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LAWRENCE M. REIFURTH
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DEPUTY DIRECTOR

TO THE SENATE COMMITTEE ON
WAYS AND MEANS

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Friday, February 22, 2008
11:00 a.m.

WRITTEN TESTIMONY ONLY

**TESTIMONY ON SENATE BILL NO. 2783, S.D. 1 – RELATING TO LOSS
MITIGATION**

TO THE HONORABLE ROSALYN H. BAKER, 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.

First, the loss mitigation grant fund has been funded from the principal of the Hawaii Hurricane Relief Fund (HHRF) which was set up to assist citizens in the event of a hurricane. Earthquake mitigation has a different purpose and therefore moneys from HHRF should not be used to fund it. While we would not necessarily oppose a tax credit for earthquake loss mitigation, such a program should be funded from either the general fund or another source but not HHRF moneys.

Second, the Department believes that continuing 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, 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.

Third, we note 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 any legislation introduced be based upon its findings, including estimates on what might constitute an appropriate cap amount for assistance.

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

testimony

From: Mike Hamnett [MHamnett@rcuh.com]
Sent: Thursday, February 21, 2008 10:52 AM
To: testimony
Cc: Sen. Roz Baker; Sen. Brian Taniguchi; Sen. Shan Tsutsui; Sen. Russell Kokubun; Rep. Robert Herkes
Subject: Testimony on SB2783SD2 for Senate Ways and Means hearing on Feb 22 at 11 in rm 211

Senate Committee on Ways and Means

Friday, February 22, 2008. Room 211 11:00 am

RE: SENATE BILL 2783 SD2 -- RELATING TO LOSS MITIGATION

Chair Baker, Vice Chair Tsutsui, and Members;

My name is Michael Hamnett. I am Executive Director of the Research Corporation of the University of Hawaii and Chair of the Statewide Hazard Mitigation Forum. However, I am testifying on my own behalf.

I strongly support of SB2783 SD2. This bill will re-authorize the loss mitigation grant program and allow it to continue. It will also expand the program to include earthquake loss mitigation which will enhance hurricane and tropical storm wind resistance.

The matching grant program has been "in operation" for 30 months, but it took almost 15 months for the Insurance Division to set up the program. Moreover, the Division has failed to develop an adequate public education and awareness campaign to explain the program to homeowners and to enlist support from the Building Industry Association, contractors' councils, and other relevant organizations.

We would respectfully suggest several amendments to the bill.

1. Add a provision directing the Insurance Division to develop a public awareness campaign in collaboration with the Hazard Mitigation Forum's public education and awareness committee with funds authorized under this legislation;
2. Add a provision for \$150,000 to fund the operation of a testing facility which has been developed to be developed by State Civil Defense and the College of Engineering at University of Hawaii with the capacity to test safe room designs and other wind resistant devices that can be used with Hawaii's unique housing stock;
3. Make a technical amendment to give the Insurance Commissioner authority to approve procedures for installing wind resistant devices;
4. Amend the current statute increasing the cap on matching grants to 50% of the cost of retrofits up to a maximum \$5,000; and
5. Extend the authorization for the grant program for another three years and make an appropriation of

\$2 million for FY 08-09.

Thank you for the opportunity to submit testimony.

Michael P. Hamnett, PhD
Executive Director
Research Corporation of the University of Hawaii
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Honolulu, Hawaii 96822
Phone: (808) 988-8310
Fax: (808) 988-8319
e-mail: hamnett@hawaii.edu
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SIMPSON STRONG-TIE® COMPANY, INC.

The World's "No Equal" Connector Company

808 Ahua Street, MB#85 • Honolulu, Hawaii 96819
Phone: 808.479.1216 • Fax: 808.941.9079

**(WAM) Senate Committee on Ways and Means
Friday, February 22, 2008 11:00 A.M. Room 211
RE: SENATE BILL 2783SD2 -- RELATING TO LOSS MITIGATION**

Testimony of Timothy J. Waite, P.E., Sales Engineer for the Simpson Strong-Tie Company

Attention: Chair Baker, Vice Chair Tsutsui, and Members of the Ways and Means Committee

I am Timothy Waite, Sales Engineer and Product Manager for the Simpson Strong-Tie Company. Simpson Strong-Tie is an \$863 million sales international manufacturing company specializing in hurricane and earthquake devices. Simpson Strong-Tie Company has manufactured wood-to-wood and wood-to-concrete connectors since 1956. Our company is recognized by architects, engineers and homebuilders as the leading manufacturer of structural connectors. My responsibilities include Hawaii and the South Pacific.

