

**OFFICE OF PLANNING  
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**DAVID Y. IGE**  
GOVERNOR

**LEO R. ASUNCION**  
DIRECTOR  
OFFICE OF PLANNING

Statement of  
**LEO R. ASUNCION**  
Director, Office of Planning  
before the  
**HOUSE COMMITTEE ON FINANCE**  
Tuesday, February 28, 2017  
3:00 PM  
State Capitol, Conference Room 308

in consideration of  
**HB 884, HD1**  
**RELATING TO SCHOOL IMPACT FEES.**

Chair Luke, Vice Chair Cullen, and Members of the House Committee on Finance.

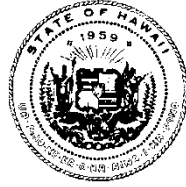
The Office of Planning (OP) supports HB 884, HD1 which proposes to exempt affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements.

OP agrees that while the school impact fees are necessary to offset the impact of new homes and families on local schools, it can be detrimental to efforts that provide housing to low-income individuals. We also agree that exempting government housing projects and projects processed pursuant to Hawaii Revised Statutes §§ 46-15.1 and 201H-38, will encourage developers to provide more low-income housing, increasing the overall affordable housing supply for Hawaii residents.

We defer to the respective county agencies regarding any impacts that this measure may have on alteration or expansion of existing dwelling units where no additional dwelling unit is created and use is not changed, accessory dwelling units, and ohana dwelling units.

Thank you for the opportunity to testify on this matter.

DAVID Y. IGE  
GOVERNOR



HAKIM OUANSAFI  
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO  
EXECUTIVE ASSISTANT

**STATE OF HAWAII**  
HAWAII PUBLIC HOUSING AUTHORITY  
1002 NORTH SCHOOL STREET  
POST OFFICE BOX 17907  
HONOLULU, HAWAII 96817

Statement of  
**Hakim Ouansafi**  
Hawaii Public Housing Authority  
Before the

**HOUSE COMMITTEE ON FINANCE**

**Tuesday, February 28, 2017**  
**Room 308, Hawaii State Capitol**  
**3:00 PM**

In consideration of  
**HB 884, HD1**  
**RELATING TO SCHOOL IMPACT FEES**

Honorable Chair Luke and Members of the House Committee on Finance, thank you for the opportunity to provide testimony regarding House Bill 884, HD1, relating to school impact fees.

The Hawaii Public Housing Authority (HPHA) **supports** HB 884, HD1, which exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements.

School impact fees can significantly raise the cost of new housing development project. Providing an exemption for all government housing projects, will help to promote the development of affordable housing. Please note however, that impact fees seem to create a greater gap in financing which, ultimately, gets funded by the State.

The HPHA appreciates the opportunity to provide the House Committee on Finance with the HPHA's comments regarding HB 884, HD1. We thank you very much for your dedicated support.

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
677 QUEEN STREET, SUITE 300  
Honolulu, Hawaii 96813  
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of  
**Craig K. Hirai**  
Hawaii Housing Finance and Development Corporation  
Before the

**HOUSE COMMITTEE ON FINANCE**

February 28, 2017 at 3:00 p.m.  
State Capitol, Room 308

In consideration of  
**H.B. 884, H.D. 1**  
**RELATING TO SCHOOL IMPACT FEES.**

The HHFDC *supports the intent* of H.B. 884, H.D.1, but defers to the Department of Education on any fiscal impact the measure may have.

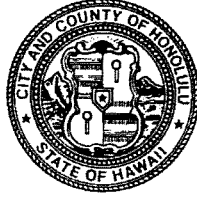
H.B. 884, H.D. 1, would exempt from school impact fees, housing certified or approved for a General Excise Tax exemption by HHFDC or the counties, housing developed using the HHFDC and the counties' 201H development powers, accessory dwelling units, and ohana dwellings. We believe that this would reduce the cost to build affordable family housing projects serving low-income families.

Thank you for the opportunity to testify.

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

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KIRK CALDWELL  
MAYOR



KATHY K. SOKUGAWA  
ACTING DIRECTOR  
  
TIMOTHY F. T. HIU  
ACTING DEPUTY DIRECTOR

February 28, 2017

The Honorable Sylvia Luke, Chair  
and Members of the Committee on Finance  
Hawaii House of Representatives  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Luke and Committee Members:

Subject: House Bill No. 884, HD 1  
Relating to School Impact Fees

The Department of Planning and Permitting (DPP) **supports** House Bill No. 884, HD 1, which would exempt affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements.

