

SB2006

Measure Title: RELATING TO FIRE SAFETY.

Report Title: General Excise Tax Exemption; Automatic Fire Sprinkler System; Interest-Free Loan; Condominium (\$)

Description: Exempts the gross proceeds of sales of equipment, materials, and labor to retrofit or install an automatic fire sprinkler system from general excise taxes. Provides interest-free loans to condominium associations to retrofit or install automatic fire sprinklers or sprinkler systems.

Companion:

Package: None

Current Referral: CPH/PSM, WAM

Introducer(s): ESPERO, Harimoto, K. Kahele, Shimabukuro

DAVID Y. IGE
GOVERNOR

DOUGLAS S. CHIN
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
830 PUNCHBOWL STREET, ROOM 221
HONOLULU, HAWAII 96813
<http://tax.hawaii.gov/>
Phone: (808) 587-1540 / Fax: (808) 587-1560
Email: Tax.Directors.Office@hawaii.gov

To: The Honorable Rosalyn Baker, Chair
and Members of the Senate Committee on Commerce, Consumer Protection, &
Health

The Honorable Clarence Nishihara, Chair
and Members of the Senate Committee on Public Safety, Intergovernmental, and
Military Affairs

Date: Tuesday, February 6, 2018
Time: 12:45 P.M.
Place: Conference Room 229, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 2006, Relating to Fire Safety.

The Department of Taxation (Department) appreciates the intent of S.B. 2006 and offers the following comments for your consideration.

S.B. 2006 exempts from the general excise tax (GET) the gross proceeds from sales of equipment, materials, and labor used to retrofit or install fire sprinklers in any condominium in the State built prior to 1975. A summary of key provisions are as follows:

- Adds a new Hawaii Revised Statutes (HRS) section to chapter 237, exempting from the GET the gross proceeds of sales of equipment, materials, and labor used to retrofit or install automatic fire sprinklers and automatic fire sprinkler systems in any condominium in the State built prior to 1975;
- Permits condominium owners associations in the State to apply for an interest-free loan of up to \$250,000 from the Hawaii Housing Finance and Development Corporation (HHFDC) to retrofit or install automatic sprinklers in their condominium;
- Appropriates an unspecified sum to be made available for these interest-free loans; and
- Has an effective date of July 1, 2018.

If the Committee wishes to advance this measure, the Department respectfully requests that the effective date be changed to January 1, 2018, to allow sufficient time to make the necessary form and computer system changes. Thank you for the opportunity to provide comments.

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



LEONARD HOSHIJO
ACTING DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
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February 2, 2018

The Honorable Rosalyn Baker, Chair
Committee on Commerce, Consumer Protection,
and Health
The State Senate
State Capitol, Room 230
Honolulu, Hawaii 96813

The Honorable Clarence Nishihara, Chair
Committee on Public Safety, Intergovernmental,
and Military Affairs
The State Senate
State Capitol, Room 214
Honolulu, Hawaii 96813

Dear Chairs Baker and Nishihara:

Subject: Senate Bill (SB) 2006 Relating to Fire Safety

I am Manuel P. Neves, Chair of the Hawaii State Fire Council (SFC) and Fire Chief of the Honolulu Fire Department (HFD). The SFC and the HFD support SB 2006, which proposes to exempt gross proceeds of equipment, materials, and labor sales to retrofit or install automatic fire sprinkler systems from general excise (GE) taxes. It would also provide interest-free loans to condominium associations for the retrofitting of fire sprinklers.

The Marco Polo condominium fire on July 14, 2017, highlights the dangers of fire in unsprinklered buildings. Automatic fire sprinkler systems have been proven to save lives and property and protect the environment. Death rates and property loss are substantially reduced when these systems are installed and properly maintained.

Concerns by condominium associations have brought to light the financial burden to property owners who want or may be required to retrofit automatic fire sprinklers. Since

The Honorable Rosalyn Baker, Chair
The Honorable Clarence Nishihara, Chair
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February 2, 2018

the cost to retrofit high-rise residential buildings will vary and could cost several million dollars each, we suggest the interest-free loans be more substantial than what is currently provided in the bill. In addition, since the high-rise owners will be paying for the cost, we suggest a per owner loan amount instead of an association loan amount. The bill would also provide reduced costs for equipment, materials, and labor by eliminating the GE tax from the sales of retrofit installation costs by at least four percent. Every cost-saving measure brings residential sprinklers closer to a reality.