My company is in **strong support** of Senate Bill 2783SD2, "Relating to Loss Mitigation" with amendments (see attached). This program is very important to the people of Hawaii providing them assistance to retrofit their homes in the absence of adequate emergency shelters in a future hurricane or seismic event. The Loss Mitigation Grant Program is only in its beginning stages after years of development and needs to be given the proper opportunity for the public to participate. Loss mitigation is seen throughout the world as a long term, sustained challenge because citizens' interest rises and falls based on the news of storms and earthquakes.

We consider this an excellent bill for building the program momentum and, in particular, for adding the availability of earthquake mitigation devices as an eligible item for the grants. The Loss Mitigation Grant Program provided the impetus for our company to invest valuable engineering and lab time to develop these new connectors. By building upon this program our company will be encouraged to continue product development and work closely with the UH Civil Engineering Department, State Civil Defense, and the structural engineering community to provide cost effective retrofit solutions for the people of Hawaii, including safe rooms. It is for these reasons that we support Senate Bill 2783SD2.

A handwritten signature in black ink that reads "Timothy J. Waite".

Suggested amendments to SD1:

(1) A technical amendment clarifying language to give the Insurance Commissioner consistent authority for engineering content;

(2) provision within the appropriation of \$150,000 to fund 08-09 operation of the new UH School Civil Engineering/State Civil Defense/private sector continuation of the safe room testing facility at the Diamond Head Civ Def Operations Center;

(3) provision within the appropriation of \$500,00 to fund an 08-09 professional public awareness campaign;

(4) provision within the appropriation of \$1,350,000 to fund the public's availability of matching grants for 08-09; approximately \$500,000 from the original \$6 million appropriation has been spent. (\$2 million of the hurricane fund corpus of \$194 million, and \$4 million of earned interest –approximately \$8 million a year going into the general fund – was authorized by your unanimous special sessions Act 179 July 2, 2006 override.)

(5) improvement of the incentives back to the original proposed matching amount of 50% instead of 35% and the caps to \$5000 from \$2100. This will match Florida's incentives, and make the installation of Safe rooms, window & door glass, and earthquake protection a viable matching investment for the public.

These financial incentive adjustments will also greatly help bring the program to the 25% of Hawaii's

NOTE TO WAM COMMITTEE CHAIR – SUGGESTED DELETIONS IN RED; ADDITIONS IN GREEN

Report Title:

1 Loss Mitigation; Earthquake Resistive Devices

Description:

Includes earthquake resistive devices in the loss mitigation grant program. Directs the insurance commissioner to develop criteria for earthquake resistive devices. Appropriates moneys to the loss mitigation grant fund. Effective 07/01/50. (SD1)

THE SENATE

S.B. NO.

2783

TWENTY-FOURTH LEGISLATURE, 2008

S.D. 1

STATE OF HAWAII

A BILL FOR AN ACT

RELATING TO LOSS MITIGATION.

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

SECTION 1. Chapter 431, Hawaii Revised Statutes, is amended by adding two new sections to article 22 to be appropriately designated and to read as follows:

"§431:22-A Standards for the award of grants; earthquake resistive devices. (a) Subject to the availability of funds and the standards in this article, grants for earthquake resistive devices shall be awarded by the commissioner:

(1) That reimburse thirty-five fifty per cent of costs incurred for the earthquake resistive devices and their installation, up to a maximum total reimbursement of \$2,100 \$5000 per dwelling;

(2) On a first-come, first-served basis, as determined by the commissioner; and

(3) For an earthquake resistive device or devices installed only in a single- or multi-family residential dwelling.

(b) Grants shall be awarded for the installation of the earthquake resistive devices that meet the description, specifications, guidelines, and requirements that shall be developed and determined by the commissioner in the commissioner's sole discretion. The commissioner, in the commissioner's sole discretion, may amend, narrow, or expand the definitions, description, specifications, and requirements of earthquake resistive devices.

