

SCR 132 Task Force to Determine the Economic Value of Construction in Hawaii

Warren Haruki, Chair
Perry Artates
Stanford Carr
Tom Foley
Michael Fujimoto
Don Horner
Rick Kahle
Ray Kamikawa

Micah Kane
Glen Kaneshige
Paul Oshiro
Bruce Robinson
John Sabas
Harry Saunders
Jeff Stone
Ron Taketa

Honolulu Rail Transit

- Estimated \$5.4 billion project
- Estimated to generate more than 10,000 jobs/year over the next 8 years
- \$483 million Phase 1 contract to generate up to 1,000 construction jobs
- Rapid Transit Stabilization Agreement (RSTA) signed by 12 of the local trade unions
- Potential for over \$1 billion in federal funding
- According to the American Public Transportation Association:
 - Every \$1 spent on transit by the Federal Government generates a \$6 return
 - For every \$10 million = \$30 million in local business revenue



Honolulu Rail Transit Recommendations

Top Priority

- Encourage State Approval of the Final Environmental Impact Statement
- Legislature to Preserve the County Surcharge to Fund the Honolulu Transit Project
- C&C of Honolulu to Establish a Honolulu Transit Authority



Status of State CIP

- Since Statewide Capital Improvement Projects were announced in December 2008, only:
 - \$756.5 million under construction – 17% of \$4.4 billion (vs. Governor’s \$1.7 billion “in the pipeline”)
 - 401 projects under construction – 17% of 2,346 total projects

Source: <http://hawaii.gov/cip>; last updated Jan. 15, 2010

Re-engineering the Process

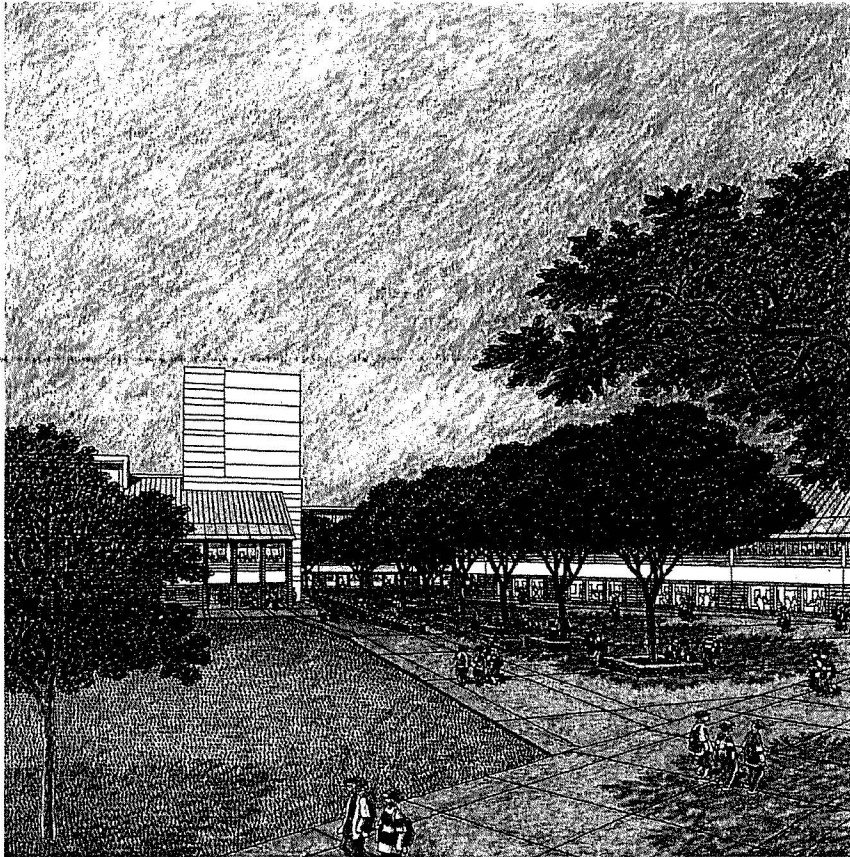
- Governmental agency reviews are experiencing significant slowdown
 - Knowledge Drain: retirement of State & County workers
 - Furloughs and unfilled positions
- Re-engineering = Combine job functions → fewer jobs at higher wages
- No furloughs for employees involved in construction project approvals

