayment of loans, interest, other returns, and
9 funds from other sources.

10 (c) The revolving fund shall be used to implement the
11 accessory dwelling unit loan program by:

12 (1) Providing loans to non-depository community
13 development financial institutions to then provide
14 accessory dwelling unit loans to eligible borrowers to
15 finance the construction of accessory dwelling units,
16 including the upgrade or conversion of a cesspool to a
17 wastewater system or the connection of an accessory
18 dwelling unit to a sewerage system; and

19 (2) Providing technical assistance grants of up to
20 \$200,000 to community development financial
21 institutions; provided that:



1 (A) There is a twenty per cent match requirement and
 2 that ten per cent is used for marketing and
 3 outreach of the accessory dwelling unit loan
 4 program; and

5 (B) Each grant shall be awarded over a three-year
 6 term.

7 **§201H-D Program fees.** The corporation may establish,
 8 revise, charge, and collect fees, premiums, and charges as
 9 necessary, reasonable, or convenient, for the accessory dwelling
 10 unit loan program. The fees, premiums, and charges shall be
 11 deposited into the accessory dwelling unit loan revolving fund
 12 established in section 201H-C."

13 SECTION 3. There is appropriated out of the general
 14 revenues of the State of Hawaii the sum of \$ or so
 15 much thereof as may be necessary for fiscal year 2024-2025 to be
 16 deposited into the accessory dwelling unit loan revolving fund.

17 SECTION 4. There is appropriated out of the accessory
 18 dwelling unit loan revolving fund the sum of \$ or so
 19 much thereof as may be necessary for fiscal year 2024-2025 for
 20 the purposes of the accessory dwelling unit loan revolving fund
 21 established pursuant to section 2 of this Act.



1 The sum appropriated shall be expended by the Hawaii
2 housing finance and development corporation for the purposes of
3 this Act.

4 SECTION 5. In accordance with section 9 of article VII of
5 the Hawaii State Constitution and sections 37-91 and 37-93,
6 Hawaii Revised Statutes, the legislature has determined that the
7 appropriations contained in H.B. No. , will cause the state
8 general fund expenditure ceiling for fiscal year 2024-2025 to be
9 exceeded by \$ or per cent. In addition, the
10 appropriation contained in this Act will cause the general fund
11 expenditure ceiling for fiscal year 2024-2025 to be further
12 exceeded by \$ or per cent. The combined total
13 amount of general fund appropriations contained in only these
14 two Acts will cause the state general fund expenditure ceiling
15 for fiscal year 2024-2025 to be exceeded by
16 \$ or per cent. The reasons for exceeding the
17 general fund expenditure ceiling are that:

- 18 (1) The appropriation made in this Act is necessary to
19 serve the public interest; and
20 (2) The appropriation made in this Act meets the needs
21 addressed by this Act.



1 SECTION 6. In codifying the new sections added by section
2 2 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. This Act shall take effect on July 1, 2024.

6

INTRODUCED BY: ZMC

JAN 23 2024



H.B. NO. 2548

Report Title:

HHFDC; Accessory Dwelling Units; Loans; Revolving Fund;
Appropriation; Expenditure Ceiling

Description:

Establishes the accessory dwelling unit loan program under HHFDC to provide loans for the development of accessory dwelling units.

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2024-0307 HB HMSO-2

