

TESTIMONY
SB 1313
LATE



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

No. 1 Capitol District Bldg., 250 South Hotel St., 5th Flr., Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Tel.: (808) 586-2355
Fax: (808) 586-2377

LATE TESTIMONY

Statement of
THEODORE E. LIU

Director

Department of Business, Economic Development, and Tourism
before the

**SENATE COMMITTEES ON WATER, LAND, & OCEAN RESOURCES
AND**

**COMMITTEE ON TRANSPORTATION, INTERNATIONAL AND
INTERGOVERNMENTAL AFFAIRS**

Wednesday, February 11, 2009

3:30 p.m.

State Capitol, Conference Room 229

SB 1313

RELATING TO COMMUNITY DEVELOPMENT.

Chairs Hee and English, Vice Chairs Tokuda and Gabbard, and Members of the Senate Committees on Water, Land, Agriculture, and Hawaiian Affairs and Transportation, International and Intergovernmental Affairs.

The Department of Business, Economic Development and Tourism respectfully opposes SB 1313, which would repeal HRS Chapter 206E, Hawaii Community Development Authority (HCDA) and transfer personnel and assets to other State agencies and the City and County of Honolulu.

While there is merit in periodically reviewing the organizational arrangements of state programs, this bill would eliminate an important state planning and development agency for no apparent reason. The changes are extensive, including the transfer of valuable state lands to the City and County of Honolulu. There will be considerable uncertainty created with the elimination of statutes, transfer of personnel without programs to administer, and long-term arrangements put into limbo.

The HCDA is working on numerous projects that are very important to the infrastructure and economic development of the State. For instance:

- HCDA is proposing an important \$8.5 million energy corridor project for Kalaeloa utilizing CIP and DOT funds as well as private sector cost sharing. This project would likely collapse if HCDA was abolished.

LATE TESTIMONY

- The agency is involved in a \$15 million Loan to Restart and construct 202 affordable rental project (Halekauwila Place), which would be in jeopardy if the agency were eliminated.
- If abolished the HCDA's \$4.9M repair of Kewalo Basin Harbor would be jeopardized as the financing revolving funds would be absorbed elsewhere. The project represents critical deferred maintenance that needs to be done to safeguard a prime state commercial harbor asset.
- A number of other energy and high technology projects would be jeopardized by this bill.

In summary, the department believes that the agency and the many key infrastructure and economic development projects it is engaged in are important to the State and do not warrant change at this time.

Thank you for the opportunity to offer these comments.



HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



KAKAOKO
KALAELOA

Linda Lingle
Governor

Jonathan W. Y. Lai
Chairperson

Anthony J. H. Ching
Executive Director

677 Ala Moana Boulevard
Suite 1001
Honolulu, Hawaii
96813

Telephone
(808) 587-2870

Facsimile
(808) 587-8150

E-Mail
contact@hcdaweb.org

Web site
www.hcdaweb.org

LATE TESTIMONY

STATEMENT OF

ANTHONY J. H. CHING, EXECUTIVE DIRECTOR
HAWAII COMMUNITY DEVELOPMENT AUTHORITY

BEFORE THE

SENATE COMMITTEE ON WATER, LAND, AGRICULTURE, AND
HAWAIIAN AFFAIRS

AND

SENATE COMMITTEE ON TRANSPORTATION, INTERNATIONAL AND
INTERGOVERNMENTAL AFFAIRS

Wednesday, February 11, 2009

3:30 P.M.

State Capitol, Conference Room 229

S. B. 1313 – RELATING TO COMMUNITY DEVELOPMENT.

Purpose: This measure (i) repeals the Hawaii Community Development Authority (“HCDA”) effective upon the approval of the Act and transfers zoning authority over lands previously under the Authority’s control to the City and County of Honolulu, (ii) transfers the authority and duties with respect to the Kalaeloa Community Development District and the public lands in the Kakaoko Community Development District to the Department of Land and Natural Resources (“DLNR”), and (iii) transfers the authority, duties, responsibilities of the HCDA and the Department of Transportation relating to the Kewalo Basin Harbor to the DLNR.

Position: The HCDA appreciates the gravity of the economic crisis facing the nation and our State, but strongly opposes the concept that the abolishment of the HCDA will do anything to resolve our budgetary problems. In fact, it is my belief that if this proposal is enacted, it will do more to thwart our State’s recovery, then help.

