

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
677 QUEEN STREET, SUITE 300  
Honolulu, Hawaii 96813  
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of  
**Craig K. Hirai**  
Hawaii Housing Finance and Development Corporation  
Before the

**HOUSE COMMITTEE ON FINANCE**

February 28, 2017 at 3:00 p.m.  
State Capitol, Room 308

In consideration of  
**H.B. 660, H.D. 1**

**RELATING TO AN INFRASTRUCTURE DEVELOPMENT LOAN REVOLVING FUND.**

The HHFDC opposes H.B. 660, H.D. 1, because we believe the measure is not necessary. We concur that the lack of infrastructure is a barrier to affordable housing development.

However, just last year, the Legislature passed Act 132, Session Laws of Hawaii 2016, which allows the HHFDC's Dwelling Unit Revolving Fund (DURF) to be used in a similar fashion. The HHFDC has already submitted the final administrative rules for the Act 132 infrastructure loan program to the Governor. The Executive Budget includes a CIP request for \$50 million in G.O. Bond funds for DURF infrastructure loans. Once the requested funds are appropriated, the HHFDC can immediately begin making Act 132 infrastructure loans.

Thank you for the opportunity to testify.

DAVID Y. IGE  
GOVERNOR



WESLEY K. MACHIDA  
DIRECTOR

LAUREL A. JOHNSTON  
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)

**WRITTEN ONLY**  
TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 660, H.D. 1

**February 28, 2017**  
**3:00 p.m.**  
**Room 308**

**RELATING TO AN INFRASTRUCTURE DEVELOPMENT LOAN REVOLVING FUND**

House Bill No. 660, H.D. 1, establishes the Infrastructure Development Loan Revolving Fund (IDLRF) within the Hawaii Housing Finance and Development Corporation to make loans to developers to finance the costs of the infrastructure of affordable rental and fee simple housing developments; appropriates \$50,000,000 in general funds in FY 18 for deposit into the IDLRF; and appropriates \$50,000,000 in revolving funds in the IDLRF in both FY 18 and FY 19 to implement this bill.

While the Department of Budget and Finance supports efforts to provide more affordable housing units to address Hawaii's housing shortage, as a matter of general policy, the department 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. 660, H.D. 1, it is difficult to determine whether the proposed source of revenues will be self-sustaining.

Thank you for your consideration of our comments.



# Chamber of Commerce HAWAII

*The Voice of Business*

**Testimony to the House Committee on Finance  
Tuesday, February 28, 2017 at 3:00 P.M.  
Conference Room 308, State Capitol**

**RE: HOUSE BILL 660 HD1 RELATING TO AN  
INFRASTRUCTURE DEVELOPMENT LOAN REVOLVING FUND**

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

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** HB 660 HD1, which establishes the Infrastructure Development Loan Revolving Fund to make loans to developers to finance the costs of the infrastructure of affordable rental and fee simple housing developments.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ 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.

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 the first "***Houseless in Honolulu***" in November of 2015 to raise awareness of one of Hawaii's most pressing issues - home affordability. Then again in November of 2016 we



# Chamber of Commerce HAWAII

*The Voice of Business*

convened our second event, **“Still Houseless in Honolulu.”** The bottom line is we need to build our way out of this crisis by increasing the supply of housing at all price points. 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. HB 660 will also help improve our quality of life.

We appreciate the opportunity to express our strong support for this bill.

Testimony of  
Christopher Delaunay  
Pacific Resource Partnership

House of Representatives  
COMMITTEE ON FINANCE  
Rep. Sylvia Luke, Chair  
Rep. Ty J.K. Cullen, Vice Chair

HB 660, HD1 Relating to an Infrastructure Development Loan Revolving Fund

Tuesday, February 28, 2017  
3:00 P.M.  
State Capitol – Room 308

Aloha Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Pacific Resource Partnership is in **strong support** of HB 660, HD1 Relating to an Infrastructure Development Loan Revolving Fund, which establishes the Infrastructure Development Loan Revolving Fund to make loans to developers to finance the costs of the infrastructure of affordable rental and fee simple housing developments.

