



February 5, 2009

Representative Hermina Morita, Chair  
Committee on Energy and Environmental Protection  
Representative Rida Cabanilla, Chair  
Committee on Housing  
Representative Ken Ito, Chair  
Committee on Water, Land & Ocean Resources  
Conference Room 325  
State Capitol  
415 South Beretania Street

Representatives Morita, Cabanilla and Ito:

Subject: **House Bill No. HB 284 Relating to Energy**

My name is Jim Tollefson, President of the Chamber of Commerce of Hawaii. The Chamber of Commerce of Hawaii works on behalf of its members and the entire business community to:

- Improve the state's economic climate
- Help businesses thrive

The Chamber of Commerce of Hawaii is concerned, that similar to the "Mandatory Solar Bill, this bill proposes to "Mandate" the use of cool roofs on all new residential and commercial construction in Hawaii beginning in 2011.

As in most public policy issues, the process toward energy efficiency has many "unintended consequences." For example, last session the Legislature approved SB No. 644 which "mandated" the installation of a solar water heater in all new single family residences. The bill effectively:

1. Required all new single family residences constructed after January 1, 2010 to include a solar water heater system;
2. Eliminated the Solar thermal energy systems tax credits on all single-family residential properties after 1/1/2010; and
3. Prohibited a single family residential developer from claiming any renewable energy technologies tax credits for systems installed between now and 2010.

Government "Mandates" that attempts to direct the free market system generally result in penalizing one section of the market. For example, in this case, while the arguments that a \$7,000 thermal solar water heating system can easily be incorporated into the mortgage of the average priced home in Hawaii resulting in the homeowner realizing a net savings as energy cost rise over time, the mandate does not recognize or provide a mechanism to assist buyers seeking units priced for residents making less than 80% and less than 120% of the Housing and Urban Development (HUD) median income levels in Hawaii. For Honolulu, the HUD median income for a family of four is \$77,300. Irrespective of costs, developers are required to provide

generally 20% of their total units for families making 120% or less of the HUD median income and 10% of their total units for families making 80% or less of the HUD median income.

Adding the cost of a thermal solar water heating unit to these houses effectively means the buyer gets \$7,000 “less” house.

If the goal was really to significantly reduce our 90% dependency on imported oil, wouldn't it have made more of an impact on our energy dependency to require *all existing housing units* (approximately 491,000 as of July 2005) to convert to solar water heaters as opposed to requiring only new units to have solar (approximately 5,700 units in 2006). Why do you think the focus was on new units as opposed to existing?

No one disagrees with the intended goal of moving the state toward becoming more energy self sufficient. The concern is in the manner our elected leaders are choosing to accomplish this goal.

As was the case last session, this bill does clearly identify the specific problem or problems that need to be addressed through the proposed legislation. If the underlying intent is to encourage more energy efficient perhaps the proposed legislation should be expanded to include an assessment and analysis that clearly articulates the criteria for assessing and measuring the intended outcomes of the proposed legislation.

In other Cities or municipalities, government has led by example by “Mandating” that all government projects achieve a certain green or sustainable design standard. In so doing, the design professionals and contractors in these Cities were educated and developed the necessary hands on experience to build a green or sustainable project. AFTER the design professionals and contractors gained this experience, there were incentives created based on their hands on experience, to encourage the private projects to incorporate green or sustainable design. People were able to see that costs and benefits of changing behavior and moving toward more energy efficiency.

There also does not appear to be a comprehensive approach or “game plan” for how we should approach our dependency on imported oil. The legislature is considering a variety of alternative energy and energy efficiency types of bills. A comprehensive package that provided some analysis of the programs and desired outcomes along with the economic analysis of all the costs associated with achieving these outcomes should be done prior to passage of this type of legislation.

We strongly recommend that the Legislature develop a full understanding of the economic impacts created by this type of legislation. Perhaps the Legislature should conduct its own analysis or comparison to determine, at a minimum, the following:

1. What specific outcome or range of outcomes would the bill achieve;
2. Discuss the public benefits among the different outcomes and assess whether or not government involvement is necessary;
3. If government involvement is desired, assess the pros and cons of providing incentives or mandating compliance to achieve the desired outcomes.

While we see interest in the market moving toward more energy efficiency and sustainable designs, we believe there is much more that needs to be done before public policy makers “Mandate” any more “green or sustainable” legislation.



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Subject: **House Bill No. HB 284 Relating to Energy**

My name is Dean Uchida, Vice President of the Hawaii Developers' Council (HDC). We represent over 200 members and associates in development-related industries. The mission of Hawaii Developers' Council (HDC) is to educate developers and the public regarding land, construction and development issues through public forums, seminars and publications.

It is also the goal of HDC to promote high ethics and community responsibility in real estate development and related trades and professions.

The HDC is concerned, that similar to the "Mandatory Solar Bill, this bill proposes to "Mandate" the use of cool roofs on all new residential and commercial construction in Hawaii beginning in 2011.

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Thank you for the opportunity to share our views with you.



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February 4, 2009

**The Honorable Hermina M. Morita, Chair**

House Committee on Energy & Environmental Protection

**The Honorable Rida Cabanilla, Chair**

House Committee on Housing

**The Honorable Ken Ito, Chair**

House Committee on Water, Land, & Ocean Resources

State Capitol, Room 325

Honolulu, Hawaii 96813

**RE: H.B. 284 Relating to Energy**

Aloha Chair Morita, Chair Cabanilla, Chair Ito, and Members of the Joint Committees:

On behalf of our 9,600 members in Hawai'i, the Hawai'i Association of REALTORS® (HAR) **opposes** H.B. 284 which mandates the use of cool roofs on all new construction beginning January 1, 2011.

HAR is opposed to the proposed mandate for all new residential and commercial construction to be installed with cool roof materials. The cost of cool roofing materials is higher than traditional roofing materials. Similar to the mandate for solar water heaters, a cool roof mandate will continue to increase the already high cost of homes.

Even assuming that a person pays \$80,000 down on new \$400,000 home with a 6.5 percent, 30-year fixed-rate loan, a homeowner's monthly payment would be \$2,022. The required addition of any energy-efficient features will further increase the base price of a home, continuing to make homeownership a challenge for many in Hawai'i. For these reasons, HAR opposes this bill.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.