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**Testimony to the Senate Committee on Ways and Means**  
**Wednesday, March 04, 2015**  
**9:00 a.m.**

**State Capitol - Conference Room 211**

**RE: SENATE BILL NO. 19, SD 1, RELATING TO TAXATION**

Chair Tokuda, Vice-Chair Kouchi, and members of the Committee:

My name is Gladys Marrone, Chief Executive Officer for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA-Hawaii **supports the intent** of S.B. No. 19, SD 1, which proposes to:

- Divert half of the ten per cent administrative fee collected by the State to transit oriented development projects.
- Extend the ability of other counties to adopt a county surcharge on state tax to an unspecified date.
- Extend the sunset date of the county surcharge on excise tax to December 31, 2047.
- Require the Honolulu authority for rapid transportation (HART) to complete the entire rail transit project by December 31, 2047, including extensions of the project to Ala Moana Center, the University of Hawaii at Manoa, and downtown Kapolei.
- Require buildings of each rail transit station to be physically connected.
- Require city and county of Honolulu to plan transit oriented development to accommodate anticipated population growth.
- Require the auditor to conduct a financial and management audit of the HART and its rail transit project.

BIA-Hawaii supports extending the county surcharge on the excise tax for 4-5 years in order to meet the legal requirement of having sufficient funds available when entering into the remaining construction contracts for the minimal operating segment of the project, as shown in this table:

<b>Design-Bid-Build Contracts</b>	<b>Anticipated Award Dates</b>
Ramp H2R2	2 <sup>nd</sup> Quarter 2015
Farrington Highway Stations Group	2 <sup>nd</sup> Quarter 2015
West Oahu Stations Group	3 <sup>rd</sup> Quarter 2015
Kamehameha Highway Stations Group	4 <sup>th</sup> Quarter 2015
City Center Utilities & Civil Work	4 <sup>th</sup> Quarter 2015
<b>Design-Build Contracts</b>	<b>Anticipated Award Dates</b>
Airport Guideway and Stations	1 <sup>st</sup> Quarter 2016
City Center Guideway and Stations	2 <sup>nd</sup> Quarter 2016

As proposed, S.B. 19 S.D. 1 would extend the county surcharge on the excise tax for 25 years from its existing sunset date of 2022. The additional GET revenue collected over this extended time period would be used to extend

the minimal operating segment to the City of Kapolei and the University of Hawaii at Manoa Campus.

**BIA-Hawaii supports the extension of the GET to 2047 ONLY if an infrastructure financial plan and design cost estimates for East Kapolei and UH Manoa are required.**

From the start, BIA-Hawaii has been a strong proponent of the rail transit system as an appropriate “growth management” tool to increase the population density along the 20-mile transit corridor. To stop support for the transit system at this time would prevent future growth without a significant investment in roadway infrastructure, or allowing for more development into areas not currently planned for future growth (i.e. Hawaii Kai, Windward Oahu, North Shore, and Central Oahu-between Wahiawa and Wailua).

However, we are concerned about the level of transparency and accountability as the project moves forward. We understand that in any construction project you will encounter delays and unforeseen circumstances that may increase construction costs. For a project of this size, a certain degree of cost overrun should be expected.

Our biggest concern is with the lack of information and a plan for providing the necessary infrastructure to support the planned growth within the transit corridor. The City should be required to provide a comprehensive plan to provide the necessary sewer, water, and drainage infrastructure capacity to support the planned densities along the transit corridor. Rather than reacting to or pre-selecting possible or potential landowners/developers along the transit corridor, the City should be pro-active in providing the basic backbone infrastructure capacity to support the planned growth and let the market dictate where and when density should be developed along the transit corridor.

Without leadership in how infrastructure capacity should be provided along the transit corridor, investors/developers will be reluctant to pursue projects due to the risk and uncertainty of who will pay for the regional infrastructure improvements.

Thank you for the opportunity to express our views on this matter.