Example: KyoYa Redevelopment

- Redevelopment of the Princess Kaiulani and Moana Surfrider Diamond Head Tower
 - 3,376 person years of employment during construction generating approximately \$284 million in personal earnings
 - 1,503 additional jobs (direct and indirect) during hotel operations generating \$39 million in personal earnings per year
 - Annual increase in City tax revenue of \$6.2 million
 - Annual increase in State tax revenue of \$4.7 million



UH West Oahu



- Phase I – \$100 million (est.), 5 buildings
- Requesting \$48 M from Legislature to complete 3 buildings
- Targeting August 2010 groundbreaking
- Estimated 16-18 months of construction – occupy by 2012
- Campus will service 2,750 students
- High demand -- 40% increase in enrollment at UHWO over the past 2 years
- Critical infrastructure needs underway – roads, water, sewer, etc.
- Vital location near rail station and residential/commercial communities

Tax & Incentives Committee

Ray Kamikawa, Chair

Rick Kahle

Tom Foley

Mike Tresler, Facilitator

Tax Committee Recommendation 1

Issue

- The global economic crisis has stalled hotel and timeshare construction and remodeling projects that would otherwise continue to provide construction job opportunities.

Recommendation

- **10% Refundable Hotel/Timeshare Construction and Remodeling Tax Credit**

Expected Outcome

- With nearly \$10 billion in stalled hotel & resort projects statewide, the tax credit will provide a financial enticement for developers/hotel owners to move ahead with project plans and move forward with construction at a time when costs are favorable.

Tax Committee Recommendation 2

Issue

- Economic conditions have reduced the value of tax credits, limiting the amount of available capital resources that are specifically geared towards sustaining and completing low-income housing projects.

Recommendation

- **Monetize Low-Income Housing Tax Credit**
 - Permit the exchange of unused tax credits for an interest-free loan from HHFDC

Expected Outcome

- Create an alternative capital resource to aid in addressing certain funding issues faced by the affordable housing market. Generate more capital than what is currently generated in order to fund more projects, stimulate the construction industry, and add more supply to the market.

Tax Committee Recommendation 3

Issue

- The State's existing enterprise zone law is currently only limited to the following activities: manufacturing, wholesaling, farming, biotechnology, and wind farming.

Recommendation

- **Expand Enterprise Zone Incentives to include construction or remodeling costs for:**
 - New/existing health care facilities, historic properties, new/existing single family homes, multi-family dwellings, and hotel/timeshares

Expected Outcome

- Expansion of incentives will encourage additional private sector investments, leading to construction, development, and/or rehabilitation of new or existing buildings and structures in those specified areas.

Tax Committee Recommendation 4

Issue

- Residential construction has suffered a severe decline resulting in lost jobs for many construction workers. Additionally, there continues to be a desperate need to provide residential affordable, workforce, and market housing.

Recommendation

- **Residential New Construction Income Tax Credit**
 - An income tax credit to qualified homebuyers equal to 2% of a home's purchase price or \$6,000, whichever is lower

Expected Outcome

- Stimulate construction activity specifically within the residential sector by creating an incentive tax credit to move homebuyers off of the sideline.

Government Sector

Micah Kane, Chair

Ron Taketa

Mike Fujimoto

John Sabas

Other contributors:

Allan Lock

Brennon Morioka

Kaulana Park

Kyle Chock, Facilitator

Government Committee Recommendation 1

Issue

- The current procurement process entails protracted periods of time between each procurement step, compounding to the delay in moving construction projects forward at a time when the economic success of the industry hinges on expediency.

Recommendation

- **Shorten the Public Notice Period for Bids in the Procurement Process -- require a minimum notice period that is no longer than 15 days**

Expected Outcome

- A shortened public notice period for simple projects -- without having to request an exemption -- will create a more efficient and expedient process in which specific construction projects are able to start sooner.



Government Committee Recommendation 2

Issue

- The current procurement process require protracted periods of time between each procurement step, compounding to the delay in moving construction projects forward at a time when the economic success of the industry hinges on expediency. There is currently no specific timeframe in which a contract is awarded.

