



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Human Services and Housing
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by

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HB 239 - MAKING A MATCHING FUNDS APPROPRIATION TO INCREASE STUDENT ON-CAMPUS AND NEARBY HOUSING

Chair Shimabukuro, Vice Chair Rhoads and Members of the Committee:

The University of Hawaii supports the intent of HB 239 but has serious reservations and concerns about its present form and substance.

In its present form, HB 239 reduces the University's flexibility in negotiations by mandating that the University provide matching funds for the development, instead of allowing the University the ability to require the developer to pay for most of the development costs and perhaps recover some of its costs through other avenues under the agreement, such as a long-term management contract.

Under the present bill, the items that are mandated to be part of agreements with developers are very general and cover provisions that should probably be part of such agreements anyway. Unusually, the bill requires that such agreements must also contain provisions requiring the University to annually report to the Legislature on the progress of the project, including expenditures and measurable effectiveness. This creates another layer of reporting which may add to the cost of the project and which are duplicative of the already detailed reporting given to the Legislature during budget considerations. Additionally, it is unclear what is meant by "measurable effectiveness" in the context of building student housing. If reporting is to be required, the reporting requirement should be separate and apart from individual agreements and consist of a general overview and report on progress, without the need for specificity on negotiations involving individual projects. Requiring such specificity could adversely affect the University's negotiations and its bargaining power.

With respect to funding, it is unusual (and may not be legally permissible) for a bill to state that the State shall provide funding for a unknown future liability (in this case, future student housing projects the University may want to pursue with private developers). The timing of the availability of funding is also unclear. For example, we are not certain as to whether: (a) this bill is to provide seed money for one or more initial ventures, (b) the University will have to seek general funds every year to provide any

matching shares that might be required under proposed agreements with developers and (c) the University needs to have the funding available at the time of negotiations or submit the funding request after the negotiations are concluded. There appear to be too many contingencies and uncertainties in the funding scenario set forth in HB 239.

With public funding mandated to be a part of any public private agreement for student housing, and depending on how a deal is structured (e.g., no lease involved), the private developer might be required to comply with at least the public procurement code in designing and constructing the student housing. This resulting loss in flexibility might in turn make such arrangements less attractive to private developers.

To help achieve the intent of this bill, which is to provide or make available additional student housing, the University has prepared a revised version of the bill for your consideration. Specifically, in the revised version, we have modified section 1 to include more background information on the University's efforts to address the student housing situation and more detail on the alternatives that the University is considering using to provide additional student housing. Consistent with our desire to use a range of alternatives to provide additional student housing, we deleted section 2, modified section 3, and re-designated section 3 as section 2.

We believe the bill, as modified with our suggested revisions, could provide the University with the funding and flexibility needed to take advantage of the most favorable arrangements for increasing the available student housing inventory. The University, therefore, respectfully requests that HB 239 be amended as outlined in the attached draft.

UNIVERSITY OF HAWAII TESTIMONY ATTACHMENT FOR

HB 239 PROPOSED HD1

DRAFT LANGUAGE FOR SECTION 1 AND SECTION 2

SECTION 1. The legislature finds that student housing within the University of Hawaii system is limited and extremely hard to find. This forces students into the community to find reasonable rentals, putting pressure on the general public's demand for rental housing. In addition, when students are forced to find housing far from their University campus, transportation is also necessary, often causing an increase in traffic congestion.

The University of Hawaii has explored a number of approaches to improving student housing, including acquiring existing housing, constructing new housing, renovating and repairing existing housing, and converting facilities not originally intended for housing. The University of Hawaii has started implementing projects to address its student housing situation, including the redevelopment of Frear Hall, feasibility and structural studies for the Johnson and Noelani complexes, the improvement of the food service facilities, and a number of major repair and replacement projects to existing facilities that are scheduled to be completed within the next two years.

The purpose of this Act is to *facilitate the University of Hawaii's efforts to increase the available student housing inventory close to or on University of Hawaii campuses by providing funding specifically for the acquisition, leasing, construction, renovation, repair, and conversion of real property, buildings, and supporting infrastructure for student housing. The Legislature recognizes and encourages the University of Hawaii's use of a range of potential alternatives to provide additional student housing, including, without limitation, (1) full or partial public funding using general fund monies or monies obtained by issuing general obligation or revenue bonds, (2) federal grants, loans, or other sources or forms of federal assistance, (3) public-private agreements, (4) competitive processes such as requests for proposals to retain developers or acquire property, (5) direct lease or rental negotiations with landowners willing to make housing facilities available, and (6) financing methods authorized under chapter 37D, Hawaii Revised Statutes.*

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ _____ or so much thereof as may be necessary for fiscal year 2007-2008 and the sum of \$ _____ or so much thereof as may be necessary for fiscal year 2008-2009 to **the University of Hawaii** to fund the **development of** on-campus and nearby student housing, **which**

may include acquisition or leasing of property, construction of new housing, renovation and repair of existing housing, and conversion of facilities not originally intended for housing through the use of such alternatives that are approved by the board of regents.

SECTION 3. This Act shall take effect on July 1, 2007.