The City's Islandwide Affordable Housing Strategy includes waivers of City fees to help make affordable housing projects more financially feasible. By charging a school impact fee on these same types of projects, the reduced fees accomplished through the City waivers would be offset by the school impact fees, inhibiting the ability to facilitate affordable housing projects. This result would be counterproductive to both City and State objectives of producing more affordable housing.

We appreciate this Bill's exemption of accessory dwelling and ohana dwelling units, not just housing projects, because these homes are intended to provide family members and non-family members with affordable rental opportunities.

We ask that you pass House Bill No. 884, HD 1, out of committee.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kathy Sokugawa".

Kathy Sokugawa  
Acting Director

Testimony of  
Christopher Delaunay  
Pacific Resource Partnership

House of Representatives  
COMMITTEE ON FINANCE  
Rep. Sylvia Luke, Chair  
Rep. Ty J.K. Cullen, Vice Chair

House Bill 884, HD1 – Relating to School Impact Fees

Tuesday, February 28, 2017  
3:00 P.M.  
State Capitol – Room 308

Aloha Chair Luke, Vice Chair Cullen, and Members of the Committee:

We **support the intent** of HB 884, HD1 Relating to School Impact Fees, which exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, and `ohana dwelling units from school impact fee requirements.

The shortage of affordable housing units for working moderate-and lower-income households is at a crisis level negatively affecting families throughout the State. In order to address this housing crisis, we need to incentivize developers to build more affordable housing, including housing for families in the 80%-140% AMI range. Exempting affordable housing units from school impact fees is a step in the right direction; however, we need to ensure that this exemption also applies to the development of housing units for families in the 80%-140% AMI range.

Thank you for the opportunity to share our views with you.

#### About PRP

*Pacific Resource Partnership (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.*



# Hawai'i Construction Alliance

P.O. Box 179441  
Honolulu, HI 96817  
(808) 348-8885

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February 27, 2017

The Honorable Sylvia Luke, Chair  
The Honorable Ty J.K. Cullen, Vice Chair  
and members  
House Committee on Finance  
Hawai'i State Legislature  
Honolulu, Hawai'i 96813

**RE: Support for HB884 HD1, Relating to School Impact Fees**

Dear Chair Luke, Vice Chair Cullen, and members:

The Hawai'i Construction Alliance is comprised of the Hawai'i Regional Council of Carpenters; the Laborers' International Union of North America, Local 368; the Operative Plasterers' and Cement Masons' Union, Local 630; International Union of Bricklayers & Allied Craftworkers, Local 1; and the Operating Engineers, Local Union No. 3. Together, the member unions of the Hawai'i Construction Alliance represent 15,000 working men and women in the basic crafts of Hawai'i's construction industry.

The Hawai'i Construction Alliance is extremely concerned about the chronic deficiency of rental apartment housing across the state. Simply put: the shortage of units for working moderate- and lower-income households is at a crisis level. Said shortage is negatively affecting families throughout the entire community, including our membership.

**We support HB884 HD1**, which would exempt affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements.

The Hawai'i Construction Alliance and our partners in the banking, development, landowning, contracting, architecture, and engineering communities – collectively the Hawai'i Rental Housing Coalition (“HRHC”) - have identified a series of measures which can be taken to improve the economics of construction, developing, and financing rental housing projects wherein at least twenty percent of available units are for households whose incomes are at or below 80%AMI, and wherein all remaining units are households whose incomes are at or below 140%AMI.

One such measure is to qualify these projects for exemptions to the general excise tax for development, construction, and financing costs and to allow HHFDC to regulate the term of affordability and income levels for these projects. This proposal is currently contained in HB1179 HD1.

It is our firm belief that relief from general excise tax under HB1179 HD1 and **relief from school impact fees as is proposed on Page 2 of HB884 HD1, subsection (5), would immediately improve the economics of constructing, developing, and financing these types of rental housing projects to the point that they become economically feasible.**



The Hawai'i Construction Alliance is excited to take a leadership role in encouraging the production of rental housing across our state. We humbly request your committee also take favorable action on HB884 HD1 to help us to improve the economics of producing rental housing in Hawai'i.


Mahalo,

A handwritten signature in black ink, reading "Tyler Dos Santos-Tam". The signature is written in a cursive, flowing style with a large, prominent initial 'T'.

