
A BILL FOR AN ACT

RELATING TO PUBLIC WORKS.

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

1 SECTION 1. The legislature finds that the lack of housing,
2 especially affordable housing, continues to be a critical
3 problem in Hawaii. The problem is exacerbated by record housing
4 prices that have caused a shrinking rental market and a growing
5 homeless population.

6 Government housing agencies have been unable to meet the
7 growing demand for affordable housing due primarily to
8 exorbitant costs for land, building materials, labor, and other
9 construction related expenses.

10 A University of California at Berkeley study reviewed the
11 costs associated with building government-subsidized housing.
12 The study, first released in September 2003 and updated in
13 January 2004, discovered subsidized housing costs more to build
14 than similar housing built by the private sector.

15 The University of California at Berkeley's center on real
16 estate and urban economics has taken a look at the costs of
17 building low-income housing and found that state-subsidized
18 housing costs between ten to thirty-two per cent more to build



1 than private housing projects. The Los Angeles-based Reason
2 Foundation found that "... state subsidies come with politics,
3 and from politics come requirements that drive up costs."

4 The Berkeley study also suggests that taxpayers would save
5 between \$100,000,000 and \$320,000,000 if multifamily housing
6 were built by the private sector.

7 The Berkeley study offers three explanations for why public
8 housing costs are higher than in the private sector:

- 9 (1) Higher design standards, to "blend in and temper
10 neighborhood opposition to lower-income projects;
- 11 (2) Longer turnaround times, because "nonprofit developers
12 spend more time chasing other financial sources to put
13 deals together; and
- 14 (3) State laws, especially those that "require the highest
15 wages on projects built with public funds. It is
16 estimated that union-supported public works wage laws
17 typically drive up construction costs ten to twenty
18 per cent.

19 The purpose of this Act is to repeal public works wage laws
20 that increase the cost of government financed housing projects
21 to provide more affordable housing in Hawaii.



1 SECTION 2. Section 104-2, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) This chapter shall apply to every contract in excess
4 of \$2,000 for construction of a public work project to which a
5 governmental contracting agency is a party[~~; provided that this~~
6 ~~chapter shall not apply to experimental and demonstration~~
7 ~~housing developed pursuant to section 46-15 or housing developed~~
8 ~~pursuant to chapter 201G if the cost of the project is less than~~
9 ~~\$500,000 and the eligible bidder or eligible developer is a~~
10 ~~private nonprofit corporation].~~

11 For the purposes of this subsection:

12 "Contract" includes but is not limited to any agreement,
13 purchase order, or voucher in excess of \$2,000 for construction
14 of a public work project.

15 "Governmental contracting agency" includes any person or
16 entity that causes either directly or indirectly the building or
17 development of a public work.

18 "Party" includes eligible bidders for and eligible
19 developers of any public work [~~and any housing under chapter~~
20 ~~201G; provided that this subsection shall not apply to any~~
21 ~~housing developed under section 46-15 or chapter 201G if the~~
22 ~~entire cost of the project is less than \$500,000 and the~~



1 ~~eligible bidder or eligible developer is a private nonprofit~~
2 ~~corporation].~~

3 "Public work" means any project, including [~~development of~~
4 ~~any housing pursuant to section 46-15 or chapter 201G, and] the
5 development, construction, renovation, and maintenance related
6 to refurbishment of any real or personal property, where the
7 funds or resources required to undertake the project are to any
8 extent derived either directly or indirectly from public
9 revenues of the State or any county, or from the sale of
10 securities or bonds whose interest or dividends are exempt from
11 state or federal taxes[-]; provided that "public work" does not
12 include the development of any housing pursuant to section 46-15
13 or 46-15.1, chapter 201G, or any other law authorizing the
14 development of housing financed with public revenues."~~

15 SECTION 3. Section 46-15.01, Hawaii Revised Statutes, is
16 repealed.

17 [~~["§46-15.01] Limitation of application. This chapter~~
18 ~~shall not be construed to exempt counties from the application~~
19 ~~of chapter 104 to experimental and demonstration housing~~
20 ~~projects pursuant to section 46-15."]~~

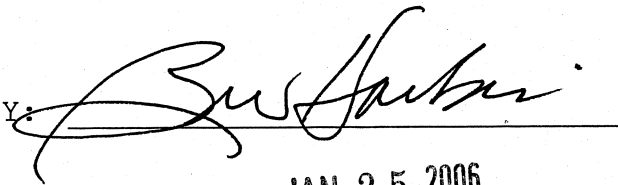
21 SECTION 4. Statutory material to be repealed is bracketed
22 and stricken. New statutory material is underscored.



1 SECTION 5. This Act shall take effect upon its approval
2 and shall be repealed on June 30, 2016; provided that section
3 46-15.01 and section 104-2, Hawaii Revised Statutes, shall be
4 reenacted in the form in which each section read on the day
5 before the effective date of this Act.

6

INTRODUCED BY:



JAN 25 2006



HB 3043

Report Title:

Affordable Housing; Public Works

Description:

Repeals certain public works wage laws to reduce the cost of government-subsidized affordable housing.

