

SB 3023

LATE TESTIMONY

BOARD OF WATER SUPPLY

CITY AND COUNTY OF HONOLULU
630 SOUTH BERETANIA STREET
HONOLULU, HI 96843



February 17, 2016

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Manager and Chief Engineer

ELLEN E. KITAMURA, P.E.
Deputy Manager and Chief Engineer

The Honorable Lorraine R. Inouye, Chair
and Members
Committee on Transportation and Energy
State Senate
Hawaii State Capitol, Room 225
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Inouye and Members:

Subject: Senate Bill 3023 Relating to Infrastructure

We support Senate Bill 3023 which creates a no-interest loan revolving fund to provide loans for infrastructure improvements that support transit-oriented development (TOD).

The development of TOD could cause a significant impact to the water infrastructure to support high density TOD. This could cause the Board of Water Supply (BWS) to make substantial investment to improve not only existing localized infrastructure, but also to develop new regional sources, storage and transmission capacity.

As the development of TOD and affordable housing is a public policy priority, a no-interest loan revolving fund would serve to promote the advancement of this public policy. In addition, such a fund would allow the BWS to equitably recover the development costs from future users of water services that will benefit from TOD.

Thank you for your consideration of our testimony on Senate Bill 3023.

Very truly yours,

ERNEST Y. W. LAU, P.E.
Manager and Chief Engineer

BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

THE VOICE OF THE CONSTRUCTION INDUSTRY

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MAILING
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WAIPAHU, HAWAII
96797-0967

STREET
94-487 AKOKI STREET,
WAIPAHU, HAWAII 96797
P 808.847.4666
F 808.440.1198
E INFO@BIAHAWAII.ORG

www.BIAHAWAII.org

Testimony to the Senate Committee on Transportation & Energy Wednesday, February 17, 2016 2:45 PM. State Capitol - Conference Room 225

LATE

RE: SB 3023: Relating to Infrastructure.

Dear Chair Inouye, Vice-Chair Gabbard, 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 is in strong support of S.B. 3023 which proposes to establish an infrastructure development loan revolving fund to be administered by the director of finance.

Infrastructure is one of the biggest issues that governments need to address in their public policies, though the importance that infrastructure plays in people's everyday lives is often taken for granted. Infrastructure investment in the development of roads, sewers, drainage, communications, IT, schools, ports, and hospitals is important to both economic development and overall quality of life. Failure to invest means a failure to sustain and develop our State's social and economic wellbeing.

The Report on the State of Physical Infrastructure in Hawaii indicated that there is \$14.3 billion in capital improvement projects needed over the next six years throughout the state and counties. In Phase II of this report, preliminary details indicate that over a 20-year period beginning in 2014, the total costs of major and long term infrastructure projects is \$17.4 billion, with 53% required on Oahu. Furthermore, this undertaking would create over 195,000 jobs, \$1.6 billion in state tax revenues, \$8.7 billion infused into household incomes, and \$30 billion generated in our statewide economy.

Additionally, the City's \$5 billion rail project would benefit from improved infrastructure in and around the transit corridor in order to accommodate higher densities, thus protecting our opens spaces and agricultural areas.

The Building Industry Association of Hawaii and the Chamber of Commerce of Hawaii convened a conference (Houseless in Honolulu) in November of 2015 to raise awareness of one of Hawaii's most pressing issues - home affordability. With the median home price in the Islands now \$730,000, the repercussions are having a major impact on Honolulu's economy.

Without a solution to the State's shortage of residences, the number will soon surpass a million dollars. Every uptick in prices has increasing economic impact. Housing at all price points is desperately needed if we are to maintain the State's economic equilibrium. If potential employees cannot find affordable homes they will choose not to move to Hawaii and current residents affected by stratospheric home prices will leave. Employers across all spectrum of enterprises are already feeling the pinch. Mid-level employees are especially hard hit. Educators, medical professionals, and small businesses are especially hard hit.

The Department of Business, Economic Development and Tourism forecasted demand for additional housing units by county is 25,847 units for Honolulu, 19,610 for Hawaii, 13,949 for Maui, and 5,287 for Kauai during the 2015-2025 period (DBEDT Report—Measuring Housing Demand in Hawaii, 2015-2025).

We believe that in order to address the current "Housing Crisis," there needs to be a shift in the focus of how government views housing development and move from our current "Regulatory" stance to a more "Production Oriented" stance. For example, this shift would have the City and County of Honolulu adopt a goal of approving an average of 2,500 new residential units each year over the next 10 year period to address the projected 25,847 unit demand.

The most significant barrier to increasing the supply of housing at all price points is the lack of infrastructure capacity. The costs of these infrastructure improvements cannot be undertaken by our State and counties alone. Allowing for outside revenue and investors to invest in improvements to our infrastructure will help accommodate the anticipated population growth Statewide as mandated by our State Constitution. S.B. 3023 will also help improve our quality of life.

We appreciate the opportunity to express our strong support for S.B. 3023.



LAND USE RESEARCH
FOUNDATION OF HAWAII

1100 Alakea Street, Suite 408
Honolulu, Hawaii 96813
(808) 521-4717
www.lurf.org

February 17, 2016

Senator Lorraine R. Inouye, Chair
Senator Mike Gabbard, Vice Chair
Senate Committee on Transportation
and Energy

**Testimony in Strong Support of SB 3023 Relating to Infrastructure.
(Establishes an infrastructure development loan revolving fund to be
administered by the Director of Finance.)**

TRE Hearing: Wednesday, February 17, 2016, 2:45 p.m., Conf. Rm. 225

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF strongly supports HB 2027, which proposes to establish an infrastructure development loan revolving fund to be administered by the director of finance.

HB 3023. The purpose of this bill is to create a no-interest loan revolving fund, administered by the Director of Finance, to provide loans for infrastructure improvements that support transit-oriented development.

LURF's Position. The State has many large properties along Oahu's rail transit line. The counties and some State agencies have aging and limited infrastructure along the transit line and in areas slated for transit-oriented development that have been neglected over time and now require a significant capital improvement investment. The 2013 State Report Card on Infrastructure, prepared by the American Society of Consulting Engineers, provided an assessment of Hawaii's infrastructure, concluding that major funding is needed to repair, reconstruct and maintain Hawaii's aging infrastructure.

The lack of adequate infrastructure is a severe constraint to the future growth of communities statewide. The development of regional infrastructure improvements to support transit-oriented development, in accordance with an orderly and predictable infrastructure plan, will serve to accommodate population growth on properties owned by the State and private parties, in areas that are along the transit route and suitable for development. Regional infrastructure improvements, including regional sewer, water, drainage, roadways, and telecommunications and broadband, will support the development of necessary public services, as well as housing and mixed-use transit-oriented developments.

Encouraging the compact development that is a feature of transit-oriented development, discourages urban sprawl, preserves open space, protects watershed areas and agricultural lands, and reduces the cost of constructing and maintaining infrastructure systems. Rapid transit encourages and supports compact development. However, transit-oriented development often requires significant capacity upgrades of the existing aging infrastructure described above.

LURF believes that the State and its properties along the transit route have a major role in supporting transit-oriented development and that the Legislature should recognize the need to provide another financing resource for supporting the infrastructure for transit-oriented development, without unduly draining the state budget.

For the reasons set forth above, LURF is **in strong support of SB 3023**, and respectfully urges your favorable consideration of this bill.

Thank you for the opportunity to present testimony regarding this measure.