Tyler Dos Santos-Tam  
Executive Director  
Hawai'i Construction Alliance  
[execdir@hawaiiiconstructionalliance.org](mailto:execdir@hawaiiiconstructionalliance.org)



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Honolulu, HI 96817

February 28, 2017

**The Honorable Sylvia Luke, Chair**  
House Committee on Finance  
State Capitol, Room 308  
Honolulu, Hawaii 96813

**RE: H.B. 884, H.D.1, Relating to School Impact Fees**

**HEARING: Tuesday, February 28, 2017, at 3:00 p.m.**

Aloha Chair Luke, Vice-Chair Cullen, and Members of the Committee.

I am Myoung Oh, Director of Government Affairs, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 9,200 members. HAR **supports** H.B. 884, H.D.1, which exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing. With our current housing crisis, it is understandable that this measure is one tool in the toolbox to reduce the cost housing.

HAR believes these efforts should continue to help address the lack of supply issue in our State but be sensible to how various taxes, fees, assessments, etc., impact the "affordability" of housing in Hawaii.

Mahalo for the opportunity to testify in support of this measure.







**Testimony to the House Committee on Finance  
Tuesday, February 28, 2017 at 3:00 P.M.  
Conference Room 308, State Capitol**

**RE: HOUSE BILL 884 HD1 RELATING TO SCHOOL IMPACT FEES**

Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **opposes** HB 884 HD1, which exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

In 2007, the legislature passed Act 245, which created the public school impact fee law. The original Act reflected a general methodology and approach for identifying need areas and calculating appropriate school impact fees for new residential developments. At that time, the only exemptions allowed under the law were:

1. Any form of housing permanently excluding school-aged children, with the necessary covenants or declarations of restrictions recorded on the property;
2. Any form of housing that is or will be paying the transient accommodations tax under chapter 237D;
3. All nonresidential development; and,
4. Any development with an executed education contribution agreement or other like document with the department for the contribution of school sites or payment of fees for school land or school construction.

Our understanding is that impact fees are assessed on new developments, and are intended to minimize the impact on the existing level of service that government provides. For example, if a project generates more traffic on surrounding roads, the theory is the impact fee imposed would provide roadway improvements such that the new project would have no impact on the current level of service provided by the existing roadways (i.e. traffic flow).



# Chamber of Commerce HAWAII

*The Voice of Business*

The school impact fee law was intended to address the need to increase capacity at an existing school or build a new school based on the new students being generated by the new development. Thus, the current exemptions in the law were for projects that did not generate any new students.

With our current housing crisis, it is understandable that legislation is being considered to reduce the cost housing, for affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling. However, in doing so, the unintended consequences of such actions will unfairly shift the financial burden imposed by the impact fee on all other housing type (i.e. Houses priced at 140% and higher AMI).

In 2014, the National Association of Home Builders (NAHB) prepared a state by state analysis of the number of home buyers impacted for every \$1,000 increases in price. In 2014, 594 households in Hawaii were priced out of the market by a \$1,000 increase in price.

Our concern is that Hawaii's needs to build its way out of our current housing crisis by increasing the supply of housing at all price points. A healthy housing market allows people to purchase housing at price ranges they can afford and as their income improves, provides them with the opportunity to "move up" the housing ladder. Shifting the school impact fee to only apply to buyers at the 80% or more AMI will just add more costs to these units and negatively impact housing affordability in the State.

The housing market has changed dramatically since the impact fee law was passed in 2007. Most of the developments were "greenfield" projects and there was no rail rapid transit project in Honolulu. Now the focus is on urban infill with more compact units and more rental units on government lands in the urban core.

Finally, impact fees should be applied to all developments that generate students. It seems rather short sighted to exempt housing projects which would probably generate the bulk of the new students for the new school. If the State will be subsidizing affordable housing and other types of middle to lower income housing projects in the future, perhaps it's time to rethink the notion of school impact fees and find other ways to get new public schools built along the transit corridor.

We stand in opposition to this bill and respectfully request that it be held. Thank you for the opportunity to express our views on this matter.

In 2014, the National Association of Home Builders (NAHB) prepared a state by state analysis of the number of home buyers impacted for every \$1,000 increases in price. In 2014, 594 households in Hawaii were priced out of the market by a \$1,000 increase in price.

Our concern is that Hawaii's needs to build its way out of our current housing crisis by increasing the supply of housing at all price points. A healthy housing market allows people to purchase housing at price ranges they can afford and as their income improves, provides them with the opportunity to "move up" the housing ladder. Shifting the school impact fee to only apply to buyers at the 80% or more AMI will just add more costs to these units and negatively impact housing affordability in the State.