(c) In addition, a grant may be made to an applicant only if the applicant:

- (1) Has met the descriptions, specifications, guidelines, and requirements established by the commissioner for the grant program;
- (2) Has filed a completed application form, as determined solely by the commissioner, together with all supporting documentation required by the commissioner;
- (3) Has in the case of a building with multiple dwellings, filed together completed grant applications for all dwellings in the building, for installation of earthquake resistive devices;
- (4) Has installed an earthquake resistive device or devices that meet the standards established, designated, and approved by the commissioner;
- (5) Has fully paid, prior to applying for the grant, the cost of the earthquake resistive device or devices, as well as the installation costs for which the grant is sought. The grant shall be used to reimburse only these costs or a portion thereof;
- (6) Has hired an inspector, determined by the commissioner to be qualified in accordance with the requirements of the commissioner, who has verified in writing that the installation of the earthquake resistive device or devices is complete, and is in compliance with the grant program specifications, guidelines, and requirements, as determined by the commissioner;
- (7) Has installed the earthquake resistive device or devices after July 1, 2008;
- (8) Has provided any other information deemed necessary by the commissioner; and
- (9) Has met all additional requirements needed to implement the grant program as determined by the commissioner.

§431:22-B Appropriations; uses. Moneys appropriated for the loss mitigation grant program may be used to pay for the costs of administering, operating, and marketing the grant program, as determined by the commissioner."

SECTION 2. Section 431:22-101, Hawaii Revised Statutes, is amended by adding a new definition to be appropriately inserted and to read as follows:

"Earthquake resistive devices" means devices and techniques as identified and determined by the commissioner, in accordance with section 431:22-A, that increase a building's or structure's resistance to damage from earthquakes and seismic forces."

SECTION 3. Section 431:22-103, Hawaii Revised Statutes, is amended to read as follows:

[[§431:22-103]] Establishment of loss mitigation grant program. (a) The commissioner shall develop and implement a pilot grant program to encourage the installation of wind and earthquake resistive devices. The commissioner may spend up to \$6,000,000 from the loss mitigation grant fund over three years for the grant program, which amounts shall include the costs of administering, operating, and marketing the grant program.

(b) For the first year of the grant program, the commissioner may make grants only to former policyholders of the Hawaii hurricane relief fund. From the second year onward, the commissioner may also make grants to all single or multi-family residential owners, which may include owners of townhouse units or condominium apartments under section 431:22-104(c)(3)."

SECTION 4. Section 431:22-104, Hawaii Revised Statutes, is amended to read as follows:

"§431:22-104 Standards for the award of grants[.]; wind resistive devices. (a) Subject to the availability of funds and the standards in this article, grants for wind resistive devices shall be awarded by the commissioner:

- (1) That reimburse thirty-five fifty per cent of costs incurred for the wind resistive devices and their installation, up to a maximum total reimbursement of \$2,100 \$5000 per dwelling; CHANGE TO FIFTY PER CENT AND \$5000
 - (2) On a first-come, first-served basis, as determined by the commissioner; and
 - (3) For a wind resistive device or devices installed only in a single or multi-family residential dwelling.
- (b) Grants shall be awarded for the installation of the following:
- (1) Uplift restraint ties at roof ridges and roof framing members to wall or beam supports;
 - (2) Additional fastening of roof sheathing and roof decking for high wind uplift;
 - (3) Impact and pressure resistant exterior opening protective devices;
 - (4) Wall to foundation uplift restraint connections strengthening for wood foundation posts on footings; and

(5) Residential safe rooms.

The ~~[description,]~~ descriptions, specifications, guidelines, and requirements for these wind resistive devices shall be further developed and determined by the commissioner in the commissioner's sole discretion. The commissioner, in the commissioner's sole discretion, may amend, narrow, or expand the definitions, description, specifications, and requirements of the wind resistive devices.