Recommendation

- **Require All State Departments to Award Contracts on Bids within 30 Days**

Expected Outcome

- Ensures that bids which have met the necessary criteria are awarded in a timely and predictable manner. Provides for a more expedient process in which construction projects are able to proceed with their work sooner.

Government Committee Recommendation 3

Issue

- The current procurement process require protracted periods of time between each procurement step, compounding to the delay in moving construction projects forward at a time when the economic success of the industry hinges on expediency

Recommendation

- **Require All State Agencies to Finalize Contract Certification with the Department of Accounting and General Services within 60 days**

Expected Outcome

- Ensures that contracts which have met the necessary criteria are finalized in a timely and predictable manner and are not subject to an overly long review schedule. Enables the State to achieve a quicker economic stimulation by allowing construction projects to move forward faster.

Government Committee Recommendation 4

Issue

- Imposed fees on exactions vary between government agencies, creating a situation where the building of infrastructural systems is often uncoordinated and unfinished.

Recommendation

- **Resolution to Review the Effectiveness of Infrastructure Tools, Exactions, and Financing**
 - Request DBEDT to work with construction industry leaders to review the development entitlement process and the exactions applied
 - Request DBEDT to complete the review 15 days prior to the adjournment sine die of the Regular Session of 2010

Expected Outcome

- Gain a clearer understanding of the cost of construction and development and its effect upon the communities where development has been directed.

Dept. of Transportation CIP



Source: <http://hawaii.gov/cip>

Last updated Dec. 14, 2009

- State Department of Transportation has nearly \$2 billion of work listed under the State CIP program
 - DOT Highways has approximately \$970 million worth of projects
 - DOT Airports has an approximately \$760 million worth of projects
 - DOT Harbors has nearly \$260 million
 - **DOT Highways and Airports account for over 85% of DOT's total volume of work**

Government Committee Recommendation 5

Issue

- Airports and Highway Division must go through the SMA process resulting in project delays of 6-12 months
 - Required even if the specified work falls outside of the realm in which an SMA permit is required, or
 - Required if the project has already been through a state and federal review process

Recommendation

- **Exempt the Department of Transportation (DOT) Airports and Highways Division from County Special Management Area (SMA) Permitting Requirements**
 - Specify the type of construction and development that would qualify for a county exemption

Expected Outcome

- Enable projects to proceed without an unnecessary review process that adds to the escalating delay and cost.

Private Sector

Jeff Stone, Chair

Don Horner

Glen Kaneshige

Other contributors:

Mike Jones

Tom Witten, Facilitator

Private Sector Committee Recommendation

Issue

- Residential construction has suffered a severe decline resulting in lost jobs for many construction workers.
- Hawaii Carpenters Union: 52% statewide unemployment as of Jan. 2, 2010
- Continual need to provide residential affordable, workforce, and market housing.

