

HB660 HD2

Measure Title: RELATING TO AN INFRASTRUCTURE DEVELOPMENT LOAN REVOLVING FUND.

Report Title: Affordable Housing; Revolving Fund; Loans; Development Infrastructure Costs; Department of Business, Economic Development, and Tourism (§)

Description: 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. Appropriates funds. (HB660 HD2)

Companion:

Package: None

Current Referral: HOU/ETT, WAM

Introducer(s): BROWER, FUKUMOTO, GATES, ICHIYAMA, KONG, LUKE, MCKELVEY, OSHIRO

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
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Honolulu, Hawaii 96813
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IN REPLY REFER TO:

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

**SENATE COMMITTEE ON HOUSING
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM,
AND TECHNOLOGY**

March 16, 2017 at 2:45 p.m.
State Capitol, Room 225

In consideration of
H.B. 660, H.D. 2

RELATING TO AN INFRASTRUCTURE DEVELOPMENT LOAN REVOLVING FUND.

The HHFDC opposes H.B. 660, H.D. 2, 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
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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 SENATE COMMITTEES ON HOUSING AND
ECONOMIC DEVELOPMENT, TOURISM, AND TECHNOLOGY
ON
HOUSE BILL NO. 660, H.D. 2

**March 16, 2017
2:45 p.m.
Room 225**

RELATING TO AN INFRASTRUCTURE DEVELOPMENT LOAN REVOLVING FUND

House Bill No. 660, H.D. 2, 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 an unspecified amount in general funds in FY 18 for deposit into the IDLRF; and appropriates an unspecified amount 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. 2, 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 Senate Committee on Housing and the
Senate Committee on Economic Development, Tourism, and Technology
Thursday, March 16, 2017 at 2:45 P.M.
Conference Room 225, State Capitol**

**RE: HOUSE BILL 660 HD2 RELATING TO AN
INFRASTRUCTURE DEVELOPMENT LOAN REVOLVING FUND**

Chairs Espero and Wakai, Vice Chairs Harimoto and Taniguchi, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** HB 660 HD2, 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.



Chamber of Commerce HAWAII

The Voice of Business

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 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. This bill will also help improve our quality of life.

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