Life, safety, and property protection is the top priority for the SFC and the HFD. The SFC sincerely appreciates the effort by the legislature to provide cost savings to our residents who live in unsprinklered high-rise buildings. The life-saving benefits of residential fire sprinklers will endure for future generations not only in high-rises, but in all sprinklered buildings.

The SFC and the HFD urge your committees' support on the passage of SB 2006 with recommended revisions.

Should you have questions, please contact SFC Administrative Specialist Lloyd Rogers at 723-7176 or lrogers@honolulu.gov.

Sincerely,



MANUEL P. NEVES
Chair

MPN/LR:clc

SB-2006

Submitted on: 2/5/2018 7:10:25 AM

Testimony for CPH on 2/6/2018 12:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Debby Gatioan	County Fire Department	Support	No

Comments:

February 2, 2018

The Honorable Rosalyn Baker, Chair
Committee on Commerce, Consumer Protection,
and Health

The State Senate
State Capitol, Room 230
Honolulu, Hawaii 96813

The Honorable Clarence Nishihara, Chair
Committee on Public Safety, Intergovernmental,
and Military Affairs

The State Senate
State Capitol, Room 214
Honolulu, Hawaii 96813

Dear Chairs Baker and Nishihara:

Subject: Senate Bill (SB) 2006 Relating to Fire Safety

I am Robert Westerman, Chair of the Hawaii State Fire Council (SFC) and Fire Chief of the Kaua'i Fire Department (KFD). The SFC and the KFD support SB 2006, which proposes to exempt gross proceeds of equipment, materials, and labor sales to retrofit or install automatic fire sprinkler systems from general excise (GE) taxes. It would also provide interest-free loans to condominium associations for the retrofitting of fire sprinklers.

The Marco Polo condominium fire on July 14, 2017, highlights the dangers of fire in unsprinklered buildings. Automatic fire sprinkler systems have been proven to save lives and property and protect the environment. Death rates and property loss are substantially reduced when these systems are installed and properly maintained.

Concerns by condominium associations have brought to light the financial burden to property owners who want or may be required to retrofit automatic fire sprinklers. Since

The Honorable Rosalyn Baker, Chair

The Honorable Clarence Nishihara, Chair

Page 2

February 2, 2018

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by eliminating the GE tax from the sales of retrofit installation costs by at least four percent. Every cost-saving measure brings residential sprinklers closer to a reality.

Life, safety, and property protection is the top priority for the SFC and the KFD. The SFC sincerely appreciates the effort by the legislature to provide cost savings to our residents who live in unsprinklered high-rise buildings. The life-saving benefits of residential fire sprinklers will endure for future generations not only in high-rises, but in all sprinklered buildings.

The SFC and the KFD urge your committees' support on the passage of SB 2006 with recommended revisions.

Should you have questions, please contact SFC Administrative Specialist Lloyd Rogers at 723-7176 or lrogers@honolulu.gov.

Sincerely,



Robert Westerman

Fire Chief, County of Kaua'i

RFW/dag

SB-2006

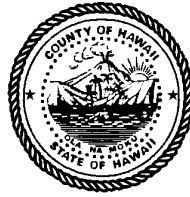
Submitted on: 2/5/2018 12:24:47 PM

Testimony for CPH on 2/6/2018 12:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	OCC Legislative Priorities	Support	No

Comments:

Harry Kim
Mayor



Darren J. Rosario
Fire Chief

Renwick J. Victorino
Deputy Fire Chief

County of Hawai'i
HAWAI'I FIRE DEPARTMENT
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February 2, 2018

The Honorable Rosalyn Baker, Chair
Committee on Commerce, Consumer Protection,
and Health
The State Senate
State Capitol, Room 230
Honolulu, Hawai'i 96813

The Honorable Clarence Nishihara, Chair
Committee on Public Safety, Intergovernmental,
and Military Affairs
The State Senate
State Capitol, Room 214
Honolulu, Hawai'i 96813

Dear Chairs Baker and Nishihara:

SUBJECT: SB 2006, RELATING TO FIRE SAFETY
Hearing Date: Tuesday, February 6, 2018
Time/Place of Hearing: 12:45 pm, Conference Room 229

I am Darren J. Rosario, member of the Hawai'i State Fire Council (SFC) and Fire Chief of the Hawai'i Fire Department (HCFD). The SFC and the HCFD support SB 2006, which proposes to exempt gross proceeds of equipment, materials, and labor sales to retrofit or install automatic fire sprinkler systems from general excise (GE) taxes. It would also provide interest-free loans to condominium associations for the retrofitting of fire sprinklers.