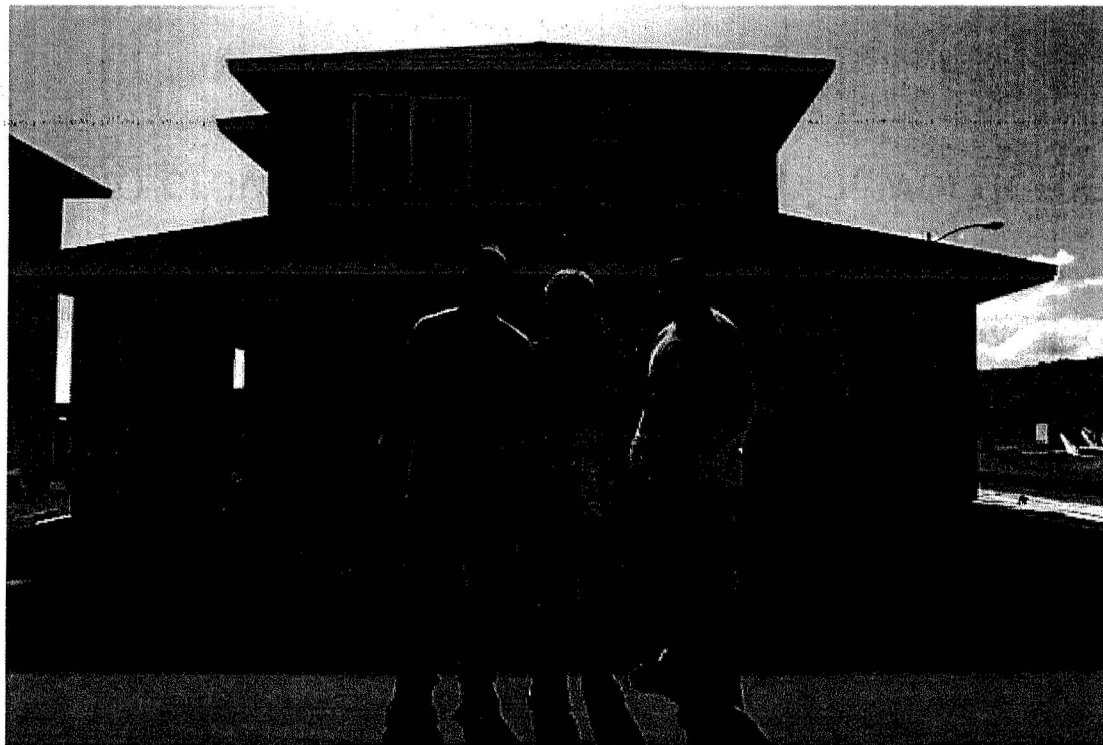
Recommendation

- **Resolution Urging the Acceptance and Implementation of Act 141, Session Laws of Hawaii 2009, by the Counties to Facilitate the Planned Department of Hawaiian Home Lands Development of Affordable/Workforce Housing**

Private Sector Committee Recommendation

Expected Outcome

- Precipitate the building of more affordable/workforce housing through the DHHL. There is a potential to build more than 9,000 units through DHHL's planned communities across the state.



Renewable Energy

Bruce Robinson, Chair
Harry Saunders

Other Contributors:

Corinne Onetto

Ingvar Larsson

Frederic Berg

Mark Duda

Douglas Codiga

Carleton Ching

Richard Mirikitani

Jennifer Stites

Riley Saito

Gerald Sumida

Sandra Wong

Eric Knutzen

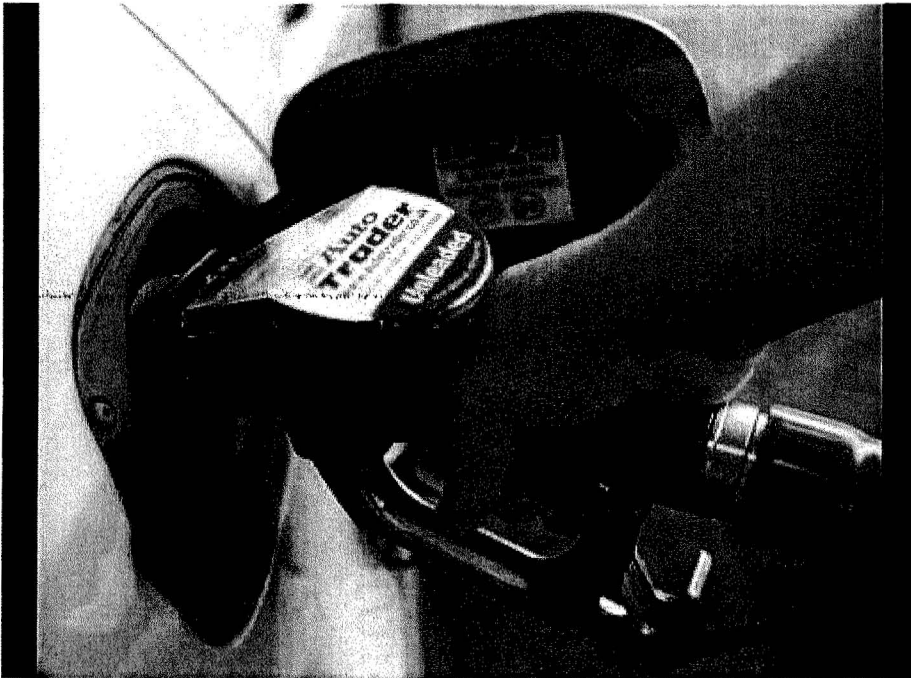
Douglas McClafin

Alan Kennet

Will Maloney

Joel Matsunaga, Facilitator

Renewable Energy Committee Recommendation 1



Issue

- Hawaii currently depends on imported fossil fuel – primarily oil – to meet over 90% of its energy needs
- In 2008, Hawaii imported 41,500,000 barrels of crude oil at a cost to the State's economy of approximately \$4,100,000,000

Renewable Energy Committee

Recommendation 1

Recommendation

- **Revise and Expand the Production-Based Tax Credit for Ethanol to Apply to All Qualifying Biofuels**

Expected Outcome

- Attract investment and stimulate local production of a range of bio-based liquid fuels
- Reduce the dependence on imported fossil fuels
- Contribute to State's renewable energy goals
- **One large-scale biofuel project would generate approximately 1,400 new jobs and \$115,000,000 in new economic value**

Renewable Energy Committee Recommendation 2

Issue

- Chapter 201N, HRS, was intended to coordinate and facilitate permitting for renewable energy projects and encourages timely development of such projects
- However, no renewable energy projects have been processed under the consolidated, expedited processing, and no rules to implement this chapter have been adopted.

Recommendation

- **Further Consolidate and Accelerate Regulatory Approvals and Permits for Large Renewable Energy Projects**

Expected Outcome

- Immediately create construction and other related job opportunities, avoid the outflow of billions of dollars for foreign oil, and push Hawaii towards meeting its self-sufficiency goals.

Renewable Energy Committee Recommendation 3

Issue

- The lack of competition, consumer choice, and diversification within Hawaii's energy base has limited renewable energy innovation, production, investment, and ultimately economic development within the state.

Recommendation

- **Require the Public Utilities Commission to Establish Policies and Administrative Rules for Retail Wheeling in Hawaii's Electricity Markets**

Expected Outcome

- Provide additional options for independent power producers to sell energy at favorable rates, and help attract further investments that generate additional construction and related job opportunities and economic stimulus.

Workforce Housing

Harry Saunders, Chair

Stanford Carr

Paul Oshiro

Perry Artates

Ryan Churchill, Facilitator

Workforce Housing Committee Recommendation 1

Issue

- State and county processes for permit review and other approvals for workforce housing often result in significant delays prior to the start of construction.

Recommendation

- **Accelerate the Review Process for Permits and Other Approvals**
 - Enact statutory provisions to accelerate and enhance the efficiency of the permit review and approval process along with provisions to establish maximum time periods to grant or deny.

Expected Outcome

- A more efficient process should expedite the start of construction for these types of projects, thus creating more construction and other related jobs at a much quicker pace.

Workforce Housing Committee Recommendation 2

Issue

- Each county has affordable housing requirements that either duplicate the State's requirements. Requirements are not consistent across counties – ranging from liberal to restrictive in nature.

Recommendation

- **Temporarily Lower County Affordable/Workforce Housing Requirements to Stimulate Immediate Housing Construction**
 - Amend Chapter 201H, HRS, to allow the State to establish county affordable/workforce housing requirements for a period of 3 years

Expected Outcome

- The temporary lower county affordable housing requirement will immediately stimulate housing construction statewide as a result of lifting onerous housing requirements on specific projects.

Workforce Housing Committee Recommendation 3



Issue

- The current mortgage environment has had a negative impact on the availability of homes being built for first-time homebuyers. The scarcity of financing loans often results in no construction of affordable housing projects.

Recommendation

- **Study the Need for a State Mortgage Guaranty Fund**
 - Feasibility study of expanding guidelines of private mortgage insurance companies and the creation of a state mortgage guaranty fund
 - DBEDT to work with industry leaders to determine best course of action to stimulate affordable housing projects

Expected Outcome

- A comprehensive analysis in evaluating the need for a state mortgage guaranty fund in order to determine the best course of action available to stimulate economic growth in the affordable housing market.