



**OFFICE OF PLANNING
STATE OF HAWAII**

235 South Beretania Street, 6th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone: (808) 587-2846
Fax: (808) 587-2824
Web: <http://planning.hawaii.gov/>

DAVID Y. IGE
GOVERNOR

LEO R. ASUNCION
ACTING DIRECTOR
OFFICE OF PLANNING

Statement of
LEO R. ASUNCION
Acting Director, Office of Planning
before the
HOUSE COMMITTEE ON WATER AND LAND
Friday, February 6, 2015
9:00 AM
State Capitol, Conference Room 325

in consideration of
HB 441
**RELATING TO STATEWIDE INFRASTRUCTURE CAPACITY BUILDING
CONSTRUCTION FINANCING.**

Chair Yamane, Vice Chair Cullen, and Members of the House Committee on Water and Land.

The Office of Planning (OP) supports the intent of HB 441, which would amend Hawaii Revised Statutes Chapter 36 to establish an infrastructure capacity construction loan revolving fund, administered by OP, to provide loans to county, State, and private entities to increase the capacity of infrastructure systems in areas planned for growth by the counties or State. Loan funds could not be used for maintenance or repair unless the investment increased infrastructure system capacity, nor for loans for purely mass transit improvements or electrical utilities. Loan funds could be used to repay private investments plus accrued interest on investments made in regional infrastructure capacity. OP would promulgate rules for the administration of the revolving loan fund. The bill would also appropriate funds to capitalize the infrastructure revolving fund and for the administration of the fund, to be expended by OP.

In the Statewide Land Use System Review project currently being conducted by OP, one of the key concerns raised is inadequate investment in infrastructure capacity in areas planned for growth, whether for urban expansion or infill redevelopment like transit oriented development. Some participants in the Review process have observed that shortfalls in public investments and the lack of coordination in infrastructure system improvements lead to delays in development projects and shift the cost of needed infrastructure to the developer and consumers.

OP believes that a mechanism is needed to better plan for, coordinate, finance, and implement regional infrastructure investments. This is no small order given the complexity and scale of these systems and the range of public and private entities involved in planning, developing and maintaining our communities' infrastructure facilities. While OP may be the appropriate entity to administer such a fund based on the office's statewide planning perspective, currently OP does not have the capacity nor the expertise to perform loan administration activities.

Thank you for the opportunity to testify on this measure.



DAVID Y. IGE
GOVERNOR
SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
CABLE TELEVISION DIVISION
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET
P.O. Box 541
HONOLULU, HAWAII 96809
(808) 586-2620
FAX (808) 586-2625

CATHERINE P. AWAKUNI COLÓN
DIRECTOR
JI SOOK KIM
ACTING CABLE TELEVISION
ADMINISTRATOR

TO THE HOUSE COMMITTEE ON WATER & LAND

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2015

Date: Friday, February 6, 2015
Time: 9:00 a.m.

TESTIMONY ON H.B. NO. 441 – RELATING TO STATEWIDE INFRASTRUCTURE
CAPACITY BUILDING CONSTRUCTION FINANCING.

TO THE HONORABLE RYAN I. YAMANE, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is Ji Sook “Lisa” Kim, and I am the Acting Cable Television Administrator at the Department of Commerce and Consumer Affairs (the “Department”). The Department appreciates the opportunity to express **support for the intent** of H.B. No. 441, but defers to the Department of Budget and Finance on the fiscal impacts the bill may have on existing State responsibilities and programs.

In 2010, the Department was charged with duties to advance the State’s goals to provide a strong communications backbone and to provide statewide access to affordable, high speed broadband services necessary to build a vibrant economy and to improve the health, welfare and quality of life for our residents. Specifically, section 440G-11.5, Hawaii Revised Statutes, charged the Department with duties that include making recommendations, and facilitating and supporting efforts, to advance access to affordable broadband services throughout the State, with particular focus on establishing services to consumers in the unserved and underserved areas of the State.

H.B. No. 441 creates an infrastructure capacity construction loan revolving fund to provide loans to counties, state agencies, and private developers in order to incent planned infrastructure construction and growth. The bill makes telecommunications and

broadband infrastructure costs eligible, recognizing that planning and development in the 21st century must include telecommunications and broadband infrastructure.

The Department supports this intent to incent planned and coordinated development of critical infrastructure facilities that includes telecommunications and broadband infrastructure. In so doing, the bill will provide opportunities to accelerate the deployment of broadband and telecommunications infrastructure across the State, and will promote the efficient use of government and private resources while minimizing the disruption to the public caused by such deployment.

Thank you for the opportunity to provide support for the intent of this measure.

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON WATER AND LAND
ON
HOUSE BILL NO. 441

February 6, 2015

RELATING TO STATEWIDE INFRASTRUCTURE CAPACITY BUILDING
CONSTRUCTION FINANCING

House Bill No. 441 establishes an Infrastructure Capacity Construction Loan Revolving Fund to provide loans to the counties, State agencies and private developers for infrastructure improvements. The bill designates the Department of Business, Economic Development and Tourism's (DBEDT) Office of Planning to administer the loan program and requires DBEDT to adopt Administrative Rules and develop supporting procedures.

We recognize the importance of ensuring adequate infrastructure for our residents as the need for additional infrastructure capacity increases with population growth. However, State resources and credit are limited and, if obligated to meet these additional costs, it will be in direct competition with our substantial costs of social assistance entitlements, support for public education, debt service and fringe benefits and other critical requirements.

The counties have their own taxing and borrowing capabilities which can also be used to provide for county infrastructure. The State currently provides funds to the counties and private developers for infrastructure improvements for wastewater and safe drinking water projects. Using State-funded debt to fund infrastructure to the benefit on county infrastructure or in the county-sphere of responsibility is an expense best situated at the county level of government.

