

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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Statement of
DEAN MINAKAMI
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE

February 25, 2025 at 10:00 a.m.
State Capitol, Room 308

In consideration of
H.B. 741 HD1
RELATING TO HOUSING

Chair Yamashita, Vice Chair Takenouchi, and members of the Committee.

HHFDC **supports** HB 741 HD1, which exempts affordable housing projects that are financed by a certified nonprofit community development financial institution utilizing less than \$1,500,000 from the Affordable Homeownership Revolving Fund (AHRF) from the prevailing wages provisions.

AHRF was established in 2021 to offer loans to nonprofit Community Development Financial Institutions (CDFIs) and nonprofit housing development organizations that develop affordable homeownership housing projects. Of the \$5 million appropriated for the program, \$3,128,687 remains.

Exempting certain projects funded by AHRF from prevailing wages would help reduce overall development costs, allowing nonprofit developers to maximize the impact of this limited funding and produce more affordable homeownership opportunities for Hawaii residents. Prevailing wage requirements, while beneficial in many contexts, can significantly increase labor costs, which in turn raises the total development cost of housing projects. By providing an exemption for certain AHRF-funded projects, more homes can be built at lower price points, creating homeownership opportunities for more residents.

Additionally, this exemption aligns with AHRF's goal of supporting nonprofit developers who are already working within tight financial constraints to deliver affordable homeownership opportunities. Lower construction costs will help these organizations stretch their resources further, enabling them to serve more households and address Hawaii's critical shortage of affordable for-sale housing.

Thank you for the opportunity to testify on this bill.



HAWAII REGIONAL COUNCIL OF CARPENTERS

February 25, 2025

TO: The Honorable Kyle T. Yamashita, Chair
The Honorable Jenna Takenouchi, Vice Chair
and Members of the House Committee on Finance

FROM: Mitchell Tynanes
Hawaii Regional Council of Carpenters

RE: **Strong Opposition for HB741** – Relating to Housing

Chair Sayama, Vice Chair Lee, and Members of the Committee,

Mahalo for the opportunity to testify in **strong opposition to HB741**. I submit this testimony on behalf of the Hawai'i Regional Council of Carpenters (HRCC), representing over 6,000 hardworking men and women who build our state's homes, schools, and infrastructure.

This bill, which would exempt affordable housing projects under \$1.5 million from prevailing wage laws (**HRS Chapter 104**), would weaken worker protections. While we fully support efforts to expand affordable housing, this exemption will do more harm than good—undermining construction quality, depressing wages, and ultimately hurting both workers and our economy.

Prevailing Wages Ensure Quality Construction and Safe Housing

Hawai'i already struggles with crumbling infrastructure and defective buildings—weakening prevailing wage laws will only make things worse. Prevailing wages attract and retain skilled local workers who build safe, high-quality structures that stand the test of time. Exempting projects under \$1.5 million from these protections incentivizes low-bid, low-quality construction, leading to:

- **Poor workmanship**, increasing long-term maintenance costs.
- **Safety risks** due to unskilled, underpaid labor.
- **Delays and cost overruns** from hiring out-of-state or inexperienced contractors who cut corners.

This Bill Encourages the Exploitation of Workers

By allowing developers to skirt prevailing wage laws, this bill incentivizes low wages and unstable job conditions instead of investing in local labor. Instead of benefiting local families, this measure will:

- Suppress wages for construction workers, making it even harder for them to afford housing.

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- Encourage reliance on out-of-state or unlicensed labor, which does not reinvest in Hawai'i's economy.
- Weaken apprenticeship programs, reducing opportunities for local workers to gain skills and enter the trades.

Prevailing wages don't just protect workers—they ensure construction jobs pay a livable wage so families can afford to stay in Hawai'i.

