



HB 3107, HD 1 (HSCR 118-08) Relating to Owner-Builder Permits  
Committee on Consumer Protection & Commerce

February 13, 2008  
325

2:00 pm

Room

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The Office of Hawaiian Affairs supports the purpose and intent of HB 3107.

Consumer protection laws benefit all of Hawaii's residents which include the beneficiaries of the Office of Hawaiian Affairs.

Government's role in providing the necessary consumer protection laws regarding full disclosure about the real estate being sold by sellers to the buyers will then give the responsibility back to both parties when entering into a sales agreement with full disclosure.

We recognize that physical solutions by themselves will not solve social and economic problems, but neither can economic vitality, community stability, and environment health be sustained without a coherent and supportive physical framework like consumer protection laws.

Mahalo nui loa for the opportunity to provide this testimony.

**PRESENTATION OF THE  
CONTRACTORS LICENSE BOARD**

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

TWENTY-FOURTH LEGISLATURE  
Regular Session of 2008

Wednesday, February 13, 2008  
2:00 p.m.

**TESTIMONY ON HOUSE BILL NO. 3107, H.D. 1, RELATING TO OWNER-BUILDER PERMITS.**

TO THE HONORABLE ROBERT N. HERKES, CHAIR,  
AND MEMBERS OF THE COMMITTEE:

My name is Denny Sadowski, Legislative Committee Chair of the Contractors License Board ("Board"). The Board appreciates the opportunity to testify in support of House Bill No. 3107, House Draft 1, which is an Administration bill. This bill proposes to require sellers to disclose whether a structure was built or improved under an owner-builder permit, clarify that owner-builders must use licensed subcontractors, and establish penalties for owner-builders who fail to comply with owner-builder permit requirements.

Section 444-2(7), Hawaii Revised Statutes ("HRS"), exempts owners or lessees who build or improve property for their own use from the licensing requirements of Chapter 444, HRS. These owner-builders must perform the work themselves or use licensed subcontractors, and sign a statement to that effect. Current statutes do not explicitly require compliance with the terms of the statement; therefore, this bill clarifies that compliance is required, and establishes penalties for noncompliance. The Board believes that much of the unlicensed contractor activity occurring in this State is

associated with owner-builder permits, and that establishing these penalties will help curb such violations.

Further, for the protection of consumers, the Board feels that the fact that a structure was constructed or improved upon pursuant to an owner-builder permit should be disclosed to potential buyers, thereby allowing them to make an informed decision on whether to purchase a structure which may have been constructed or improved upon by unlicensed persons.

This bill also proposes non-substantive amendments to provide consistency in the description of the permitted work, and to clarify that the fine amount is based on the value of the permitted work rather than the value of the entire structure.

The House Draft 1 adds the phrase "Real Estate Disclosure" to the title of the new section on mandatory disclosure (page 1, line 4) and changes the effective date of the Act to November 1, 2008. The Board supports the language of the House Draft 1.

Thank you for the opportunity to testify in support of this Administration bill.

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

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**TESTIMONY ON HOUSE BILL NO. 3107, RELATING TO OWNER-BUILDER PERMITS.**

TO THE HONORABLE HERKES, CHAIR,  
AND MEMBERS OF THE COMMITTEE:

Thank you for seeing this bill in hearing and allowing my testimony. This bill is comprised in three parts all of which I support in its entirety.

1. DISCLOSURE "Were any of the improvements to this Property built under an owner-builder permit?" The Hawaii Association of Realtors has this language in their disclosure form but it is not required by law. If one was to sell a house by using an un-licensed realtor or "For Sale By Owner" then such disclosure is not required.

HB3107 will make such disclosure mandatory and will further provide consumer protection and confidence in the home purchasing experience.

If I were to purchase a home, I would like to know if it was built or improved upon by a licensed contractor or not.

2. COMPLIANCE HB3107 also provides compliance to §444-2(7) by stating that if one obtains a building permit under the "Owner Builder Exemption" then such person must comply with the requirements of the Owner Builder Disclosure Statement. Currently, there is no compliance language.
3. STRUCTURE FOR NON COMPLIANCE HB3107 includes language of specified fines for non compliance to the Owner Builder Exemption.

In summary, HB3107 makes great sense as it provides disclosure, compliance and penalty for non compliance. Again, thank you for allowing me the opportunity to testify in support of HB3107.

Joe S. Kindrich

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**Associated Builders and Contractors of Hawaii**  
**80 Sand Island Access Road, M-119**  
**Honolulu, Hawaii 96819**

TESTIMONY to be PRESENTED to the  
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
For hearing on Wednesday, February 13, 2008, 2:00 P.M.

by

Karl F. Borgstrom, President

IN SUPPORT OF

HOUSE BILL 3107  
RELATING TO OWNER-BUILDER PERMITS

CHAIR HERKES AND MEMBERS OF THE COMMITTEE:

The amendment proposed to Chapter 508D, Hawaii Revised Statutes, with regard to permitting, licensing, and disclaimer requirements for owner-builders has the strong support of the Board of Directors of Associated Builders and Contractors, Hawaii, on behalf of its 115 member companies and their employees throughout the State of Hawaii.

The bill reserves the rights of property owners to construct, alter, improve, demolish, or repair their property for their own use, within the current requirements for permitting by the county or other local subdivision of the state, and appropriately provides for disclosure of any claim of exemption from requirements for such work based on such use by the owner, as well as reasonable penalties for failure of the owner-builder to comply with these requirements under the law.

At the same time, the bill affords important protections to the consumer public – users, buyers and lessees – by ensuring that any constructed, improved, or repaired building or structure that is to be used or occupied by the general public will meet the performance quality and safety standards that are the purpose and objective of general and trade contractor licensing. In effect, the bill ensures that unlicensed owner-builders do not engage in the business of commercial and residential licensed contractors without the appropriate qualifications and requirements established by the state licensing board.

Thank you for your consideration; should the need arise, ABC Hawaii will respond to any requests of the Committee for additional information regarding this matter.

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