Private developers are currently required to make many infrastructure improvements as conditions of developing entitlements. The department recognizes that this bill could provide a resource to developers in that it creates an additional source to fund such improvements. However, when creating any loan fund that is seeded with public funds and which will directly benefit private entities, attention to governance and accountability of debt structure are important. This bill will create a very broad mechanism in a loan fund, but with very limited funding capabilities.

In addition, there will be added operating cost for additional staff to set-up, administer and coordinate the Infrastructure Capacity Construction Loan Revolving Fund. Among the operational issues that need to be addressed through Administrative Rules and operational policies and managed on a daily basis are the following:

- How funding will be allocated and awarded.
- Repayment options, collateral (security) requirements and default remedies.
- Monitoring of disbursements.
- Tracking of loan repayments.
- Managing repayment to private investors for their investments (plus interest accrued on investment) made into the fund.
- Drafting of all loan/program documentation.

Further, it should be pointed out that given the cost of infrastructure improvements, periodic infusion of general funds will likely be required to continue future loans. The bill requires the counties to make repayment of the loan principal

and payment of simple interest, which is below prevailing market rate by an unspecified percentage, at the time of the loan. The loan repayments are made over several years, while the allocation of funds to the county must be disbursed upfront to cover construction costs. Thus, the revenues generated by the county repayment plan for deposit into the revolving fund will probably be relatively small and, therefore, insufficient to replenish the loan revolving fund to support future county infrastructure improvement projects.

Finally, the bill will appropriate an unspecified amount of general funds to capitalize the Capacity Construction Loan Revolving Fund which has not been accounted for in the Administration's general fund financial plan. House Bill No. 441 should be reconsidered based on the negative impact on general fund expenditures and the sustainability of general funded programs throughout the State.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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

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MAYOR



GEORGE I. ATTA, FAICP
DIRECTOR

ARTHUR D. CHALLACOMBE
DEPUTY DIRECTOR

February 6, 2015

The Honorable Ryan I. Yamane, Chair
and Members of the Committee on Water & Land
Hawaii House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Yamane and Members:

Subject: House Bill No. 441
Relating to Infrastructure Fund

The Department of Planning and Permitting (DPP) **supports the intent** of House Bill No. 441, which would establish a revolving loan fund to support enhancements to the capacities of infrastructure systems.

We agree with Section 1 of the Bill that our infrastructure systems are challenged by both aging facilities and lack of capacity to support the orderly growth of our communities. For Honolulu, this is particularly true for our urban core, where our rail system will be built. We need timely upgrades, particularly to our sewer system, to meet the anticipated needs of transit-oriented development. We also agree that the fund should concentrate on regional infrastructure projects, rather than projects that benefit a single or limited number of developments. We also agree that proposed county projects should have county council approval.

However, we request the Bill address the following:

- It would be preferable that the fund offer no-interest loans, unless the projects are tied to special property assessments, such as tax increment financing, wherein this expense can be passed on to the beneficiaries of the loan. In some cases, capital improvement projects will be funded by bonds to be repaid by all county taxpayers in general.

The Honorable Ryan I. Yamane, Chair
and Members of the Committee on Water & Land
Hawaii House of Representatives
Re: House Bill No. 441
February 6, 2015
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- State and private sector requests for funding should be screened by the respective county. Allowances for independent requests would run counter to coordinated use of limited funds and orderly growth.

Thank you for this opportunity to testify on House Bill No. 441.

Very truly yours,

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

George I. Atta, FAICP
Director

GIA:
HB441Infrastructure Fund-ks

BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

THE VOICE OF THE CONSTRUCTION INDUSTRY

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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 House Committee on Water and Land

Friday, February 6, 2015

9:00 a.m.

State Capitol - Conference Room 325

RE: HOUSE BILL NO. 441 RELATING TO STATEWIDE INFRASTRUCTURE CAPACITY BUILDING CONSTRUCTION FINANCING

Chair Yamane, Vice-Chair Cullen, 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. 441, 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 goal of H.B. 441 is to provide an alternative means of funding for infrastructure construction. Similar in intent to the Chicago Infrastructure Trust created in 2012, H.B. 441 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.

Honorable Ryan I. Yamane, Chair
House Committee on Water and Land
February 6, 2015
H.B. 441
Testimony of BIA-Hawaii

The cost 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. In these ways, H.B. 441 will help improve our quality of life.

We appreciate the opportunity to express our **strong support** for H.B. 441.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Water & Land
Friday, February 6, 2015 at 9:00 A.M.
Conference Room 325, State Capitol**

**RE: HOUSE BILL 441 RELATING TO STATEWIDE INFRASTRUCTURE
CAPACITY BUILDING CONSTRUCTION FINANCING**

Chair Yamane, Vice Chair Cullen, and Members of the Committee:

The Chamber **strongly supports** H.B. 441, 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 the largest business organization in Hawaii, representing more than 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 its members, which employ more than 200,000 individuals, to improve the state’s economic climate and to foster positive action on issues of common concern.

The goal of H.B. 441 is to provide an alternative means of funding for infrastructure construction. Similar in intent to the Chicago Infrastructure Trust created by 2012, H.B. 441 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.

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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 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. 441 will also help improve our quality of life.

We appreciate the opportunity to express our strong support for H.B. 441.

cullen2-Dawn Marie

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 05, 2015 10:40 AM
To: waltestimony
Cc: sherry.campagna@kamakagreen.com
Subject: *Submitted testimony for HB441 on Feb 6, 2015 09:00AM*

Follow Up Flag: Follow up
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HB441

Submitted on: 2/5/2015

Testimony for WAL on Feb 6, 2015 09:00AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Sherry Campagna	Individual	Support	No

Comments:

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