This Exemption Won't Actually Lower Housing Costs

Developers claim that cutting wages will lower housing costs, but the research says otherwise. Studies show that eliminating prevailing wage laws does not significantly reduce construction costs—instead:

- The savings go to developers, not homebuyers or renters.
- Lower wages mean less consumer spending, which hurts local businesses.
- Taxpayers bear the burden, as underpaid workers rely more on housing assistance, food stamps, and Medicaid.

Key studies confirm that prevailing wage laws do not drive up construction costs.

- A 2018 study by Kevin Duncan, Peter Philips, and Mark Prus examined affordable housing projects in California and found no significant impact of prevailing wage laws on overall project costs. (Duncan, Philips, & Prus, 2018)
- A 2008 review by Noah P. Meyerson concluded that prevailing wages do not significantly impact government contracting costs, as higher wages are often offset by increased productivity and lower turnover rates. (Meyerson, 2008)
- A 2020 report by Kevin Duncan found that 78% of studies on affordable housing construction showed no connection between prevailing wage laws and increased costs. (Duncan, 2020)

Meanwhile, studies that claim prevailing wages increase construction costs are often methodologically flawed or lack peer review.

Protect Local Workers and Our Economy

Hawai'i's construction workforce is the backbone of our economy. If we truly want more affordable housing, we must ensure that local workers are paid fairly so they can afford to live here, too. Cutting wages will not solve the housing crisis—it will only make it worse.

There are other ways to assist nonprofit community development financial institutions such as through grants or tax credits.

We urge this committee to **defer HB741 indefinitely** and stand up for Hawai'i's workers, families, and economic future. Mahalo for your time and consideration.

Respectfully submitted,

Mitchell Tynanes

Hawai'i Regional Council of Carpenters (HRCC)



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

HEARING BEFORE THE HOUSE COMMITTEE ON FINANCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308
Tuesday, February 25, 2025 AT 10:00 A.M.

To The Honorable Representative Kyle T. Yamashita, Chair
The Honorable Representative Jenna Takenouchi, Vice Chair
Members of the Committee on Finance

SUPPORT HB741 HD1 RELATING TO HOUSING

The Maui Chamber of Commerce **SUPPORTS HB741 HD1**, which exempts certain projects funded by the Affordable Homeownership Revolving Fund from prevailing wages provisions.

Housing is a top priority for the Maui Chamber of Commerce and remains critical as the crisis deepens following the wildfires, directly impacting businesses and our economic revitalization. Prior to the wildfires, the need for over 10,000 housing units by 2025 was already a pressing issue, but that number has increased due to the loss of 3% of our housing stock in Lahaina. This loss is a key factor driving the ongoing rise in housing prices.

The Chamber supports any legislation that enables affordable housing to be built as quickly as possible while keeping costs reasonable.

We are concerned that the \$3 million threshold might be too low for larger affordable rental projects. We respectfully suggest raising this threshold to a more realistic amount, one that would allow the construction of, for example, no more than 50 affordable rental units.

This bill is an essential tool in addressing our housing challenges, and we believe it should be fast-tracked.

For these reasons, we **SUPPORT HB741 HD1** and respectfully request its passage.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



February 24, 2025
House Committee on Finance
Committee Meeting 10:00 a.m. - Tuesday February 25, 2025

HB741 HD1 – STRONG SUPPORT

Aloha Committee Chair Yamashita, Vice-Chair Takenouchi, and Members;

I am submitting testimony in my capacity as Executive Director of Hawaii Habitat for Humanity Association (HHFHA). We are a nonprofit Community Development Financial Institution (CDFI) and Affiliate Support Organization for five direct service Habitat for Humanity Affiliates throughout the state, serving all four counties. Habitat for Humanity provides homeownership opportunities in partnership with individuals and/or families earning less than 80% of the Area Median Income (AMI), while keeping their housing costs at less than 30% of their income. Over the past five years, Habitat for Humanity has assisted more than 100 low-income households throughout the state to construct their own homes using a self-help housing concept.