Negative Impact on Economic Recovery Projects. The proposal specifies that all unencumbered monies deposited in any revolving or special fund shall lapse to the credit of the general fund. Currently, projects approved by the

LATE TESTIMONY

HCDA which stand to figure prominently in stimulating the local economy have implementation dates extending into Fiscal Year 2011 at a minimum. Abolishment of the project management function of the HCDA and most importantly the loss of the agency's revolving fund to the general fund will cripple if not stop these projects from proceeding. Examples include:

- Restart of Halekauwila Place Affordable Rental Project – The HCDA is in the process of issuing a \$15 million loan to the developer of a State sponsored affordable rental project which was abandoned due to a lack of credit and construction financing. Abolishment and the loss of the agency's revolving fund will kill this very worthy and rare 200-unit affordable rental project in the urban center.
- Improvements to Enterprise Road (Kalaeloa) – The Kalaeloa Community Development District currently suffers from an aged and deteriorating electrical, telephone, cable, drinking water and wastewater infrastructure. The current operator (United States Navy) has not invested any money for 10 years and indicated that they would leave the District within 5 years. The HCDA is pursuing an \$8.5 million capital improvement projects ("CIP") project to bring electricity, telephone and cable service into Kalaeloa on a SMART GRID. This project is deemed critical to support HIARNG and DOT-Airports military construction and clean energy projects.
- Repair of the AAFES Building – This State building housing the Departments of Public Safety and Health ("DPSH") requires \$1.4 million in repairs that neither DPSH nor the Department of Accounting and General Services can afford. The HCDA proposes to supplement the current CIP request with its revolving fund to maintain this State facility.
- Repair and Improvement of Kewalo Basin Harbor – The HCDA is currently undertaking a \$4.9 million repair of the State's premier commercial fishing harbor. The loss of the agency revolving fund and lack of legislative support would mean that this harbor would fall further into disrepair and might have to be abandoned.

LATE TESTIMONY

- Other improvement and repair projects – Mother Waldron Park (\$1.4 million), Kakaako Waterfront, Gateway and Kewalo Park Improvements (\$1.7 million), Makai Area Drainage System Repair (\$530,000), Traffic Signal at Queen/Kamakee Intersection (\$1.388 million), Forrest Avenue Improvement District Project [\$14 million (\$7 million of which is economic stimulus match)] Makai Area Remediation & Interim Parking Project (\$4.988 million), Hawaii Children’s Discovery Center Repair (\$250,000), McKinley High School Community Facility Project (\$2 million), Kalaeloa Lot Acquisition (for solar power generation project -\$2 million), Kakaako Lot 40 Acquisition for Reserved Housing and Regional Parking (\$4.2 million) are just some of the other projects which would have to be abandoned if the project management, advocacy and revolving fund capacity of the HCDA were to be lost.

Economic Recovery Projects Require More Than Just Money. The economic projects described above are heavily dependent on the leverage of the revolving fund against developer contributions, potential Federal stimulus matching funds and legislative CIP appropriation. However, another important element is the unique structure of HCDA to efficiently pursue planning and development projects as well as the capacity of its staff. Abolishment of the agency and the transfer of staff to another agency will take away the planning and redevelopment expertise and experience of the HCDA and submerge them within the DLNR.

No Real Cost Savings. The proposal currently transfers the staffing and attendant funding to the DLNR. If implemented, this would actually maintain and not produce any general fund savings. The net effect would be that organizational boxes would move, revolving funds would be absorbed by the general fund, staff would be shifted to another agency, but would not produce any tangible cost savings which might be applied to the budget deficit. If anything, the revenue generating capacity that the HCDA currently possesses would be lost.

The mission of the HCDA is to not to simply administer zoning rules in Kakaako and Kalaeloa which might produce the delivery of reserved housing units from willing developers, but also includes: a responsibility to plan and implement capital improvement projects to upgrade infrastructure and develop public facilities; coordinating the development of mixed-use projects; and most importantly identifying the preferred future that stakeholders and residents of our

LATE TESTIMONY

development districts desire. In sum, the HCDA strives to create efficient and sustainable communities that enhance the quality of life for its residents.

In addition, HCDA's redevelopment mission and board and staff structure instills a private sector perspective that allows it more creative solutions to the inevitable development problems.

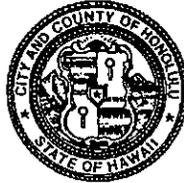
Instead of telling this Committee about the many good projects that have been produced by the HCDA since its inception, I believe that you should understand the equal, if not greater number of projects that we are poised to implement that would be irrevocably lost if the agency were to be abolished. Instead of arguing to save an agency, I would argue that maintaining the agency will contribute mightily to restoring our State's economy and prepare the only urban area that can accommodate short-term future growth. Instead of pleading for the jobs of my employees, I would instead plead for the opportunity to create better communities that our working families can afford to live in. I do not believe that we can afford to abolish an agency which is a part of the solution and not the problem.

