

# HB2027

Measure Title: RELATING TO STATEWIDE INFRASTRUCTURE  
CAPACITY BUILDING CONSTRUCTION  
FINANCING.

Report Title: Construction; Revolving Fund; Appropriation (\$)

Description: Establishes the Infrastructure Capacity  
Construction Loan Revolving Fund to provide  
loans to counties, state agencies, or private  
developers for infrastructure improvements.  
Appropriates funds.

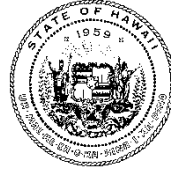
Companion: [SB2510](#)

Package: None

Current Referral: GVO, WAM

Introducer(s): YAMANE, AQUINO, CHOY, CULLEN,  
KAWAKAMI, C. LEE, MCKELVEY, MORIKAWA,  
NISHIMOTO, SAIKI, SAY, TOKIOKA, TSUJI,  
DeCoite, Evans, Souki

8DAVID Y. IGE  
GOVERNOR



DOUGLAS MURDOCK  
Comptroller

AUDREY HIDANO  
Deputy Comptroller

**STATE OF HAWAII**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES**

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY  
OF  
DOUGLAS MURDOCK, COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE  
SENATE COMMITTEE  
ON  
GOVERNMENT OPERATIONS  
ON  
MARCH 15, 2016

H.B. 2027

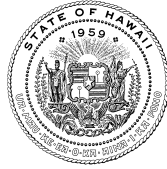
RELATING TO STATEWIDE INFRASTRUCTURE CAPACITY BUILDING  
CONSTRUCTION FINANCING

Chair Mercado Kim and members of the Committee, thank you for the opportunity to submit written testimony on H.B. 2027. The Department of Accounting and General Services (DAGS) does not support H.B. 2027 as the revolving fund does not meet the requirements of Section 37-52.4 of the HRS.

The infrastructure systems targeted by this measure are overseen by multiple State and County agencies, none of which are administered directly by DAGS. We therefore request if this measure is passed, references to DAGS be deleted to allow the Governor to determine where management should best reside. DAGS is also concerned that, in the likely event that available funds cannot cover all loan requests, DAGS would need to evaluate and prioritize the merit of each project. This prioritization process is best left to the Governor and the Legislature.

Thank you for the opportunity to submit written testimony on this matter.

DAVID Y. IGE  
GOVERNOR



WESLEY K. MACHIDA  
DIRECTOR

RODERICK K. BECKER  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS  
ON  
HOUSE BILL NO. 2027

March 15, 2016  
1:30 p.m.

RELATING TO STATEWIDE INFRASTRUCTURE CAPACITY BUILDING  
CONSTRUCTION FINANCING

House Bill No. 2027 establishes the Infrastructure Capacity Construction Loan Revolving Fund, within the State Treasury, to be administered by the Department of Accounting and General Services (DAGS). In addition, the bill makes an unspecified appropriation in general funds for FY 17 to be deposited into the revolving fund to be expended by DAGS for the purpose of this measure.

Revenues of the Infrastructure Capacity Construction Loan Revolving Fund include: funds received by DAGS from the counties from the repayment of loans and interest from the various assessments or fees from special improvement districts, improvement districts, tax increment financing districts, community facilities districts, and other areas where property value increases are captured over period of time for the purposes of infrastructure financing; appropriations by the Legislature; federal grants and subsidies to the State or counties; private investor contributions; and voluntary contributions.

Revenues from the fund may be expended by DAGS to make loans to the counties, State agencies, or private developers for the costs of infrastructure improvements that would increase the capacity of the infrastructure facilities, including regional sewer, water, and drainage systems, roads, and telecommunications and broadband. In addition, revenues from the fund may be used to pay costs associated with the implementation, administration, and coordination of the fund, and to repay

private investors for their investment made into the fund to finance infrastructure improvements.

The Department of Budget and Finance, as a matter of general policy, does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4 of the HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 2027, it is difficult to determine whether the proposed source of revenues will be self-sustaining.

In addition, the department is concerned about the use of scarce State resources to fund infrastructure improvements such as sewer, water, and drainage systems that normally are financed by the counties through their own taxing and borrowing authorities.