Recent multistory and high rise fires in the state of Hawaii such as the July 2017 Marco Polo Condominium fire on Oahu bring about the realization of fatal fire dangers attributed to non-sprinklered residential and occupancies.



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February 2, 2018
Page 2

The use of automatic fire sprinkler systems have more than proven its worth in saving lives and property. Furthermore, exposing occupants and responding first responders to life threatening conditions attributed to the effects of fire seen in the Marco Polo fire are greatly reduced.

As a member of the SFC and as the HCFD, I have received many views on the cost burden to retrofit occupancies with automatic sprinkler systems. It is why the SFC and I, as Fire Chief, would like to support that the interest-free loans be more substantial than what is currently provided in the bill. In addition, cost saving measures such as per owner loan amounts and reduced cost of associated equipment by eliminating the GE tax of sales of retrofit equipment will make residential sprinklers more affordable.

As a member of the SFC and as Fire Chief, public safety is essential to our mission. The SFC and the HCFD sincerely thanks the legislative efforts to promote future public safety measures for our occupants and responding first responders.

The SFC and the HCFD urge your committees' support on the passage of SB 2006 with recommended revisions.

Please do not hesitate to contact me at 932-2901 or darren.rosario@hawaiicounty.gov should you have any questions.

Respectfully,



DARREN J. ROSARIO
Fire Chief



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**TESTIMONY TO THE SENATE COMMITTEES ON
COMMERCE, CONSUMER PROTECTION, AND HEALTH; AND,
PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS
Tuesday, February 6, 2018
12:45 PM
State Capitol, Conference Room 229**

RE: SB 2006 – RELATING TO FIRE SAFETY

Chair Baker & Nishihara, Vice-Chair Tokuda & Wakai, & members of the Committees:

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 provides the following comments on S.B. 2006, which would:

1. Exempt the gross proceeds of costs incurred to retrofit or install automatic fire sprinkler systems from general excise taxes; and
2. Provide interest-free loans to condominium associations to retrofit or install automatic fire sprinkler systems.

We understand the desire to provide financial assistance to condominium associations whose members would need to pay for the retrofit or installation of automatic fire sprinkler systems. The bill does not identify the source of the proposed loan program. Our concern is that the source of funding the loans should not come from any tax revenues (i.e. real property taxes, GET, etc.) as these public funds would be used to fund one segment of the construction industry, as opposed to the industry as a whole.

We appreciate the opportunity to provide our input on S.B. 2006.



**Hawaii Council of Associations
of Apartment Owners**
DBA: Hawaii Council of Community Associations
1050 Bishop Street, #366, Honolulu, Hawaii 96813



February 2, 2018

Sen. Rosalyn Baker, Chair
Sen. Jill Tokuda, Vice-Chair
Senate Committee on Commerce, Consumer Protection & Health

Sen. Clarence Nishihara, Chair
Sen. Glenn Wakai, Vice-Chair
Senate Committee on Public Safety, Intergovernmental & Military Affairs

Re: Testimony in support of
SB2006 RELATING TO FIRE SAFETY
Hearing: Tues., Feb. 6, 2018, 12:54 p.m., Conf. Rm. #229

Chairs Baker and Nishihara, Vice-Chairs Tokuda and Wakai, and Members of the Joint Committee:

I am Jane Sugimura, President of the Hawaii Council of Associations of Apartment Owners (HCAAO dba HCCA). This organization represents the interests of condominium and community association members.

HCCA served on the Residential Fire Safety Advisory Committee (“RFSAC”) established by the Honolulu City Council after the Marco Polo fire. The purpose of the RFSAC was to recommend changes to the City ordinance(s) relating to the fire code and to suggest ways that high-rise residential buildings could be made safer for the residents and for the fire-professionals who have to enter those buildings to fight fires. One of the measures being considered is voluntary and/or mandatory installation of full or partial (i.e., only in the common areas) fire sprinklers, which pose a substantial financial challenge to associations.