The housing market has changed dramatically since the impact fee law was passed in 2007. Most of the developments were "greenfield" projects and there was no rail rapid transit project in Honolulu. Now the focus is on urban infill with more compact units and more rental units on government lands in the urban core. Perhaps it's time to rethink the notion of school impact fees and find other ways to get new public schools built along the transit corridor

We stand in opposition to H.B. 884 and respectfully request that the bill be held. Thank you for the opportunity to express our views on this matter.

PRESIDENT  
EVAN FUJIMOTO  
GRAHAM BUILDERS, INC.

PRESIDENT-ELECT  
DEAN UCHIDA  
SSFM INTERNATIONAL, INC.

VICE PRESIDENT  
MARSHALL HICKOX  
HOMEWORKS CONSTRUCTION, INC.

SECRETARY  
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TREASURER  
MICHAEL WATANABE  
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SPECIAL APPOINTEE-BUILDER  
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CK INDEPENDENT LIVING BUILDERS

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**Testimony to the House Committee on Finance****Tuesday, February 28, 2017****3:00 p.m.****Conference Room 308****RE: HB 884 HD1 – Relating to School Impact Fees**

Chair Lukei, Vice Chair Cullen, and members of the committee:

My name is Gladys Quinto Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-Hawaii is in opposition to the exemptions proposed in H.B. 884 HD1. The bill proposes to exempt affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements.

In 2007, the legislature passed Act 245, which created the public school impact fee law. The original Act reflected a general methodology and approach for identifying need areas and calculating appropriate school impact fees for new residential developments. At that time, the only exemptions allowed under the law were:

1. Any form of housing permanently excluding school-aged children, with the necessary covenants or declarations of restrictions recorded on the property;
2. Any form of housing that is or will be paying the transient accommodations tax under chapter 237D;
3. All nonresidential development; and,
4. Any development with an executed education contribution agreement or other like document with the department for the contribution of school sites or payment of fees for school land or school construction.

Our understanding is that impact fees are assessed on new developments, and are intended to minimize the impact on the existing level of service that government provides. For example, if a project generates more traffic on surrounding roads, the theory is the impact fee imposed would provide roadway improvements such that the new project would have no impact on the current level of service provided by the existing roadways (i.e. traffic flow).

The school impact fee law was intended to address the need to increase capacity at an existing school or build a new school based on the new students being generated by the new development. Thus, the current exemptions in the law were for projects that did not generate any new students.

With our current housing crisis, it is understandable that legislation is being considered to reduce the cost housing, for affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling. However, in doing so, the unintended consequences of such actions will unfairly shift the financial burden imposed by the impact fee on all other housing type (i.e. Houses priced at 140% and higher AMI).

**LATE**

• February 27, 2017

Hawaii State Legislature  
House of Representatives  
Committee on Finance  
The Honorable Sylvia Luke, Chair  
The Honorable Ty J.K. Cullen, Vice Chair and Members

RE: H.B. No. 884, H.D. 1 – Relating to School Impact Fees

The Honorable Chair Sylvia Luke, Vice Chair Ty J.K. Cullen, and members of the Committee:

Stanford Carr Development, LLC strongly supports H.B. No. 884 relating to school impact fees and applauds the legislature's efforts in encouraging and facilitating the development of greater affordable housing throughout the State of Hawaii. Specifically, HB 884 exempts "any housing project that has been certified or approved for a general excise tax exemption under section 201H-36 and all government housing projects and projects pursuant to sections 46-15.1 and 201H-38" from fulfilling the school impact fee requirement.

Although school impact fees are necessary to offset anticipated residential growth, the exaction of such fees on affordable housing projects would sound the death knell for their future development and be counterproductive to other legislative efforts promoting their construction.

As a private developer of workforce rental housing, we can attest to the difficulty in financing and underwriting affordable housing projects. For example, we are currently developing Hale Kewalo, a workforce rental housing project on the corner of Kona and Piikoi Streets along the planned HART rail guideway and next to the future transit station at Ala Moana Shopping Center. The project will provide 128 workforce rental apartments consisting of one, two and three-bedroom units to families earning between 30 and 60 percent of the Area Mean Income (AMI). In addition to free land, Hale Kewalo will employ both Federal and State Low-Income Housing Tax Credits, Hula Mae Multi-Family Tax-Exempt Bonds, and monies from the state's highly competitive Rental Housing Revolving Fund to finance the project. The proposed impact fee of approximately \$9,374 per unit would require additional capital in the amount of \$1.28 million. Hale Kewalo could not be developed unless additional subsidies were secured. As such, the proposed impact fee stands to jeopardize the development of affordable rental housing by increasing the cost of projects already fully leveraged with Federal and State subsidies.