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

650 SOUTH KING STREET, 7<sup>TH</sup> FLOOR • HONOLULU, HAWAII 96813  
PHONE: (808) 768-8000 • FAX: (808) 768-6041  
DEPT. WEB SITE: [www.honolulu.dpp.org](http://www.honolulu.dpp.org) • CITY WEB SITE: [www.honolulu.gov](http://www.honolulu.gov)

KIRK CALDWELL  
MAYOR



GEORGE I. ATTA, FAICP  
DIRECTOR

ARTHUR D. CHALLACOMBE  
DEPUTY DIRECTOR

March 15, 2016

The Honorable Donna Mercado Kim, Chair  
and Members of the Committee on Government  
Operations  
Hawaii State Senate  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Mercado Kim and Committee Members:

Subject: House Bill No. 2027  
Relating to Statewide Infrastructure Capacity  
Building Construction Financing

The Department of Planning and Permitting (DPP) **supports** House Bill No. 2027, which would create a new fund to support the upgrade of regional infrastructure projects. We have minor suggested modifications as described below. The Infrastructure Capacity Construction Loan Revolving Fund would be available to counties, State agencies and developers.

Under the City's Transit-Oriented Development (TOD) initiative, the DPP has long believed that State participation is essential to increasing regional capacity of major infrastructure systems.

Although we are not taking a position on the appropriateness of the Department of Accounting and General Services (DAGS) as the administering agency of the program, we do want to note that we enjoy a cordial, collaborative relationship with its staff as we develop plans and projects of mutual interest, most notably our TOD neighborhood plans and projects.

One concern is that the fund would be available to private developers. While we recognize that developers play a vital role in upgrading infrastructure capacities, we suggest that the loan program be limited to government agency applicants, or require that infrastructure investment in private development be co-sponsored or endorsed by a county. This will ensure that funding is consistent with the counties' respective priorities in terms of what types of projects are funded, and the timing and location of the specific

The Honorable Donna Mercado Kim, Chair  
and Members of the Committee on Government  
Operations  
Hawaii State Senate  
Hawaii State Capitol  
House Bill No. 2027  
March 15, 2016  
Page 2

improvements. Funds would be expended under a coherent, regional perspective, rather than on an ad hoc, reactive basis.

We are currently working with several State agencies on the potential for accelerating infrastructure in districts like Iwilei/Kapalama, and this might require proportionate investments or contributions from large private and public landowners. We therefore suggest that the Bill be amended to allow the fund to be used for any State share of contributions to such an infrastructure district.

Since 2009, we have submitted bills similar to House Bill No. 2027. We believe it is time to adopt a version so that increased infrastructure capacity is realized sooner, rather than later. In a few short years, we will have a rail system in operation. The real estate market will want to respond to this incentive, and we need to be ready with the prerequisite water, sewer, drainage and other improvements to bolster our economy and realize community desires, such as increased affordable housing.

Please adopt House Bill No. 2027 with the minor requested amendments.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in blue ink that reads "George I. Atta". The signature is written in a cursive style with a large initial "G".

George I. Atta, FAICP  
Director

March 15, 2016

**The Honorable Donna Mercado Kim, Chair**  
Senate Committee on Government Operations  
State Capitol, Room 414  
Honolulu, Hawaii 96813

**RE: H.B. 2027, Relating to Statewide Infrastructure Capacity Building  
Construction Financing**

**HEARING: Tuesday, March 15, 2016 at 1:30 p.m.**

Aloha Chair Kim, Vice Chair Ihara, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,900 members. HAR **supports** H.B. 2027 which:

1. Establish the infrastructure capacity construction loan revolving fund to provide loans to counties, state agencies, or private developers for infrastructure improvements; and
2. Appropriate funds for the administration and implementation of the infrastructure capacity construction loan revolving fund.

HAR recognizes the importance of ensuring adequate infrastructure for our growing communities and population. We believe infrastructure investments such as the development of roads, drainage, communications, information technology, educational institutions, ports, and hospitals, are important to economic development and the overall quality of life in the State.

Mahalo for the opportunity to testify.



**Testimony to the Senate Committee on Government Operations  
Tuesday, March 15, 2016 at 1:30 P.M.  
Conference Room 414, State Capitol**

**RE: HOUSE BILL 2027 HD 1 RELATING TO STATEWIDE INFRASTRUCTURE  
CAPACITY BUILDING CONSTRUCTION FINANCING**

Chair Kim, Vice Chair Ihara, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** HB 2027, which would establish a revolving fund to provide loans to counties, state agencies, or private developers for infrastructure improvements that would increase the capacity of infrastructure facilities, including regional sewer, water, drainage systems, and roads to accommodate future growth, and not solely benefit one particular project.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The goal of H.B. 2027 is to provide an alternative means of funding for infrastructure construction. Similar in intent to the Chicago Infrastructure Trust created by 2012, H.B. 2027 would be structured to receive moneys from a variety of sources, being careful not to jeopardize federal funding and grants to several State agencies. This fund would be allowed to receive moneys from legislative appropriations, federal grants and subsidies to the State or counties, private investor contributions, and voluntary contributions.