Currently there is a bill pending in the City Council that calls for mandatory sprinklers in the common areas. The bill may change to make the installation of sprinklers voluntary. In either event, this bill will assist associations who may be mandated to install (or wish to voluntarily install) sprinklers in their buildings by reducing the cost (GET exemptions on costs to retrofit) and by providing interest-free loans. Because this expense was not a planned capital improvement project- but one that came about because of the Marco Polo fire in July 2017 – no association has funds set aside as required by the budget and reserve law affecting condominiums to pay for this

SB2006 Relating to Fire Safety

Senate Joint Committee on Commerce, Consumer Protection & Health and Public Safety,
Intergovernmental & Military Affairs

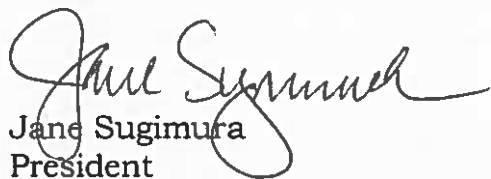
February 2, 2018

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installation and will need whatever financial assistance they can get in order to comply with a mandate to retrofit their buildings with fire sprinklers.

Accordingly, HCCA respectfully requests that you pass this bill unamended.

Thank you for the opportunity to testify on this matter.

A handwritten signature in black ink, appearing to read "Jane Sugimura". The signature is fluid and cursive, with a large loop at the end of the last name.

Jane Sugimura
President

SB-2006

Submitted on: 2/3/2018 5:03:22 PM

Testimony for CPH on 2/6/2018 12:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Benton Kealii Pang, Ph.D.	Hawaiian Civic Club of Honolulu	Support	No

Comments:

SB-2006

Submitted on: 2/5/2018 11:16:41 AM

Testimony for CPH on 2/6/2018 12:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Richard Emery	Associa	Support	Yes

Comments:

We support ther bill and the position stated by Hawaii Council of Community Associations.

SB-2006

Submitted on: 2/4/2018 5:58:30 AM

Testimony for CPH on 2/6/2018 12:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Lourdes Scheibert	Condo Owner	Support	No

Comments:

SB-2006

Submitted on: 2/3/2018 10:55:28 AM

Testimony for CPH on 2/6/2018 12:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Philip Nerney	CAI	Support	No

Comments:

I am testifying as an individual.

SB-2006

Submitted on: 2/2/2018 9:50:19 PM

Testimony for CPH on 2/6/2018 12:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Marcia Kimura		Support	No

Comments:

SB-2006

Submitted on: 2/3/2018 9:52:13 PM

Testimony for CPH on 2/6/2018 12:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Dale	Head	Support	No

Comments:

This is a good bill which will make installation of Sprinkler Systems more affordable, and, perhaps, in the future save lives.

SB-2006

Submitted on: 2/5/2018 8:23:28 PM

Testimony for CPH on 2/6/2018 12:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
David Delaney	Female cats	Support	No

Comments:

I support the bill but think more needs to be done to help owners cover the costs if condos are required to have sprinklers. This will be too great for most. This helps but further financial support to affected condo owners needs to be given. Mahalo, David Delaney

SB-2006

Submitted on: 2/5/2018 9:34:07 PM

Testimony for CPH on 2/6/2018 12:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Catherine		Support	No

Comments:

Dear members,

I am writing to indicate my support of S.B. No. 2006, relating to fire safety.

My husband and I are new owners of a condo in Honolulu. Despite being professionals, both with PhDs, we have struggled to earn enough money to purchase our first home. Newer condos that have have automatic sprinkler systems are unaffordable for most middle-class first-time home buyers.

While we support increased fire safety after the devastating Marco Polo fire, we also fear the very high costs associated with retrofitting older condo buildings. The most recent estimate we received for our building is a minimum of 30,000 dollars per unit. This is an extraordinary amount of money for a very low risk event.

In all, we strongly support measures that will help condo owners afford the retrofitting proposed by various law-makers. We also hope that law-makers will consider the real and very large costs associated with these retrofits (the current bill only specifies an interest-free loan of 250,000). Most condos estimate well over a million dollars per building. The current bill, while a great first start, does not adequately reflects the projected costs of the retrofitting. Moreover, it does little to address concerns around price gouging that will like occur once automatic sprinkler laws are put in place. That is, due to low levels of competition on the island, contractors can increase construction costs with no impunity. We worry very much about the projected actual costs for the retrofits and the possible greater costs (price-gouging) if bills are not carefully considered.

Thank you for accepting my testimony,

Dr. Catherine Pirkle