We appreciate the opportunity to provide testimony in support of HB 884. We are passionate about building affordable housing for Hawaii's working families and deeply appreciate legislation that facilitates making such a reality. In closing, developing and financing affordable housing projects will not be economically feasible unless exempt from the school impact fee requirement.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stanford S. Carr', with a stylized, cursive script.

Stanford S. Carr

**LATE**



46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Executive Director

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**TESTIMONY FOR HOUSE BILL 884, HOUSE DRAFT 1, RELATING TO SCHOOL  
IMPACT FEES**

**House Committee on Finance  
Hon. Sylvia Luke, Chair  
Hon. Ty J.K. Cullen, Vice Chair**

**Tuesday, February 28, 2017, 3:00 PM  
State Capitol, Conference Room 308**

Honorable Chair Luke and committee members:

I am Kris Coffield, representing IMU Alliance, a nonpartisan political advocacy organization that currently boasts over 350 members. On behalf of our members, we offer this testimony in opposition to House Bill 884, HD 1, relating to school impact fees.

We strongly support the development of affordable housing in Hawai'i. As a state, we must find a balance between the rampant real estate speculation driving up our housing and rental costs and meeting the needs of economically disadvantaged residents. Just as our homeless population has soared in recent years, so, too, has our state's cost of housing. The median price of condominiums on O'ahu increased 8.3 percent in 2016 to \$390,000, while the median price for single-family homes increased by 6.5 percent to \$735,000, according to the Honolulu Board of Realtors. Average rent for a 900-square foot apartment in Honolulu now exceeds \$2,200, with the cost of a four-bedroom home in urban Honolulu now exceeding \$1.1 million.

That said, this proposal may be unconstitutional, per two U.S. Supreme Court cases on exactions and takings, *Nollan v. California Coastal Commission* and *Dolan v. City of Tigard*. These cases require exactions—including impact fees—to bear an “essential nexus” to the reason for imposition and be “roughly proportional” to the impact of the developments on which the exaction is levied. Exempting low-income and affordable housing residents from school impact fees may, unfortunately, violate the Court's decisions, since families living in affordable housing units send children to public schools, often at a greater proportional ratio than families living outside of affordable housing, significantly increasing student capacity and facilities demand.

Additionally, we note that lawmakers, last year, passed Act 130 and Act 237, which expanded the permissible uses of school impact fees in transit oriented development zones along the urban to include renovating existing school structures, with “urban core” defined as the Kalihi

to Ala Moana school impact fee district. Hawai'i Community Development Authority officials have plans to approve up to 35,000 additional residential units within a half-mile radius of the nine transit stations from Middle Street to Ala Moana. Moreover, the Hawaii Public Housing Authority is currently redeveloping four housing projects in areas close to the rail line, netting 4,000 new units. Approximately 10,000 students would be generated from the 39,000 multi-family unit build out. Hawai'i State Department of Education leaders have said that "after filling excess classroom capacity in existing schools, there would still be a need to establish facility space for slightly more than 8,500 elementary, middle school and high school students," translating into six new elementary schools, one-and-a-half middle schools, and one-and-a-half high schools.

Currently, DOE officials estimate that revenue generated from the additional 39,000 units in the Kalihi to Ala Moana district to be \$22,736,872 in \$584-per-unit construction cost component impact fees and the equivalent of 63.5 acres of land, with a fee-in-lieu impact fee amount of \$8,790 per unit. Thus, the total all-cash fee would be \$9,374 per new unit or a total of \$365,586,000, once the district is established by the Hawai'i State Board of Education (a reduced fee of \$5,858 has also been proposed to the BOE, which would generate roughly \$228,000,000). At public hearings on the impact fee, affordable housing advocates stated a possible need for an additional \$800,000 in rental housing revolving funds to complete already-approved affordable housing projects, if the fee is implemented. Given the clear distinction between the hundreds of millions of dollars potentially generated by the impact fees, especially in the urban core, and the publicly stated requests from affordable housing developers, we urge your committee to partner with developers in receiving additional revolving funds, rather than exempting low-income and affordable housing from impact fees altogether, which may be unconstitutional and would increase the cost of the fee for units priced just beyond low-income or affordable housing guidelines, such as workforce housing and developments aimed at individuals and families making 80 to 140 percent of area median income. We also note that both low-income and affordable housing developments sometimes contain more expensive units that serve the "moderate-income" market to increase the financial viability of the projects, and not solely units reserved for low-income and affordable housing. Exempting low-income or affordable housing developments *en masse*, then, would exempt those units within low-income or affordable housing developments that are priced beyond lower AMI levels. Finally, if the proposed exemptions are enacted, the DOE estimates a revenue drop of nearly \$73 million in collected fees under the higher impact fee, or \$46 million less under the reduced impact fee. With facilities along the urban core expected to cost \$750 million as families move in, this revenue gap will require additional general fund expenditures.