(c) In addition, a grant may be made to an applicant only if the applicant:

(1) Has met the descriptions, specifications, guidelines, and requirements established by the commissioner for the grant program;

(2) Has filed a completed application form, as determined solely by the commissioner, together with all supporting documentation required by the commissioner;

(3) Has, in the case of a building with multiple dwellings, filed together completed grant applications for all dwellings in the building, for installation of wind resistive devices indicated in section 431:22-104(b)(1), (2), and (4); provided that this requirement does not apply to section 431:22-104(b)(3);

(4) Has installed a wind resistive device or devices including residential safe room designs that meet the standards established by the state department of defense and that have been designated and approved by the commissioner; DELETE "THE STATE DEPARTMENT OF DEFENSE:"

(5) Has fully paid, prior to applying for the grant, the cost of the wind resistive device or devices, as well as the installation costs for which the grant is sought. The grant shall be used to reimburse only these costs or a portion thereof;

(6) Has hired an inspector, determined by the commissioner to be qualified in accordance with the requirements of the commissioner, who has verified in writing that the installation of the wind resistive device or devices is complete and is in compliance with the grant program specifications, guidelines, and requirements, as determined by the commissioner;

(7) Has installed the wind resistive device or devices after July 1, 2002;

(8) Has provided any other information deemed necessary by the commissioner; and

(9) Has met all additional requirements needed to implement the grant program as determined by the commissioner.

~~[(d) Moneys appropriated for the grant program may be used to pay for the costs of administering, operating, and marketing the grant program, as determined by the commissioner.]"~~

SECTION 5. The insurance commissioner shall develop criteria for earthquake resistive devices by January 1, 2009.

SECTION 6. There is appropriated out of the hurricane reserve trust fund of the State of Hawaii the sum of \$ or so much thereof as may be necessary for fiscal year 2008-2009 for the deposit into the loss mitigation grant fund. ALSO PROVISION FOR DEPOSIT OF (HURRICANE FUND EARNED INTEREST OF) \$2,000,000 FROM THE GENERAL FUND INTO THE LOSS MITIGATION GRANT FUND AND WORDING TO ALLOW ADMIN TO CHOOSE FROM EITHER THE CORPUS OR THE INTEREST

SECTION 7. There is appropriated out of the loss mitigation grant fund of the State of Hawaii the sum of \$2,000,000, including \$1,350,000 for grants, \$500,000 for a professional public awareness campaign by an outside of DCCA entity, and \$150,000 provided to the State Department of Defense for operation of the safe room/loss mitigation testing facility managed by the University of Hawaii Dept of Civil Engineering or so much thereof as may be necessary for fiscal year 2008-2009 for the loss mitigation grant program established under chapter 431, article 22, Hawaii Revised Statutes.

Note : \$2,000,000 INSTEAD OF BLANK plus specificity

The sum appropriated shall be expended by the department of commerce and consumer affairs for the purposes of this Act.

SECTION 8. In codifying the new sections added by section 1 of this Act, the revisor of statutes shall substitute appropriate section numbers for the letters used in designating the new sections in this Act.

SECTION 9. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 10. This Act shall take effect on July 1, 2050.

Testimony of Gerald Peters
and The Hawaii Lumber Products Association

(WAM) Senate Committee on Ways and Means

Friday, February 22, 2008. Room 211 11:00 am

RE: SENATE BILL 2783SD2 -- RELATING TO LOSS MITIGATION

Chair Baker, Vice Chair Tsutsui, 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 amendments. This bill will re authorize and allow the loss mitigation grant program to continue, and be expanded to include earthquake loss mitigation, which engineers tell us will at the same time help hurricane and tropical storm wind resistance, particularly for our weakest & oldest houses. The matching grant program is 30 months old, but half of that time was spent setting it up, and only two ads were run by the Ins.Division.

We have marked up SD1 as an attachment with the following suggested amendments:

(1) A technical amendment clarifying language to give the Insurance Commissioner consistent authority for engineering content;

(2) Provision within the appropriation of \$150,000 to fund 08-09 operation of the new UH School Civil Engineering/State Civil Defense/private sector continuation of the safe room testing facility at the Diamond Head State Civ Defense Operations Center;

(3) Provision within the appropriation of \$500,000 to fund an 08-09 professional public awareness campaign;

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(5) Improvement of the incentives back to the original proposed matching amount of 50% instead of 35% and the caps to \$5000 from \$2100. This will match Florida's incentives, and make the installation of Safe rooms, window & door glass, and earthquake protection a viable matching investment for the public.

These financial incentive adjustments will also greatly help bring the program to the 25% of Hawaii's home and condo owners who have newer homes with hurricane clips already, but who do not have window and door glass protection, nor safe rooms, the installation of which will help address the statewide shortage of natural disaster shelter spaces, especially for special needs people.