The shortage of affordable housing units is at a crisis level negatively affecting families throughout the State. One of the most significant barriers to increasing the supply of housing in Hawaii is the lack of its infrastructure capacity. We believe that HB 660, HD1 will provide additional opportunities for developers to invest in improvements to our infrastructure and build more affordable housing units in the State.

Thank you for the opportunity to share our views with you and we respectfully request your support in moving this bill forward.

#### About PRP

*Pacific Resource Partnership (PRP) is a not-for-profit organization that represents the Hawaii Regional Council of Carpenters, the largest construction union in the state, and more than 240 of Hawaii's top contractors. Through this unique partnership, PRP has become an influential voice for responsible construction and an advocate for creating a stronger, more sustainable Hawaii in a way that promotes a vibrant economy, creates jobs and enhances the quality of life for all residents.*



## PRESIDENT

EVAN FUJIMOTO  
GRAHAM BUILDERS, INC.

## PRESIDENT-ELECT

DEAN UCHIDA  
SSFM INTERNATIONAL, INC.

## VICE PRESIDENT

MARSHALL HICKOX  
HOMEWORKS CONSTRUCTION, INC.

## SECRETARY

DWIGHT MITSUNAGA  
DM PACIFIC, INC.

## TREASURER

MICHAEL WATANABE  
JW, INC.

## SPECIAL APPOINTEE-BUILDER

CURT KIRIU  
CK INDEPENDENT LIVING BUILDERS

## SPECIAL APPOINTEE-BUILDER

MARK KENNEDY  
HASEKO CONSTRUCTION MANAGEMENT  
GROUP, INC.

## SPECIAL APPOINTEE-ASSOCIATE

PETER ELDRIDGE  
RAYNOR OVERHEAD DOORS & GATES

## IMMEDIATE PAST PRESIDENT

CRAIG WASHOFSKY  
SERVCO HOME & APPLIANCE  
DISTRIBUTION

## CHIEF EXECUTIVE OFFICER

GLADYS MARRONE  
BIA-HAWAII

## 2017 DIRECTORS

KAREN BERRY  
TRADE PUBLISHING COMPANY

CHRIS CHEUNG  
CC ENGINEERING & CONSTRUCTION, INC.

CLIFTON CRAWFORD  
C & J CONTRACTING, INC.

MARK HERTEL  
INTER-ISLAND SOLAR SUPPLY,  
OAHU-MAUI-HAWAII-KAUI

BRENTON LIU  
DESIGN TRENDS CONSTRUCTION, INC.

SARAH LOVE  
BAYS LUNG ROSE & HOLMA

BEAU NOBMANN  
HPM BUILDING

GARY OKIMOTO  
HONOLULU WOOD TREATING

JACKSON PARKER  
D.R. HORTON, SCHULER DIVISION

DOUGLAS PEARSON  
CASTLE & COOKE HOMES

PAUL D. SILEN  
HAWAIIAN DREDGING  
CONSTRUCTION CO. INC.

ALAN TWU  
HK CONSTRUCTION CORP.

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

PHYSICAL:  
94-487 AKOKI STREET  
WAIPAHU, HAWAII 96797

**Testimony to the House Committee on Finance**  
**Tuesday, February 28, 2017**  
**3:00 pm**  
**Conference Room 308**

**RE: HB 660 HD1 – Relating to an Infrastructure Development Loan**  
**Revolving Fund**

Chair Luke, Vice-Chair Cullen, and members of the committee:

My name is Gladys Quinto Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII is in strong support of H.B. 660 HD1, which proposes to establish a revolving fund to assist developers in financing the infrastructure costs of affordable rental developments and developments in which the dwelling units are sold for fee simple ownership.

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 the first **"Houseless in Honolulu"** in November of 2015 to raise awareness of one of Hawaii's most pressing issues - home affordability. Then again in November of 2016, BIA Hawaii convened our second event, **"Still Houseless in Honolulu."** The bottom line is we need to build our way out of this crisis by increasing the supply of housing at all price points. 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, along with educators, medical professionals, and small businesses.

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. 660 will also help improve our quality of life.

We appreciate the opportunity to express our strong support for H.B. 660.