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# 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 and  
4 responsibilities and growing families. However, traditional  
5 financing for accessory dwelling units may be difficult to  
6 secure.

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

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

13           "           . ACCESSORY DWELLING UNIT LOAN PROGRAM

14           **§201H-A Definitions.** As used in this subpart, unless the  
15 context otherwise requires:

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 loan 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 exceed 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 per cent to 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, as defined  
21 in section 237D-1.



1 (i) The corporation shall adopt rules pursuant to  
2 chapter 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,  
9 program fees collected pursuant to section 201H-D, and funds  
10 from other sources.

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

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



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

4 (A) The community development financial institution  
5 shall match 20 cents for every \$1 of grant funds  
6 awarded;

7 (B) Ten per cent of the amount of each grant awarded  
8 shall be used for marketing and outreach of the  
9 accessory dwelling unit loan program; and

10 (C) Each grant shall be awarded over a three-year  
11 term.

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

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



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

6 The sum appropriated shall be expended by the Hawaii  
7 housing finance and development corporation for the purposes of  
8 this Act.

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



1 \$ or per cent. The reasons for exceeding the  
2 general fund expenditure ceiling are that:

3 (1) The appropriation made in this Act is necessary to  
4 serve the public interest; and

5 (2) The appropriation made in this Act meets the needs  
6 addressed by this Act.

7 SECTION 6. In codifying the new sections added by section  
8 2 of this Act, the revisor of statutes shall substitute  
9 appropriate section numbers for the letters used in designating  
10 the new sections in this Act.

11 SECTION 7. This Act shall take effect on July 1, 2050.





**Report Title:**

HHFDC; Accessory Dwelling Units; Loans; Grants; Community  
Development Financial Institutions; Revolving Fund;  
Appropriation; Expenditure Ceiling

**Description:**

Establishes the Accessory Dwelling Unit Loan Program under the  
Hawaii Housing Finance and Development Corporation to provide  
loans for the development of accessory dwelling units.  
Appropriates funds. Declares that the general fund expenditure  
ceiling is exceeded. Takes effect 7/1/2050. (SD1)

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not legislation or evidence of legislative intent.*

