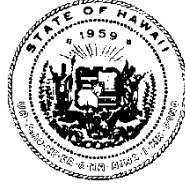


JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

STATE OF HAWAII

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

Statement of DEAN MINAKAMI

Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON LABOR

February 13, 2025 at 9:00 a.m.
State Capitol, Room 309

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

Chair Sayama, Vice Chair Lee, 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, there is \$3,128,687 left.

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.

Testimony of
Pacific Resource Partnership

Hawai'i State Legislature, House Committee on Labor (LAB)
Honorable Chair Jackson Sayama and Honorable Vice Chair Mike Lee
Thursday, February 13, 2025

Subject: Strong Opposition to HB741 – Relating to Housing

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

On behalf of Pacific Resource Partnership (PRP), which represents 6,000 unionized carpenters and hundreds of general contractors across Hawai'i, we strongly oppose HB741, which seeks to exempt certain projects funded by the Affordable Homeownership Revolving Fund from prevailing wage requirements under Chapter 104, Hawai'i Revised Statutes.

PRP and our partners in the construction industry are committed to building high-quality, safe, and sustainable housing for the people of Hawai'i. However, this bill undermines the very foundation of quality construction, worker protections, and the economic well-being of Hawai'i's skilled workforce. We oppose this bill for the following reasons:

Prevailing Wages Ensure Quality Construction and Safe Housing

Prevailing wage laws set fair compensation standards that attract and retain skilled workers, ensuring that affordable housing projects meet the highest standards of safety and durability. Cutting wages by exempting projects from prevailing wage requirements jeopardizes quality and could lead to substandard construction, putting Hawai'i's families at risk.

Encouraging the Exploitation of Workers

By exempting projects under \$1.5 million from prevailing wage laws, regardless of the financing source, the bill incentivizes low-wages and low-skill labor. It opens the door for contractors to cut costs by reducing wages, rather than focusing on efficiency and innovation. This not only harms local workers but also creates an uneven playing field that favors contractors willing to compromise on fair labor practices.

Cutting Wages Does Not Reduce Construction Costs

Studies have consistently shown that eliminating prevailing wages does not significantly reduce overall construction costs. Instead, it leads to a decline in worker productivity, an increase in safety violations, and higher long-term maintenance costs due to poor workmanship. The real barriers to affordable housing—such as land costs, permitting delays, and material expenses—will not be addressed by cutting worker wages.



(Continued From Page 1)

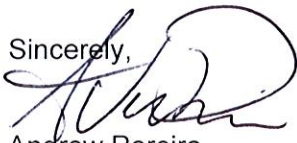
Conclusion

PRP strongly urges the committee to reject this proposal. Instead of attacking fair wages, policymakers should focus on comprehensive solutions that streamline permitting, improve infrastructure investment, and expand workforce training programs to support the construction industry. Hawai'i's housing crisis cannot be solved at the expense of the very workers who build our communities.

For these reasons, we respectfully request that HB741 be held.

Mahalo for your time and consideration.

Sincerely,



Andrew Pereira
Director of Public Affairs
Pacific Resource Partnership





February 11, 2025
House Committee on Labor
Committee Meeting 9:00 a.m. - Wednesday February 13, 2025

HB741 HD1 – STRONG SUPPORT

Aloha Committee Chair Sayama, Vice-Chair Lee, 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,

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





MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

HEARING BEFORE THE HOUSE COMMITTEE ON LABOR
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 309
Thursday, February 13, 2025, 2025 9:00 A.M.

To The Honorable Jackson D. Sayama, Chair
The Honorable Mike Lee, Vice Chair
Members of the Committee on Labor

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.

HB-741-HD-1

Submitted on: 2/13/2025 7:20:36 AM

Testimony for LAB on 2/13/2025 9:00:00 AM

| Submitted By | Organization | Testifier Position | Testify |
|------------------------|---|--------------------|---------------------------|
| Chris Marlett Patulski | Habitat for Humanity Hawaii Island, Inc. | Support | Written Testimony Only |

Comments:

Aloha Committee Chair Sayama, Vice-Chair Lee, and Committee Members,

I apologize that circumstance would not allow me to submit this testimony 24 hours before the hearing. I hope you will consider my comments.

As Executive Director of Habitat for Humanity Hawaii Island, Inc. I wish to express my support of HB741 HD1. We partner with lower income families (30-80% of Hawaii County AMI) to assist them and work alongside them in building a home and providing affordable homeownership opportunities, a dream that, in most cases, is unobtainable to them without our program. We pair this with predominantly volunteer labor, and contract certain portions of the build where licensed professionals are required or where the work is significantly dangerous for volunteers with varying levels of skills and possible inexperience. Because we are a small organization, and work on limited projects in any given year (3-5 stand alone single family homes) we feel that we would be able to benefit from this bill, while at the same time feeling that our benefit would not significantly negatively affect other groups who may be in opposition to this measure. To us, and to our homeowners, this bill may mean the difference between being able to provide affordable homeownership opportunities versus keeping those same families in the cycle of poverty, housing instability, and astronomical increases in shelter costs. Studies have proven that when individuals and families have stability in their shelter needs, better outcomes can be achieved in financial, health, and educational measurements of overall well being. We believe when we have diverse, thriving communities, everyone can benefit in the long run, and this measure may help our organization to continue to contribute favorably to such a community in our state.