We incorporate several cost control measures including coordinating volunteers to work alongside the homebuyers, accessing donated products through our parent organization and HHFHA, as a certified CDFI, seeking and offering low interest flexible housing development loans. Despite these cost cutting measures, Habitat for Humanity Affiliates must still seek grants and private donations to help subsidize the costs to the low-income homebuyers that we serve, due to the high cost of developable land and construction materials.

The Affordable Homeownership Revolving Fund (AHRF) is a tool that HHFHA would like to access and leverage with private funds, grants, and federal programs to finance the development of self-help housing projects. However, the use of AHRF would trigger compliance with the state’s prevailing wage requirements since the self-help project would be a “public work” as defined in section 104-1, HRS. While HHFHA supports fair wages for construction industry workers and works to provide housing for many of their families, the prevailing wage requirements increase the cost of each home by 15-20% when hiring contractors to perform certain portions of the build that are not feasible for homebuyers and volunteers to perform, such as electrical, plumbing, and other mechanical work. This added cost, means that Habitat affiliates must ask for additional donations or grants to absorb the added cost.

HB741 HD1 would allow use of the funds designed to help build affordable for-sale homes which are desperately needed and HHFHA offers our strong support.

Sincerely,

A handwritten signature in blue ink, appearing to read "Erik Mann".

Erik Mann, Executive Director
Hawaii Habitat for Humanity Association
emann@hawaiihabitat.org | 808-780-1977





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February 25, 2025

Support - HB741, HD1 – Relating to Housing

Aloha Committee Members,

I am writing on behalf of Hawai'i Community Lending (HCL), a nonprofit US Treasury certified community development financial institution (CDFI) that provides loans to fund Hawai'i home builders, homebuyers and homeowners, to submit testimony in **strong support** of HB741, HD1 – Relating to Housing.

The Affordable Homeownership Revolving Fund (AHRF) was established to increase investments in CDFIs and nonprofit developers to fund affordable homeownership projects throughout the state. Nonprofit CDFIs use public funds to attract private capital with the goal of increasing affordable housing and economic development in our communities. At a time when we are facing such an immense housing crisis and outmigration of our local people has increased to the highest rate in our history, this bill is necessary to build more affordable housing opportunities for our local people.

Unfortunately, the use of AHRF, in its current form, triggers compliance with the state's prevailing wage requirements since projects would be a "public work" as defined in section 104-1, HRS. HCL makes interim construction loans to assist native Hawaiians build single-family homes on Hawaiian Home Lands. In applying for the AHRF, our organization determined the current prevailing wage requirement would result in (1) increased construction costs up to \$150,000 per home, even when 1 home is being built by a small general contractor, and (2) appraisals below the construction contract amount by as much as \$190,000. These two issues are significant in that (1) they would increase the cost of homes for our low-income local families, making affordable homeownership further out of reach and (2) making it impossible for families to secure the construction and permanent mortgage financing necessary to build and move into the home unless they put down at least \$190,000 in cash.

HCL is a strong supporter of fair wages for the construction industry and in fact, several of the homeowners we have financed with construction loans are in the industry but are unable to afford the cost increases due to the current rules governing AHRF. **We strongly support HB741, SD1 as it addresses the current issues with the AHRF.**

Please **pass HB741, HD1** to ensure affordable homeownership is within reach of our local people and AHRF funds are accessible to produce more affordable housing. Mahalo for your consideration. Please contact me directly at 808.587.7653 or jeff@hawaiicommunitylending.com should you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink that reads 'Jeff Gilbreath'. The signature is written in a cursive, flowing style.

Jeff Gilbreath
Executive Director

HB-741-HD-1

Submitted on: 2/25/2025 4:34:37 AM

Testimony for FIN on 2/25/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
April Bautista	Individual	Support	Written Testimony Only

Comments:

I kindly encourage the committee to pass this community benefit out of FIN.

Thank you,

April

Kalihi-Pālama, Oahu