Mahalo for the opportunity to testify in opposition to this bill.

Sincerely,  
Kris Coffield  
*Executive Director*  
IMUAlliance



# HAWAII RENTAL HOUSING COALITION

February 27, 2017

The Honorable Sylvia Luke, Chair  
The Honorable Ty J.K. Cullen, Vice Chair  
and Members  
House Committee on Finance  
Hawai'i State Legislature  
Honolulu, Hawai'i 96813



**RE: Strong Support HB884 HD1 (School Impact Fees)**

Dear Chair Luke, Vice-Chair Cullen, and Members:

The Hawaii Rental Housing Coalition (HRHC) is a non-profit citizens group comprised of landowners and developers, real estate industry professionals, Union representatives, segments of the non-profit community, and members of the banking industry who are committed to stimulating and supporting the private sector development of rental housing in the State of Hawaii. The HRHC's goal is to make it possible for the private sector to build rental housing for the workforce members of the community who earn less than 140% of the average median income (AMI) for their area.

It has long been recognized that affordable housing, and particularly rental housing in Hawaii, has become economically unfeasible for the private sector to develop. As such only subsidized projects utilizing government funding have been constructed.

A recent study by the Hawaii Housing Finance and Development Corporation (HHFDC) shows that by 2020 approximately 64,000+ rental units will be needed State-wide and more than 31,000 will be needed on Oahu. Government alone cannot address that need.

It is this need that the Hawaii Rental Housing Coalition is seeking to address. In order to do that the fundamental economics of building rental housing in Hawaii must be altered. We seek to do that not only in a collaborative manner with key players in the private sector, and the construction industry, *but also in concert with the public sector's help*. The Hawaii Rental Housing Coalition seeks ways in which to reduce the baseline costs of building and operating rental housing to encourage the private sector to build to the rental housing needs of Hawaii's workforce. Any additional costs to building such housing, specifically, school impact fees, among other things, thwarts the central thrust of the Coalition's efforts. It is for this reason that the Hawaii Rental Housing Coalition strongly supports the measures proposed by HB 884 HD1.

Respectfully submitted,

/s/ Christine Nakashima-Heise

Christine Nakashima-Heise  
Project Coordinator

DAVID Y. IGE  
GOVERNOR



**LATE**

KATHRYN S. MATAYOSHI  
SUPERINTENDENT

STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

**Date:** 02/28/2017  
**Time:** 03:00 PM  
**Location:** 308  
**Committee:** House Finance

**Department:** Education

**Person Testifying:** Kathryn S. Matayoshi, Superintendent of Education

**Title of Bill:** HB 0884, HD1 RELATING TO SCHOOL IMPACT FEES.

**Purpose of Bill:** Exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements. (HB884 HD1)

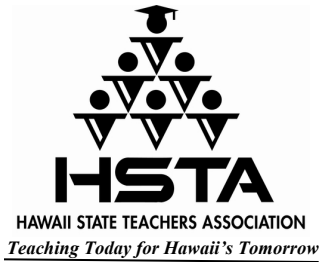
**Department's Position:**  
The Department of Education (DOE) is opposed to HB 0884, HD1.

HB 0884, HD1 seeks to exempt accessory dwelling units and ohana units from school impact fees. However, new accessory dwelling units and new ohana units house families with DOE students. We believe they have a smaller impact than primary dwellings, and we charge a lower fee for accessory and ohana dwellings, but it is clear they have an impact.

HB 0884, HD1 exempts projects that are already exempt such as remodeling projects which do not create an additional dwelling unit. The impact fee law is clear it only applies to new dwelling units. Additional language exempting home improvement projects is unnecessary.

As new development continues across the state, the cost associated with new school construction will be significant. For example, the urban corridor between Kalihi and Ala Moana is expected to double the number of students now attending schools in this area. This would represent nearly 10,000 new students. This increase will require an additional one and a half high schools, one and a half middle schools, and as many as six new elementary schools. Based on DOE educational specifications, this would translate into approximately 1.6 million square feet of new facilities. At the current cost per square foot, this would represent more than \$750 million in construction costs and over \$250 million in costs associated with required land. Any reduction in fee revenue will require further State support.