Loss Mitigation is a long term commitment. Too many home owners with the oldest, paid off homes are dropping hurricane coverage due to costs up to \$2000 a year for single wall. 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 more attractive, fair and equitable incentives for all social and demographic groups of home and condo owners to take action on their own. Thank you for your continuing study and support of this subject.

NOTE TO WAM COMMITTEE CHAIR – SUGGESTED DELETIONS IN RED;
ADDITIONS IN GREEN (not including the green underlining)

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SECTION 9. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 10. This Act shall take effect on July 1, 2050.

(WAM) Senate Committee on Ways and Means

Friday, February 22, 2008. Room 211 11:00 am

RE: SENATE BILL 2783SD2 -- RELATING TO LOSS MITIGATION

Chair Baker, Vice Chair Tsutsui, and Members;
TESTIMONY OF T.R. BONGARTZ of Hawaii Security Shutters,
Inc.

My name is T.R. Bongartz. I am a small business owner who has been selling hurricane protection products for ten years in Hawaii. I am a very strong supporter of the Loss Mitigation Grant Program, Act 179.

The present Bill needs to be revitalized and improved in the following areas:

1. Advertise and Promote the Program so that folks know there is an incentive for them to protect their homes and property. Then get rid of all the Bureaucratic Impediments in the Program that suggest and portray what I perceive to be an overall negative and lets make this program so difficult attitude on the part of DCCA that no one will bother to use the Grant Program.

2. Increase the incentive from the present 35% to 50% and increase the cap to at least \$6000 to \$9000, or at a bare minimum, Florida's level of \$5000. The reason for the increase is that the average cost for top end products to protect the windows and doors of a one story small single family home in Honolulu is around \$12,000 and over \$17,000 for a two story home. The cost for the same size home on the other islands is about 30% higher. There should also be higher caps for larger homes.

3. Make the present Grant Program more responsive to the public in the area of "approved products". At present, homeowners cannot obtain their Grant money as only about five products have been approved by Mr. Gary Chock, the contract engineer for DCCA. For example, I have spent over \$20,000 protecting the doors and windows on my home, but my application for a measly \$2100 grant was rejected as the products were not "pre-approved" by DCCA. Does DCCA really think that homeowners will spent such large sums of money to protect their homes on products that are not approved or rated as hurricane protection products? The fact of the matter is that the State of Florida has already approved hundreds of hurricane products that can be used to protect homes here in Hawaii. One simply has to go to www.floridabuilding.org to determine if a hurricane product has been approved, and that should be the only requirement

needed for DCCA to approve the Grant Money.

Thank you for the opportunity to present this testimony



**Hawaii
Association of
REALTORS®**
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Fax: (808) 737-4977
Neighbor Islands: (888) 737-9070
Email: har@hawaii Realtors.com

February 21, 2008

The Honorable Rosalyn H. Baker, Chair
Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

RE: S.B. 2783, SD1, Relating to Housing
Hearing Date: February 22, 2008 @ 11:00 a.m., Room 211

HAR **strongly opposes Section 6** of S.B. 2783, SD1 which appropriates a blank dollar amount out of the Hurricane Reserve Trust Fund for deposit into the Loss Mitigation Grant Fund.

S.B. 706 was signed into law as Act 179, SLH 2002 which: 1) appropriated \$29 million from the Hurricane Reserve Trust Fund into the General Fund; 2) transferred all interest earned on principal in the Hurricane Reserve Trust Fund to the General Fund each year; and 3) established a pilot loss mitigation grant program to provide grants for installation of wind-resistive devices.

Since then, an additional \$4 million from the Hurricane Reserve Trust Fund was appropriated to finance tsunami preparedness efforts and another \$4 million to the Loss Mitigation Grant Program from the Hurricane Reserve Trust Fund.

The Legislature already requires the annual transfer of interest from the Hurricane Reserve Trust Fund to the general fund. This presently amounts to about \$6 million per year and is more than enough to pay for loss mitigation programs.

The principal balance of the Hurricane Reserve Trust Fund is static and is not appreciating in principle and interest. Additional efforts to appropriate money from the Hurricane Reserve Trust Fund would permanently reduce the reinsurance mechanism designed to provide insurance to homeowners when the next hurricane hits the islands.

Thank you for the opportunity to submit testimony.