Infrastructure is one of the biggest issues that governments need to address in their public policies, though the importance that infrastructure plays in people's everyday lives is often taken for granted. Infrastructure investment in the development of roads, sewers, drainage, communications, IT, schools, ports, and hospitals is important to both economic development and overall quality of life. Failure to invest means a failure to sustain and develop our State's social and economic wellbeing.

The Report on the State of Physical Infrastructure in Hawaii indicated that there is \$14.3 billion in capital improvement projects needed over the next six years throughout the state and counties. In Phase II of this report, preliminary details indicate that over a 20-year period beginning in 2014, the total costs of major and long term infrastructure projects is \$17.4 billion, with 53% required on Oahu. Furthermore, this undertaking would create over 195,000 jobs, \$1.6 billion in state tax revenues, \$8.7 billion infused into household incomes, and \$30 billion generated in our statewide economy.





Additionally, the City's \$5 billion rail project would benefit from improved infrastructure in and around the transit corridor in order to accommodate higher densities, thus protecting our open spaces and agricultural areas.

The Building Industry Association of Hawaii and the Chamber of Commerce of Hawaii convened a conference (Houseless in Honolulu) in November of 2015 to raise awareness of one of Hawaii's most pressing issues - home affordability. With the median home price in the Islands now \$730,000, the repercussions are having a major impact on Honolulu's economy.

Without a solution to the State's shortage of residences, the number will soon surpass a million dollars. Every uptick in prices has increasing economic impact. Housing at all price points is desperately needed if we are to maintain the State's economic equilibrium. If potential employees cannot find affordable homes they will choose not to move to Hawaii and current residents affected by stratospheric home prices will leave. Employers across all spectrum of enterprises are already feeling the pinch. Mid-level employees are especially hard hit. Educators, medical professionals, and small businesses are especially hard hit.

The Department of Business, Economic Development and Tourism forecasted demand for additional housing units by county is 25,847 units for Honolulu, 19,610 for Hawaii, 13,949 for Maui, and 5,287 for Kauai during the 2015-2025 period (DBEDT Report—Measuring Housing Demand in Hawaii, 2015-2025).

We believe that in order to address the current "Housing Crisis," there needs to be a shift in the focus of how government views housing development and move from our current "Regulatory" stance to a more "Production Oriented" stance. For example, this shift would have the City and County of Honolulu adopt a goal of approving an average of 2,500 new residential units each year over the next 10 year period to address the projected 25,847 unit demand.

The most significant barrier to increasing the supply of housing at all price points is the lack of infrastructure capacity. The costs of these infrastructure improvements cannot be undertaken by our State and counties alone. Allowing for outside revenue and investors to invest in improvements to our infrastructure will help accommodate the anticipated population growth Statewide as mandated by our State Constitution. H.B. 2027 will also help improve our quality of life.

We appreciate the opportunity to express our strong support for H.B. 2027.



March 13, 2016

Senator Donna Mercado Kim, Chair  
Senator Les Ihara, Jr., Vice Chair  
Senate Committee on Government Operations

**Testimony in Strong Support of HB 2027 Relating to Statewide Infrastructure Capacity Building Construction Financing. (Establishes the Infrastructure Capacity Construction Loan Revolving Fund to provide loans to counties, state agencies, or private developers for infrastructure improvements. Appropriates funds.)**

**GVO Hearing: Tuesday, March 15, 2016, 1:30 p.m., Conference Room 414**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF **strongly supports HB 2027**, which proposes to establish the Infrastructure Capacity Construction Loan Revolving Fund to provide loans to counties, state agencies, or private developers for infrastructure improvements; and appropriates funds.

**HB 2027.** The purpose of this measure is to create an infrastructure capacity construction loan revolving fund to provide loans to the counties, state agencies, and private developers for infrastructure improvements. Furthermore, the intent of this bill is to allow for the proposed loans to be repaid by the use of innovative financing techniques, such as tax increment financing, community improvement districts, or community facilities districts.

**LURF's Position.** The counties and some state agencies have aging and limited infrastructure that have been neglected over time and now require a significant capital improvement investment. The 2013 State Report Card on Infrastructure, prepared by the American Society of Consulting Engineers, provided an assessment of Hawaii's infrastructure, concluding that major funding is needed to repair, reconstruct and maintain Hawaii's aging infrastructure.