Thank you for the opportunity to present testimony on HB 0884, HD1.



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Amy Perruso  
Secretary-Treasurer  
Wilbert Holck  
Executive Director

TESTIMONY FOR THE HOUSE COMMITTEE ON  
FINANCE

RE: HB 884, HD 1 - RELATING TO SCHOOL IMPACT FEES

TUESDAY, FEBRUARY 28, 2017

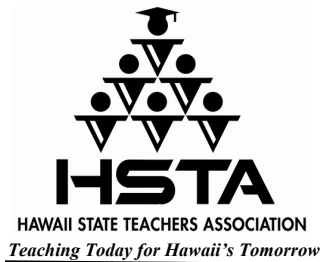
COREY ROSENLEE, PRESIDENT  
HAWAII STATE TEACHERS ASSOCIATION

Chair Luke and Members of the Committee:

The Hawaii State Teachers Association **provides the following comments and proposed amendments for HB 884, HD 1**, relating to school impact fees.

As both HSTA and the Hawai'i State Department of Education have noted at prior BOE hearings, our state's public school buildings are approximately 65-years-old on average. Facilities are damaged, restrooms and water foundations are in disrepair, classroom windows are broken, and campuses are plagued by rat and insect infestations. Our students, especially those with special needs, are subjected to dilapidated infrastructure. Though our state's repair and maintenance backlog has declined, the total cost of lingering projects runs into the hundreds of millions of dollars. Maintenance and capacity problems are particularly painful for developing communities, like the 'Ewa Plain, which will welcome 28,000 more buildings by the year 2021, and Kaka'ako, in which 39,000 new multi-family units are projected to be built within an approximately half-mile radius of rail transit stations, per the Honolulu Community Development Authority.

Currently, the Hawai'i State Board of Education is considering plans to establish the Kalihi to Ala Moana School Impact Fee District. Hawai'i State Department of Education officials estimate revenue generated from the additional 39,000 units in the Kalihi to Ala Moana district to be \$22,736,872 in \$584-per-unit construction cost component impact fees and the equivalent of 63.5 acres of land, with a fee-in-lieu impact fee amount of \$8,790 per unit. Thus, the total all-cash fee would be \$9,374 per new unit or a total of \$365,586,000, once the district is created (a reduced fee of



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\$5,858 has also been proposed to the BOE, which would generate roughly \$228,000,000).

We note that the DOE estimates that needed facilities along the urban core will cost \$750 million as families move in a revenue. If this proposal moves forward, department administrators also foresee a drop of nearly \$73 million in collected fees under the higher impact fee, or \$46 million less under the reduced impact fee. This revenue shortfall will require future general fund expenditures or bond revenue to build school facilities in the district.

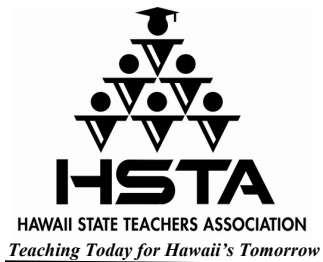
Last year, lawmakers passed Act 130 and Act 237, which expanded the permissible uses of school impact fees in transit oriented development zones along the urban core to include renovating existing school structures, If this measure is to move forward, we urge you to use this bill as a vehicle to amend HRS § 302A-1608 by extending same permissions granted to the urban core last year to all impact districts, allowing fees collected in any impact district to be used to renovation of existing school facilities. Our proposed amendment can be implemented by adding a section to this measure to read as follows (language also contained in SB 672):

SECTION 3. Section 302A-1608, Hawaii Revised Statutes, is amended to read as follows:

**“§302A-1608 Accounting and expenditure requirements.** (a) Each designated school impact district shall be a separate benefit district. Fees collected within each school impact district shall be spent only within the same school impact district for the purposes collected.

(b) Land dedicated by the developer shall be used only as a site for the construction of one or more new schools or for the expansion of existing school facilities. If the land is never used for the school facility, it shall be returned to the developer, or the developer's successor in interest. Once used, the land may be sold, with the proceeds used to acquire land for school facilities in the same school impact district.

(c) If the land is not used for a school facility within twenty years of its dedication, it shall be returned to the developer, or the developer's successor in interest.



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(d) Once used for school facilities, all or part of the land may be later sold. Proceeds from the sale shall be used to acquire land for school facilities in the same school impact district.

