

LINDA LINGLE
GOVERNOR
JAMES R. AIONA, JR.
LT. GOVERNOR

**STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
www.hawaii.gov/dcca

LAWRENCE M. REIFURTH
DIRECTOR
RONALD BOYER
DEPUTY DIRECTOR

**TO THE SENATE COMMITTEE ON
COMMERCE, CONSUMER PROTECTION AND AFFORDABLE HOUSING
TWENTY-FOURTH LEGISLATURE
Regular Session of 2008**

Thursday, February 7, 2008
9:00 a.m.

TESTIMONY ON SENATE BILL NO. 2783 – RELATING TO LOSS MITIGATION

**TO THE HONORABLE RUSSELL S. KOKUBUN, CHAIR, AND MEMBERS OF THE
COMMITTEE:**

My name is J. P. Schmidt, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department opposes this bill.

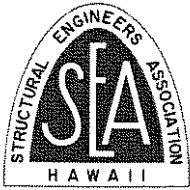
The Department believes that adding on to the existing loss mitigation grant program is a step in the wrong direction. The Administration has proposed SB 3101 to replace the loss mitigation grant program with a hurricane retrofit tax credit. We think the tax credit concept is superior because the present money grant isn’t providing a sufficient incentive to homeowners or is too cumbersome for easy use. Since the public is more familiar with the tax credit concept and would be able to claim this credit as part of their tax return rather than being required to go through a grant approval process, we believe that changing the grant program to a tax credit program would make obtaining the benefit easier and thereby achieve the ultimate goal of increased mitigation.

The Department has concerns with the requirement that the Insurance Commissioner consult with the Department of Defense in developing criteria for earthquake resistive devices. If the Insurance Commissioner has the responsibility for running the grant program, then he should have sole discretion over the technical specifications for the program. In the 2007 legislative session, the Legislature removed the Department of Defense from oversight of the development of residential safe room specifications due to the significant impediment this was creating in promulgating the specifications. We do not wish to see a repeat of this problem. There is no reason why the Insurance Commissioner, in consultation with the structural engineer hired to develop technical specifications, cannot do the job. If this Committee feels that the Department of Defense is better positioned to accomplish the task, then the loss mitigation grant program should be situated in that department.

It should also be pointed out that there is an ongoing study of earthquake mitigation techniques being conducted by FEMA and the University of Hawaii. This study is due out in the summer of 2008. Until this study is done, we cannot comment on the feasibility or cost-effectiveness of a government earthquake mitigation program. Earthquake mitigation techniques for Hawaii construction are not self-evident. It would be more prudent for the Legislature to wait until this study is completed so that it can be evaluated and legislation based upon it can be introduced.

Finally, we wish to note that because earthquake mitigation is likely to be expensive, the grant program cap of \$2100 may be too small to encourage adequate utilization. However, until the FEMA-UH study comes out, we cannot make an informed estimate of an appropriate cap amount.

We thank this Committee for the opportunity to present testimony on this matter and ask that this bill be held.



STRUCTURAL ENGINEERS ASSOCIATION OF HAWAII
P.O. Box 3348, Honolulu, Hawaii 96801

February 05, 2008

TO: State of Hawaii – Senate
Committee on Consumer Protection and Affordable Housing (CPH)
State Capitol, Conference Room 229

SUBJECT: **SB2783 - Relating to the Loss Mitigation**
Hearing Date: Thursday, February 7, 2008, 9:00 AM.

ATTENTION: Chair Kokubun, Vice Chair Ige, and Members of the Senate Committee on Consumer Protection and Affordable Housing

The Structural Engineers Association of Hawaii (SEAHO) is the local chapter of the National Council of Structural Engineering Associations (NCSEA), with over 200 active members in Hawaii. The members of SEAHO have an historic and ongoing role in the development and implementation of building codes and criteria relating to seismic and hurricane resistant design of new structures and the retrofit of existing structures. Ian Robertson, President of SEAHO, also serves as chair of the Hawaii State Earthquake Advisory Committee (HSEAC) of State Civil Defense, while Gary Chock, SEAHO past-president, is the chief technical author of the Wind Resistant Devices Technical Specifications for the Loss Mitigation Grant program administered by the Insurance Division of the Department of Commerce and Consumer Affairs.

SEAHO is in strong support of Senate Bill 2783, "Relating to Loss Mitigation". Most structures in Hawaii are potentially subject to moderate to severe seismic ground motion. The recent Kiholo Bay earthquake, which was well below the maximum anticipated intensity for Hawaii County, highlighted numerous weaknesses with existing residential construction in Hawaii. The adoption of the International Building Code in the State Building Code for application throughout Hawaii will go a long way to reducing these types of damage during future earthquakes. However, there is a large inventory of existing residential buildings in Hawaii, Maui and Honolulu Counties which were built under much older codes and do not have adequate seismic resistance. For many years, SEAHO has organized workshops, seminars, and technical publications intended to encourage homeowners to retrofit their homes for earthquakes and hurricanes. Introduction of the Loss Mitigation Grant Program offering refunds for installation of wind resistant devices has led to an increase in the number of homes retrofitted for hurricanes, and the same would occur if earthquake resistant devices are added to this program as proposed in SB2783.