The lack of adequate infrastructure is a severe constraint to the future growth of communities statewide. The development of regional infrastructure improvements, in accordance with an orderly and predictable infrastructure plan, will serve to accommodate population growth in areas that are suitable for development. Creating an infrastructure capacity construction loan revolving fund to provide loans to the counties, state agencies, and private developers will increase the capacity to build regional infrastructure improvements, including regional sewer, water, drainage, roadways, and telecommunications and broadband, and will support the development of necessary public services, as well as housing and mixed-use transit-oriented developments.

For the reasons set forth above, LURF is **in strong support of HB 2027**, and respectfully urges your favorable consideration of this bill.

Thank you for the opportunity to present testimony regarding this measure.



AMERICAN SOCIETY OF CIVIL ENGINEERS

Hawai'i Section | PO Box 917 | Honolulu, HI 96808-0917

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**PRESIDENT**

**Benjamin J. Rasa, P.E.**

Kennedy/Jenks Consultants  
AIPA Building  
3375 Koapaka Street, Suite F227  
Honolulu, Hawaii 96819  
(808) 488-0477  
email: [benjaminrasa@kennedyjenks.com](mailto:benjaminrasa@kennedyjenks.com)

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KAI Hawaii, Inc.  
50 S. Beretania Street, #C-119C  
Honolulu, HI 96813  
(808) 791-3966  
e-mail: [tgoshi@kaihawaii.com](mailto:tgoshi@kaihawaii.com)

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Parsons Brinckerhoff  
American Savings Bank Tower  
1001 Bishop Street, Suite 2400  
Honolulu, Hawaii 96813  
(808) 566-2227  
e-mail: [karamatsu@pbworld.com](mailto:karamatsu@pbworld.com)

**SECRETARY**

**Jason Y. Kage, P.E.**

CH2M Hill, Inc.  
1132 Bishop Street, Suite 1100  
Honolulu, Hawaii 96813  
(808) 943-1133  
e-mail: [jason.kage@ch2m.com](mailto:jason.kage@ch2m.com)

**TREASURER**

**Eric Arakawa, P.E.**

The Limtiaco Consulting Group  
1622 Kananui Street  
Honolulu, Hawaii 96817  
(808) 596-7790  
e-mail: [eric.a@lchgahawaii.com](mailto:eric.a@lchgahawaii.com)

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MKE Associates, LLC  
99-205 Moanalua Road, Suite 205  
Aiea, Hawai'i 96701  
(808) 488-7579  
e-mail: [glenn@mkellc.com](mailto:glenn@mkellc.com)

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Fukunaga & Associates, Inc.  
1357 Kapiolani Blvd, Ste 1530  
Honolulu, Hawai'i 96814  
(808) 944-1821  
e-mail: [atanaka@ascehawaii.org](mailto:atanaka@ascehawaii.org)

March 14, 2016

Honorable Donna Mercado Kim, Chair  
Honorable Les Ihara, Jr., Vice Chair  
Members of the Senate Committee on Government Operations

**TESTIMONY IN SUPPORT FOR HB 2027 RELATING TO STATEWIDE  
INFRASTRUCTURE CAPACITY BUILDING CONSTRUCTION FINANCING**

The American Society of Civil Engineers was established in 1852 and is the oldest professional engineering organization in the United States. More than 1,000 members are assigned to Hawaii. The Hawaii Section of ASCE was established in 1937 and its membership includes more than 400 civil engineers from both the public and private practice.

We support the passage of HB 2027, which would provide a funding source for urgently needed infrastructure improvements. Both public and privately managed infrastructures are critical to the health, safety, and economic well being of Hawaii. On a daily basis we are faced with traffic congestion, crowded buildings, potholes, and power interruptions. Not as apparent are the many buried utilities that are old and failing under the demands of a growing population.

ASCE publishes a comprehensive report every four years on the state of our nation's infrastructure. In the 2013 Report Card for America's Infrastructure, a GPA of D+ was given with a backlog of \$3.6 trillion for repairs and improvements. Hawaii is included in the report which can be found at <http://www.infrastructurereportcard.org/hawaii/hawaii-overview/>. HB 2027 makes reference to information from the report on Line 5 of Section 1 of the bill. The words "American Society of Consulting Engineers" should be amended to read, "American Society of Civil Engineers."

It is clear the infrastructure cannot be fixed let alone expanded unless a substantial investment is made by the private and public owners. Although work is underway, its pace must be accelerated to keep Hawaii competitive in the global economy. ASCE is prepared to provide the technical skills for new and innovative solutions to our infrastructure concerns.

We urge your passage of HB 2027, HD1. Thank you for allowing us to testify on this legislation.

