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IN REPLY REFER TO:

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

HOUSE COMMITTEE ON HOUSING

February 9, 2017 at 9:00 a.m.
State Capitol, Room 423

In consideration of
H.B. 660

RELATING TO AN INFRASTRUCTURE DEVELOPMENT LOAN REVOLVING FUND.

The HHFDC **opposes** H.B. 660 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 promulgated administrative rules for the infrastructure loan program, and just recently held the public hearing on said rules. 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 already begin making Act 132 infrastructure loans.

Thank you for the opportunity to testify.

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Testimony to the House Committee on Housing
Thursday, February 9, 2017
9:00 am
Conference Room 423

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

Chair Brower, Vice-Chair Nakamura, 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 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. 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. 660 will also help improve our quality of life.

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