**Before the Senate Committee on Ways & Means**

DATE: Wednesday, March 4, 2015

TIME: 9:00 A.M.

PLACE: Conference Room 211

**Re: SB 19, SD1, Relating to Taxation**

Testimony of Melissa Pavlicek for NFIB Hawaii

We are testifying on behalf of the National Federation of Independent Business (NFIB) in opposition to SB 19, SD1, relating to taxation. NFIB Hawaii respectfully **opposes** this measure.

SB 19, SD1, among other provisions, extends the sunset date of the county surcharge on excise tax to December 31, 2047. NFIB Hawaii has consistently opposed the surcharge on excise tax. NFIB is committed to advocating for fiscal solutions that will provide both tax relief and certainty to small businesses. Extending the surcharge on excise tax negatively affects small businesses' ability to succeed and therefore negatively impacts the state's economy.

The National Federation of Independent Business is the largest advocacy organization representing small and independent businesses in Washington, D.C., and all 50 state capitals. In Hawaii, NFIB represents more than 1,000 members. NFIB's purpose is to impact public policy at the state and federal level and be a key business resource for small and independent business in America. NFIB also provides timely information designed to help small businesses succeed.

We request that this bill be deferred and mahalo to the legislature for its consideration.



## SENATE COMMITTEE ON WAYS AND MEANS

March 4, 2015, 9:00 A.M., Room 211

(Testimony is 2 pages long)

### TESTIMONY IN SUPPORT OF SB 19

Chair Tokuda, Vice Chair Kouchi and members of the Ways and Means Committee:

Blue Planet Foundation **supports** SB 19, which extends the sunset date of the county surcharge on excise tax to December 31, 2047, extends the ability of other counties to adopt a county surcharge on state tax to an unspecified date, diverts half of the ten per cent administrative fee collected by the State to transit oriented development projects and requires the Honolulu authority for rapid transportation (HART) to complete the entire rail transit project by December 31, 2047.

Blue Planet Foundation's mission is to pave the way for clean energy in Hawaii and this mission extends not only to the electricity sector, but to the ground transportation sector as well.

Public transportation is a valuable tool for reducing transportation energy. It is also critical for providing mobility to those who cannot afford, are unable to, or prefer not to drive. Public transportation also plays an integral role in efficient land use.

Honolulu's public transportation system reached its practical capacity limit in the mid-1990's with ridership peaking in 1994 with 77.3 million trips. Despite the fact that Oahu has added over 100,000 residents since that time, bus ridership has remained stagnant due to increasing traffic congestion and bus crowding on the limited number of east-west roadways where the majority of bus routes operate.

Meanwhile, demographic changes indicate that demand for public transportation is set to dramatically increase in the next few decades. Millennials are getting their drivers licenses in lower numbers and are getting married later, having fewer children and are more interested in living in urban neighborhoods than their parents' generation.

At the same time, Honolulu's over-65 population is expected to skyrocket from 16.5% today to 24.5% by 2030. This means there will be tens of thousands of empty nesters leaving suburban single-family homes in favor of condominiums or assisted living facilities, largely in more urban contexts. As Honolulu's senior population explodes, many of them will no longer desire to, or be able to drive. If Honolulu does not significantly increase the transit capacity, these seniors will simply lose mobility altogether.

At the end of 2013 there were more than 371,000 Honolulu residents, (38% of the population), without driver's licenses, and these numbers are growing. All of these factors indicate that Honolulu needs to significantly increase public transportation capacity in the coming years to catch up to demand.

The Honolulu rail project is expensive and is facing construction costs that are greater than original projections. However, the project still provides greater value in terms of adding public transportation capacity and improving transit service quality than any other project the City and County of Honolulu could pursue.

Insufficient public transportation is also a problem in all of the other islands throughout the state. This bill would extend the opportunity for all of the counties to create a GET surcharge to help pay for greater investments in public transportation in every community throughout the state.