The University of Hawaii Department of Civil and Environmental Engineering is currently involved in a research project funded by FEMA to develop seismic retrofit procedures for post-and-pier foundations, one of the residential construction systems most frequently damaged during the Kiholo Bay earthquake. Ian Robertson (SEAHO president) is principal investigator on this project, while Gary Chock (SEAHO past-president) is a Co-PI. Both HSEAC and SEAHO are providing review oversight for the project. The project objective is to develop engineered seismic retrofits for post-and-pier foundations that can be implemented by homeowners, or their contractor, in most cases without additional input from a design professional. The project final report, including proposed retrofit measures, will be available in Fall 2008, and those retrofit techniques could be incorporated into the criteria for earthquake resistant devices to be developed by the insurance commissioner under the provisions of SB2783.

Because seismic retrofit is likely to be more costly than some of the wind resistant devices for which the current Loss Mitigation Grant Program was developed, **SEAHO recommends that the maximum total reimbursement per dwelling be increased from the current \$2,100 to \$5,000.**

Thank you very much for an opportunity to express our strong support for this bill.
For the Structural Engineers Association of Hawaii:

Ian Robertson, P.E., Ph.D.
SEAHO 2008 President 956-6536

www.seaoh.org

Senate Commerce Consumer Protection and Affordable Housing
Thursday, Feb.7, 2008 9am Room 229
Testimony offered by Michael P. Hamnett
RE: SENATE BILL 2783 -- RELATING TO LOSS MITIGATION

Chair Kokubun, Vice Chair Ige, and Members

My name is Michael Hamnett. I am Executive Director of the Research Corporation of the University of Hawaii, a researcher in Social Science Research Institute at the University of Hawaii, and chair of the Statewide Hazard Mitigation Forum. However, I am testifying on my own behalf.

I strongly support SB 2783 because it reauthorizes funding for incentives to homeowners to harden their homes. It also provides public support to reduce the risk of another catastrophic hurricane loss and another insurance crisis like the one experienced following Hurricane Iniki.

A very aggressive public education and awareness conducted by the Insurance Division would greatly enhance the cost effectiveness of the loss mitigation grant program. The appropriation authorized through this bill should include adequate funds for such an effort. Funds authorized through this legislation should also be allocated for operating money for the hurricane protective devices testing facility, as a joint venture between State Civil Defense and the University of Hawaii and previously funded by the legislature.

Thank you for the opportunity to provide our testimony.

Michael P. Hamnett

testimony

From: Gerry Peters [hpp@aloha.net]
Sent: Wednesday, February 06, 2008 9:06 AM
To: testimony
Subject: testimony for SB2783, Senate CPH 9am rm229 thurs 2/7/08

Gerald Peters and the Hawaii Lumber Products Assn testimony for SB2783, Senate CPH 9am rm229 thurs 2/7/08 (contact : gerald peters 306 4400)

Testimony of Gerald Peters**and The Hawaii Lumber Products Association****(CPH) Senate Committee on Consumer Protection and Affordable Housing**

Thursday February 7, 2008. Room 229. 9:00 am

RE: SENATE BILL 2783 -- RELATING TO LOSS MITIGATION

Chair Kokubun, Vice Chair Ige, and Members;

My name is Gerald Peters. I am testifying on behalf of The Hawaii Lumber Products Association, as well as myself as an individual, in strong support of this legislation, with suggestions for a technical amendment, plus provision within the appropriation for continuing the safe room testing facility, and for a professional public awareness campaign.

This bill will re authorize the loss mitigation grant program to continue, and allow it to be extended to include earthquake loss mitigation. Loss Mitigation is a long term commitment. With the public's attention and concern ebbing and flowing with the news or lack of news of disasters around the world, the State needs to do more to bring to the public's attention on a 12 month basis the availability of matching grants for loss mitigation, and encourage and create fair and equitable incentives for all social and demographic groups of home and condo owners to take action on their own.

We strongly suggest a technical amendment as follows, because this same language caused a year's delay in the Safe Room specifications being made available via the State mitigation website: "Has installed an earthquake resistive device or devices that meet the standards established by the state department of defense and that have been designated and approved by the commissioner;

"This needs to be changed to read : Has installed an earthquake resistive device or devices that meet the standards established, designated and approved by the commissioner;

Time is lapsing on the \$450,000 authorized to launch the Pacific Basin's first and only disaster preparedness safe room testing facility at Diamond Head Crater, a product your Disaster Emergency Preparedness (Override) Act of 2005. This is a joint venture co-operative of the UH School of Civil Engineering, State Civil Defense, the private sector including my assn HLP, Building Industry Assn of Hawaii, Structural Engineers Assn of Hawaii, and major private

sector companies such as Simpson Strong Tie Company, and Weyerhaeuser Lumber Company, and many others.

Therefore, the funding appropriation within this bill should include adequate operating money for the testing center as some amount of the original money lapses this coming June 30. The appropriation should also, in our opinion, include language to emphasize and re-authorize the need for a professional public awareness campaign to be undertaken by the Insurance Division for the program. Thank you. #####