I wish to thank the members for their consideration of this bill.

Respectfully submitted,

Chris Marlett Patulski, Executive Director



HAWAII REGIONAL COUNCIL OF CARPENTERS

Insert Date, 2025

TO: The Honorable Jackson Sayama, Chair
The Honorable Mike Lee, Vice Chair
and Members of the House Committee on Labor

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**), is nothing more than a Trojan horse designed to 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:

STATE HEADQUARTERS & BUSINESS OFFICES

OAHU: 1311 Houghtailing Street, Honolulu Hawaii 96817-2712 • Ph. (808) 847-5761 Fax (808) 440-9188
HILO OFFICE: 525 Kilauea Avenue, Room 205, Hilo, Hawaii 96720-3050 • Ph. (808) 935-8575 Fax (808) 935-8576
KONA OFFICE: 75-126 Lunapule Road, Kailua-Kona, Hawaii 96740-2106 • Ph. (808) 329-7355 Fax (808) 326-9376
MAUI OFFICE: 330 Hookahi Street, Wailuku, Maui 96793-1449 • Ph. (808) 242-6891 Fax (808) 242-5961
KAUAI OFFICE: Kuhio Medical Ctr Bldg., 3-3295 Kuhio Hwy, Suite 201, Lihue, Kauai 96766-1040 • Ph. (808) 245-8511 Fax (808) 245-8911

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

This Bill Sets a Dangerous Precedent for Wage Cuts

Exempting projects under \$1.5 million is just the **first step toward dismantling prevailing wage protections entirely.** Once exemptions begin, developers will **push to increase the threshold**, eroding fair wages across the industry. This isn't a cost-saving measure—it's **a race to the bottom.**

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.

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)



1315 Kalaniana'ole Avenue, Hilo, HI 96720
PO Box 210, Waimanalo, HI 96795
808-587-7656
www.hawaiicommunitylending.com

February 13, 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 dark ink, appearing to read 'Jeff Gilbreath', is written over a light blue horizontal line.

Jeff Gilbreath
Executive Director

HB-741-HD-1

Submitted on: 2/12/2025 10:16:32 PM

Testimony for LAB on 2/13/2025 9:00:00 AM

| Submitted By | Organization | Testifier Position | Testify |
|--------------|--------------|--------------------|------------------------|
| Tamara McKay | Individual | Oppose | Written Testimony Only |

Comments:

Testimony Opposing HB741 HD1 Unless Amended

Aloha Members of the Committee,

I am submitting testimony in **opposition to HB741 HD1 unless key amendments are made** to ensure financial transparency, protect worker wages, and prevent project loopholes. While the bill's intent to support affordable housing is commendable, the current language **raises concerns about wage protections, selective nonprofit benefits, and potential misuse of funds.**

Concerns Regarding HB741 HD1

1. Exemption from Prevailing Wage Laws Reduces Worker Protections

- This bill **exempts certain affordable housing projects** from Hawaii's prevailing wage laws, which **ensure fair pay for construction workers.**
- Without these protections, **workers may be paid significantly lower wages,** creating a **race to the bottom** in construction labor.
- While volunteer-based nonprofits like Habitat for Humanity may not be impacted, **other organizations could use this exemption to cut labor costs unfairly.**

Recommended Amendment:

- Require that **even exempt projects adhere to a minimum wage threshold** for construction workers.
 - Include **worker protections to prevent exploitation** under the exemption.
- 2. Unclear Selection Process for Nonprofits**
- The bill **only allows certified nonprofit Community Development Financial Institutions (CDFIs)** to qualify for the exemption, but it does **not specify how they are selected.**
 - There is **no oversight or accountability** ensuring that the selected nonprofits **represent the public interest rather than special interests.**

Recommended Amendment:

- Clearly define **the selection criteria for CDFIs** that qualify for this exemption.

- Require **public reporting** on who receives these exemptions and **who benefits financially**.
- 3. **Potential for Loopholes in the \$1,500,000 Cap**
 - The bill states that only **projects using less than \$1,500,000** from the Affordable Homeownership Revolving Fund are exempt from prevailing wage laws.
 - However, it **does not prevent developers from breaking projects into smaller phases** to repeatedly qualify.

Recommended Amendment:

- Implement a **lifetime cap per organization** to prevent repeated exemptions.
- Require that **related projects be considered collectively**, preventing developers from **splitting projects to sidestep the wage laws**.
- 4. **Suspicious Effective Date (July 1, 3000)**
 - The bill's effective date is set for **July 1, 3000**, which is a **legislative placeholder** often used when a bill is **still being negotiated behind closed doors**.
 - This suggests that **future amendments may drastically change the bill**, making it difficult for the public to track its final form.

Recommended Amendment:

- Set a **realistic effective date** so that the bill's actual implementation is clear to lawmakers and the public.

Conclusion

HB741 HD1, in its current form, creates **significant concerns regarding labor rights, financial transparency, and potential loopholes** in affordable housing projects. While the goal of expanding affordable housing is important, this bill **opens doors for misuse** and may **undermine worker protections**.

I respectfully urge the committee to **reject HB741 HD1 unless the proposed amendments are included** to protect both **affordable housing efforts and fair labor practices**.

Mahalo for your time and consideration.