

Honolulu, Hawaii

FEB 12 2025

RE: S.B. No. 491
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.B. No. 491
entitled:

"A BILL FOR AN ACT RELATING TO HOUSING,"

begs leave to report as follows:

The purpose and intent of this measure is to establish 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.

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

Your Committee received comments on this measure from the
Department of the Attorney General, Department of Taxation, and
Hawai'i Association of REALTORS.



Your Committee finds that accessory dwelling units are small, separate living spaces that can be built on single family lots that are either attached or detached from the main house. As the State seeks solutions to increase the housing supply statewide, incentivizing the construction of accessory dwelling units can help increase the inventory for below-market rental units without requiring new land acquisitions or large scale developments.

Your Committee further finds that the counties have authority for a program similar to the deed restriction program proposed by this measure. Maui County has implemented such a program, which your Committee believes should be studied before committing state funds to a similar program. Your Committee additionally notes that a loan, rather than a grant program, would allow the State to recover its investment, enabling it to finance other accessory dwelling units in the future. For example, the Dwelling Unit Revolving Fund Equity Program enables the State to share the capital gain of units receiving state capital. Alternatively, the State can explore other methods to fully utilize the value of its investment and ensure it is used for future housing construction.

Accordingly, your Committee has amended this measure by:

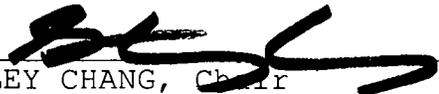
- (1) Clarifying that the definition of "eligible homeowner or homebuyer" includes a person who does not own other properties with a similar deed restriction including properties held in revocable living trusts;
- (2) Changing the Accessory Dwelling Unit Financing and Deed Restriction Program from a grant to a purchase of equity;
- (3) Specifying that the amount paid to the property owner shall be a negotiated amount not more than the appraised value;
- (4) Clarifying that the deed restriction placed and owned by the county shall take second position in circumstances where a common interest community requires conditions, covenants, and restrictions to be in first position;



- (5) Clarifying that the deed restriction shall be applicable to both the primary dwelling and the accessory dwelling unit;
- (6) Deleting language that would have required an eligible owner-occupant or tenant to have worked in the state or county for a certain number of years immediately before retirement or disability;
- (7) Inserting language to require that the Hawaii Housing Finance and Development Corporation be repaid within thirty years or upon the sale or transfer of the property, whichever occurs first;
- (8) Changing the source of funding from the Dwelling Unit Revolving Fund to the Rental Housing Revolving Fund;
- (9) Clarifying the conveyance tax exemption shall apply to taxable years beginning January 1, 2026;
- (10) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (11) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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 S.B. No. 491, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 491, S.D. 1, and be referred to your Committee on Ways and Means.

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


STANLEY CHANG, Chair