(e) Fee in lieu funds may be used for ~~[school]~~:

(1) School site land acquisition and related expenses, including surveying, appraisals, and legal fees[.];

(2) Leasing or purchasing completed construction for school use;

(3) Constructing new school facilities at new or existing school sites;

(4) Leasing land or facilities for school use; and

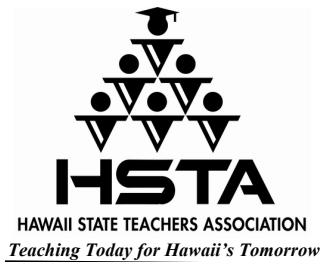
(5) Improving or renovating existing school structures for school use.

~~[With the exception of urban Honolulu, fee]~~ Fee in lieu funds shall not be used ~~[for the maintenance or operation of existing schools in the district; construction costs, including architectural, permitting, or financing costs; or]~~ for administrative expenses.

~~[(f) Notwithstanding any other law to the contrary, fee in lieu funds from projects within a county designated transit oriented development zone may also be used to purchase completed construction, construct new school facilities in new or existing school sites, improve or renovate existing structures for school use, or lease land or facilities for school use within a county designated transit oriented development zone.~~

~~[(g) Notwithstanding subsection (e), in urban Honolulu, fee in lieu funds may be used to purchase completed construction, construct new school facilities, improve or renovate existing structures for school use, or lease land or facilities for school use.~~

~~[(h)]~~ (f) Construction cost component impact fees shall be used only for the costs of new school facilities that expand the student capacity of existing schools or ~~[adds]~~



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add student capacity in new schools. Construction cost component impact fees may not be used to replace an existing school located within the same school impact district, either on the same site or on a different site.

~~[(g)]~~ (g) Eligible construction costs include planning, engineering, architectural, permitting, financing, and administrative expenses, and any other capital equipment expenses pertaining to educational facilities.

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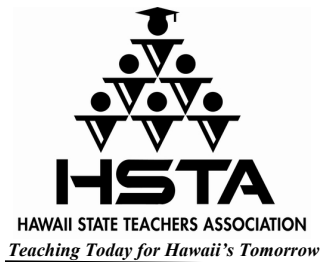
- (1) The maintenance or operation of existing schools in the district; or
- (2) Portable or temporary facilities.

~~[(k)]~~ (i) If a closure, demolition, or conversion of an existing permanent department facility within a school impact district that has the effect of reducing student capacity occurs, an amount of new student capacity in permanent buildings equivalent to the lost capacity shall not be funded with school impact fees.

~~[(l)]~~ (j) Fees in lieu, proceeds from the sale of all or part of an existing school site that has been dedicated by a developer pursuant to the requirements of this subpart, and construction cost component impact fees shall be expended or encumbered within twenty years of the date of collection. Fees shall be considered spent or encumbered on a first-in, first-out basis. An expenditure plan for all collected impact fees shall be incorporated into the annual budget process of the department and subject to legislative approval of the budget.

~~[(m)]~~ As used in this section, "urban Honolulu" means the Kalihi to Ala Moana school impact district.]”

To prevent facilities degradation from worsening in high-growth areas, the Hawaii State Teachers Association is providing your committee **with comments and suggested amendments** on this bill.



**LATE**

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TESTIMONY FOR THE HOUSE COMMITTEE ON  
FINANCE

RE: HB 884, HD 1 - RELATING TO SCHOOL IMPACT FEES

TUESDAY, FEBRUARY 28, 2017

COREY ROSENLEE, PRESIDENT  
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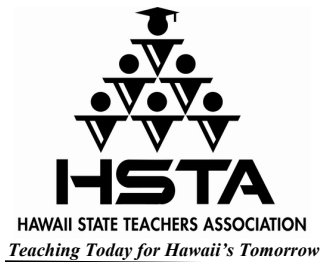
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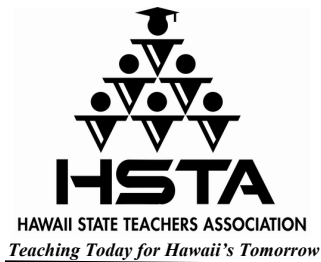
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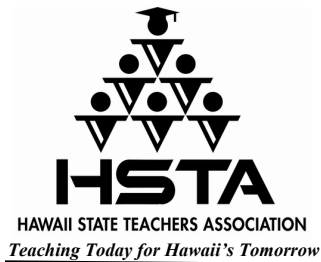
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