Sincerely yours,

Owen Miyamoto  
Chair, Local Legislative Affairs Committee



Civil Engineers – Designers and Builders of the Quality of Life

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MAILING  
P.O. BOX 970967  
WAIPAHU, HAWAII  
96797-0967

STREET  
94-487 AKOKI STREET,  
WAIPAHU, HAWAII 96797

P 808.847.4666  
F 808.440.1198  
E INFO@BIAHAWAII.ORG

WWW.BIAHAWAII.ORG

**Testimony to the Senate Committee on Government Operations**  
**Tuesday, March 15, 2016**  
**1:30 p.m.**  
**State Capitol - Conference Room 414**

**RE: H.B. 2027: Relating to Statewide Infrastructure Capacity Building**  
**Construction Financing.**

Dear Chair Kim, Vice-Chair Ihara, and members of the Committee:

My name is Gladys Marrone, Chief Executive Officer for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA-HAWAII **strongly supports** H.B. 2027, which would establish a revolving fund to provide loans to counties, state agencies, or private developers for infrastructure improvements that would increase the capacity of infrastructure facilities, including regional sewer, water, drainage systems, and roads to accommodate future growth, and not solely benefit one particular project.

However, because government entities have the ability to finance infrastructure, we would like to **amend the language of the bill to limit the use of the funds to private developers who are building infrastructure capacity.**

The goal of H.B. 2027 is to provide an alternative means of funding for infrastructure construction. Similar in intent to the Chicago Infrastructure Trust created by 2012, H.B. 2027 would be structured to receive moneys from a variety of sources, being careful not to jeopardize federal funding and grants to several State agencies. This fund would be allowed to receive moneys from legislative appropriations, federal grants and subsidies to the State or counties, private investor contributions, and voluntary contributions.

Infrastructure is one of the biggest issues that governments need to address in their public policies, though the importance that infrastructure plays in people's everyday lives is often taken for granted. Infrastructure investment in the development of roads, sewers, drainage, communications, IT, schools, ports, and hospitals is important to both economic development and overall quality of life. Failure to invest means a failure to sustain and develop our State's social and economic wellbeing.

The Report on the State of Physical Infrastructure in Hawaii indicated that there is \$14.3 billion in capital improvement projects needed over the next six years throughout the state and counties. In Phase II of this report, preliminary details indicate that over a 20-year period beginning in 2014, the total costs of major and long term infrastructure projects is \$17.4 billion, with 53% required on Oahu. Furthermore, this undertaking would create over 195,000 jobs, \$1.6 billion in state tax revenues, \$8.7 billion infused into household incomes, and \$30 billion generated in our statewide economy.

Additionally, the City's \$5 billion rail project would benefit from improved infrastructure in and around the transit corridor in order to accommodate higher densities, thus protecting our opens spaces and agricultural areas.

The Building Industry Association of Hawaii and the Chamber of Commerce of Hawaii convened a conference (Houseless in Honolulu) in November of 2015 to raise awareness of one of Hawaii's most pressing issues - home affordability. With the median home price in the Islands now \$730,000, the repercussions are having a major impact on Honolulu's economy.

Without a solution to the State's shortage of residences, the number will soon surpass a million dollars. Every uptick in prices has increasing economic impact. Housing at all price points is desperately needed if we are to maintain the State's economic equilibrium. If potential employees cannot find affordable homes they will choose not to move to Hawaii and current residents affected by stratospheric home prices will leave. Employers across all spectrum of enterprises are already feeling the pinch. Mid-level employees are especially hard hit. Educators, medical professionals, and small businesses are especially hard hit.

The Department of Business, Economic Development and Tourism forecasted demand for additional housing units by county is 25,847 units for Honolulu, 19,610 for Hawaii, 13,949 for Maui, and 5,287 for Kauai during the 2015-2025 period (DBEDT Report—Measuring Housing Demand in Hawaii, 2015-2025).

We believe that in order to address the current "Housing Crisis," there needs to be a shift in the focus of how government views housing development and move from our current "Regulatory" stance to a more "Production Oriented" stance. For example, this shift would have the City and County of Honolulu adopt a goal of approving an average of 2,500 new residential units each year over the next 10 year period to address the project 25,847 unit demand.

The most significant barrier to increasing the supply of housing at all price points is the lack of infrastructure capacity. The costs of these infrastructure improvements cannot be undertaken by our State and counties alone. Allowing for outside revenue and investors to invest in improvements to our infrastructure will help accommodate the anticipated population growth Statewide as mandated by our State Constitution. H.B. 2027 will also help improve our quality of life.

We appreciate the opportunity to express our strong support for H.B. 2027.