Thank you for the opportunity to share with you my conviction that the abolishment of the HCDA at this time would be ill-timed and counter-productive.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU
650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 768-8000 • FAX: (808) 768-6041
DEPT. WEB SITE: www.honolulu.gov • CITY WEB SITE: www.honolulu.gov

LATE TESTIMONY

MUFI HANNEMANN
MAYOR



DAVID K. TANOUE
ACTING DIRECTOR

ROBERT M. SUMITOMO
DEPUTY DIRECTOR

February 11, 2009

The Honorable Clayton Hee, Chair
and Members on the Committee on Water,
Land, Agriculture, and Hawaiian Affairs

The Honorable J. Kalani English, Chair
and Members of the Committee on Transportation,
International and Intergovernmental Affairs
State Senate
State Capitol
Honolulu, Hawaii 96813

Dear Chairs Hee, English, and Members:

**Subject: Senate Bill 1313
Relating to Community Development**

The Department of Planning and Permitting **supports** the intent of Senate Bill 1313 as it relates to placing all lands designated within the Kakaako Community Development District and the Kalaeloa Community Development District within the zoning jurisdiction of the City and County of Honolulu.

However, we do not support Section 10 of the subject bill which may transfer all liability for deeds, leases, contracts, loans, agreements, permits, and any documents entered into by or on behalf of the Hawaii Community Development Authority to the City without having thoroughly reviewed the obligations that these documents may place on the City. We recommend the bill give the City an opportunity to review these documents before accepting their transfer, especially if there are provisions that conflict with standing city ordinances and regulations.

Please amend the bill accordingly.

Thank you for the opportunity to testify.

Sincerely yours,

A handwritten signature in black ink, appearing to read "DKT", written over a horizontal line.

David K. Tanoue, Acting Director
Department of Planning and Permitting

DKT: jmf
sb1313-kst.doc

LATE TESTIMONY

TESTIMONY IN SUPPORT OF SB1313
WITH A MUCH NEEDED CHANGE SUGGESTED

SENATE COMMITTEE ON WATER, LAND, AGRUCULTURE AND HAWAIIAN AFFAIRS

AND

SENATE COMMITTEE ON TRANSPORTATION, INTERNATIONAL AND
INTERGOVERNMENTAL AFFAIRS

Wednesday, 11 February 2009 in room 229 at 3:30 PM

Chairs Hee and English and respected members of the committees,

My name is Reg White. I work in the commercial boating industry of our state and have been involved with operations from Kewalo Basin for the past thirty five years. The recent years, since 1992, under the auspices of HCDA, our basin and its facilities have been allowed to run down and deteriorate, even though the state auditor reports show that there was an annual surplus of funds paid by our fees, income sufficient to have paid the maintenance all the way along. HCDA management has been a disaster for Kewalo Basin and its tenants from the beginning. This bill has our complete support except for the clause in Section 8 that transfers the staff from HCDA to go along with the job. This staff is the problem, they are the common thread that has caused our basin to deteriorate and they are the same people who mis-planned the restoration project in 1994 that made access to the basin nearly impossible for visitors who don't already know their way around, and in the process they parked the buses in a way to block the view of the waterfront from one of our main marketing sources, the traffic passing by on Ala Moana Blvd. No, if you must transfer this staff along with the job, then this bill has done nothing to help the tenants of Kewalo Basin. Please make the necessary amendments to fix this and then pass the bill.

Respectfully,

Reg White
1540 S. King St.
Honolulu, HI 96826-1919
(808) 222-9794
RawcoHI@cs.com



LATE TESTIMONY

KO'OLAUPOKO HAWAIIAN CIVIC CLUB

February 11, 2009

TO: SENATOR CLAYTON HEE
& Members
Committees on Water, Land, Agriculture & Hawaiian Affairs

FROM: MAHEALANI CYPHER, President
Ko'olaupoko Hawaiian Civic Club

SUBJECT: TESTIMONY REGARDING S.B. 1313,
RELATING TO COMMUNITY DEVELOPMENT

Aloha mai kakou. The Ko'olaupoko Hawaiian Civic Club is in opposition to Senate Bill 1313, which would provide for the dismantling of the Hawai'i Community Development Authority and transfer of its lands to other agencies.

We are engaged in a collaborative partnership with other organizations for a cultural and economic revitalization project involving 400 acres of HCDA lands in He'eia ahupua'a. It is our hope that our project will result in the restoration of kalo fields, resulting in active food production for the people of Hawai'i. We feel this type of activity is consistent with the current mission and kuleana of the HCDA, and are concerned that the project may be jeopardized by the dismantling of this agency.

+

The Ko'olaupoko Hawaiian Civic Club urges you to file this bill.

E mahalo nui loa for this opportunity to share our mana'o.

P. O. Box 664
Kaneohe, HI 96744
Ph. (808) 235-8111
koolaupokohcc.org

LATE TESTIMONY

TESTIMONY
SB 1313
LATE
(END)