Blue Planet Foundation also supports the provision of the bill, which would devote half of the 10 percent of surcharge revenues retained by the state to transit-oriented development projects. We would like to suggest to the committee that these funds could be turned over to the HHFDC for the purpose of creating a revolving trust fund that would help finance affordable housing units in transit-oriented development districts. This would help to minimize gentrification and ensure that Hawaii's low-income families are able to find housing near transit.

Thank you for the opportunity to testify.

March 3, 2015

The Honorable Jill N. Tokuda, Chair  
The Honorable Ronald D. Kouchi, Vice Chair  
and members of the Senate Committee on Ways and Means  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813



*Working together for Kapolei*

Dear Senators Tokuda, Kouchi and Committee Members:

**RE: SB19 – RELATING TO TAXATION**

The Kapolei Chamber of Commerce respectfully submits this testimony in support of SB 19 SD1 which proposes to divert half of the ten percent administrative fee collected by the State to transit oriented development projects extending the sunset date of the county surcharge on excise tax to December 31, 2047.

Supporting completion of the rail project as set forth in the Full Funding Grant Agreement between the City and County of Honolulu and the Federal Transit Administration aligns with the mission of the Kapolei Chamber to improve the regional and State economic climate and help Kapolei businesses thrive.

Without a dedicated funding source for completion of the project identified, future federal funding will be comprised. Additionally, return of funds provided to the City by the federal and government contracts that have already been granted would need to be mitigated if the rail project is not completed. Securing a funding source is critical for future contract execution as per State procurement laws and delays could result in increased costs on future contracts.

This measure also provides for planned extensions of the rail project from Kapolei to University of Hawaii – West Oahu and connecting to Ala Moana Center and the University of Hawaii, Manoa. These extensions are essential to support our secondary urban center's future growth and provide traffic relief. With approximately two miles of completed guideway in West Oahu, completed structures and rail car production underway, it is critical for the rail project to secure funding for completion to ensure Kapolei's future as planned for decades.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Polk".

Kiran Polk  
Executive Director



Testimony of Brooke Wilson  
Pacific Resource Partnership

Senate Committee on Ways and Means  
Senator Jill N. Tokuda, Chair  
Senator Ronald D. Kouchi, Vice Chair

SB 19, SD1 – Relating to Taxation

Wednesday, March 4, 2015  
9:00 AM  
Conference Room 211

Dear Chair Tokuda, Vice Chair Kouchi and members of the Committee,

PRP is a not-for-profit organization that represents the Hawaii Regional Council of Carpenters, the largest construction union in the state, and more than 240 of Hawaii's top contractors. Through this unique partnership, PRP has become an influential voice for responsible construction and an advocate for creating a stronger, more sustainable Hawaii in a way that promotes a vibrant economy, creates jobs and enhances the quality of life for all residents.

We support the intent of SB 19, SD1 relating to taxation, which extends the sunset date of the county surcharge on state tax. The general excise tax surcharge funds most of Oahu's rail project and we respectfully urge you to pass this bill this year if we are to complete the rail transit construction and finish the project on time.

The State procurement law says Hawaii Rapid Transit (HART) cannot put out contracts to bid unless the source of the funds (GET surcharge, in this case) is identified. Contracts will need to be in place by mid-2016 or the project will not get completed. Any delays will add to the cost and make the project even more expensive to complete later.

The extension of the sunset date will help keep thousands of jobs in construction, engineering, and professional services. In addition, thousands of other indirect jobs will be created and maintained by the businesses that provide goods and services to the project. The direct investment of federal and local funds will boost the economy and increase demand for goods and services at local businesses, while increasing tax revenues for the City and State. Transit oriented development around rail stations will sustain the demand for jobs in a variety of industries for many years into the future.



**(Continued From Page 1)**

For the reasons mentioned above, we respectfully request your support on SB 19, SD1. Thank you for allowing us to voice our opinion on this matter.