

STAND. COM. REP. NO.

53

Honolulu, Hawaii

FEB 03 , 2025

RE: H.B. No. 740
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Madame:

Your Committee on Housing, to which was referred H.B. No. 740
entitled:

"A BILL FOR AN ACT RELATING TO HOUSING,"

begs leave to report as follows:

The purpose of this measure is to establish an Accessory Dwelling Unit Financing and Deed Restriction Program under the Hawaii Housing Finance and Development Corporation.

Your Committee received testimony in support of this measure from the Hawaii Housing Finance and Development Corporation; one member of the Maui County Council; Hawaii Appleseed Center for Law & Economic Justice; Catholic Charities Hawai'i; Hawai'i YIMBY; Holomua Collaborative; Housing Hawai'i's Future; Hawai'i Community Foundation; Title Guaranty Hawaii; Mana Up; Hawai'i Gas; HPM Building Supply; aio; Tori Richard, Ltd.; Maui Chamber of Commerce; and four individuals. Your Committee received comments on this measure from the Department of Taxation and Hawai'i Association of REALTORS.

Your Committee finds that accessory dwelling units are an innovative way to help alleviate the severe lack of housing for Hawaii residents. Despite this, the upfront costs for designing and permitting are barriers for many homeowners to develop an accessory dwelling unit. This measure offers a practical solution

2025-1183 HB740 HD1 HSCR HMSO





to create immediate housing opportunities through ensuring long-term affordability through deed restrictions, thereby preserving these units for Hawaii's workforce.

Your Committee notes that the intent of the Legislature with this measure is for the amount paid to the property owner to be the market rate for a deed restriction. Ideally, through a negotiation process between the county and the property owner, the rate will be high enough to incentivize a property owner to sell a deed restriction, while low enough that it remains an effective use of government funds. It is also the intent of your Committee to not subject any instruments by which a deed restriction is placed on a dwelling unit under the Accessory Dwelling Unit Financing and Deed Restriction Program (Program) to the conveyance tax.

Your Committee has amended this measure by:

- (1) Authorizing the Hawaii Housing Finance and Development Corporation to allocate an annual lump sum, to be determined by the Corporation, rather than requiring the counties to apply for a specific minimum amount;
- (2) Prohibiting the Hawaii Housing Finance and Development Corporation from distributing funds under the Program solely based on the population size of a county;
- (3) Clarifying that for a planned community, a deed restriction placed and owned by a county may be secondary only to conditions, covenants, and restrictions with a requisite first position;
- (4) Deleting language that would have required a retiree or an individual with a disability to have worked for ten consecutive years and five consecutive years, respectively, in the county or State, to qualify as an owner-occupant under the Program;
- (5) Exempting any contract entered into by a county under the Program from the Procurement Code;
- (6) Changing the effective date to July 1, 3000, to encourage further discussion; and



53

- (7) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee also notes that while language that could have been construed as a durational requirement for a retiree or an individual with a disability was removed from this measure, your Committee is working with the Department of the Attorney General on language that can withstand constitutional scrutiny to ensure that bona fide residents of the State can benefit from the Accessory Dwelling Unit Financing and Deed Restriction Program.

Your Committee further notes that the Department of Taxation requested in its testimony that should this measure pass the Legislature, an effective date of January 1, 2026 be included, to allow the Department sufficient time to make changes necessary for the implementation of the new conveyance tax exemption.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 740, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 740, H.D. 1, and be referred to your Committee on Judiciary & Hawaiian Affairs.

Respectfully submitted on
behalf of the members of the
Committee on Housing,



LUKE A. EVSLIN, Chair



