

**Date:** 02/08/2010

**Committee:** House Education

**Department:** Education

**Person Testifying:** Kathryn Matayoshi, Interim Superintendent of Education

**Title of Bill:** HB 2740 RELATING TO SCHOOLS.

**Purpose of Bill:** Directs the department of education to enter into a financing agreement for the planning and design of the Royal Kunia Elementary School II using certificates of participation. (\$)

**Department's Position:** The Department of Education would be supportive of this bill if the funds to make the required payments on the certificates of participation were appropriated to the Department of Budget and Finance, which has the responsibility for the state's debt service payments. If the Department of Education were responsible for the required payments on the certificates of participation, the department would not support this bill.

The Department of Education notes that the paragraph that begins on line 13 of page 2 is not accurate. The construction of the elementary schools in the Maui Lani and Ocean Pointe developments has been completed, using the proceeds from general obligation bonds authorized by the legislature for CIP appropriations for these two schools.

Thank you for the opportunity to testify.

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON EDUCATION  
ON  
HOUSE BILL NO. 2740

February 8, 2010

RELATING TO SCHOOLS

House Bill No. 2740 directs the Department of Education to enter into a financing agreement with a private developer for the planning and design of the Royal Kunia Elementary School II at Kunia, Oahu, Hawaii, using certificates of participation (COPS).

The Department has technical comments on this bill. While there are benefits to COPS financing, COPS financing is more costly than traditional general obligation bond financing as it entails appropriation risk for the annual lease payments. In addition, an appropriation under Section 3 of this bill is premature at this time, as payment under a financing agreement can only be made upon completion and occupancy of a facility. Furthermore, the State Educational Facilities Improvement Special Fund is currently funded with tax-exempt general obligation bond proceeds which cannot be used to pay for operating expenses such as lease payments.

February 3, 2010

Re: Testimony in support of HB 2740 - Securing Special COP Funding Mechanism for the Royal Kunia Elementary School

Dear SOH House of Representatives Committee on Education,

As a resident of the Royal Kunia Community and as a Board Member of the Royal Kunia Community Association, I am writing to you today to voice my support of HB 2740. It is our hope that your approval of HB 2740 would allow the State or DOE to enter into a financing agreement for the timely planning and design of the long-awaited Royal Kunia Elementary School.

Royal Kunia Elementary School has been delayed for far too many years, mostly due to the bankruptcy of the prior land owner and developer (Herbert Horita). The current land owner (Kobayashi) is ready and willing to start the planning and design work for the school. Timing is critical, as Phase II of our Royal Kunia development is fast approaching (via Stanford Carr) with Phase II slated to begin at the end of 2010/early 2011.

With the poor state of today's economy, it is vital that the State of Hawaii/DOE be able to consider alternate financing arrangements that will help enable critical school projects to keep on track. Without timely funding, the overcrowding that has already resulted at our nearby Kalei'opu'u Elementary School is certain to continue to the detriment of our children's learning.

In closing, we humbly ask for your support of HB 2740. Mahalo for your consideration.

Sincerely,

*Celia Molina*

94-1021 Kapehu Street, Waipahu HI 96797  
(808) 688-0504

Resident of Royal Kunia since 2000  
and RKCA Board Member

**berg1-Matthew**

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**From:** The Proute Family [proutef001@hawaii.rr.com]  
**Sent:** Thursday, February 04, 2010 10:00 AM  
**To:** EDNtestimony  
**Subject:** Support for HB 2740 Securing Special Funding Mechanism for Royal Kunia Elementary School

February 4, 2010

HB 2740 Relating to the Budget-Public School Facilities  
Monday February 8, 2010  
2:05 p.m.  
Room 309, State Capitol

Dear SOH House of Representatives Committee on Education,

I am submitting this testimony in support of HB 2740. As a resident of the Royal Kunia Community and a parent of a student who attends Kalei'opu'u Elementary, an overcrowded school servicing our community and that of Village Park, I would like to ask for your approval of this bill which would allow the State of Hawai'i's Department of Education (DOE) to enter into a financing agreement for the timely planning, designing, and building of the long-awaited Royal Kunia Elementary School.

The Royal Kunia Community has faced many obstacles to get an elementary school. The first developer assured the residents that the elementary school was to be built during Phase II. He broke ground to build Phase II in 1994 and shortly thereafter, declared bankruptcy. The land had a lien, so the school was taken off the DOE's priority list. In 2007, after the media reported that a new developer will be building Phase II and that the land was once again free of lien, some residents took it upon themselves to go before the Board of Education's Committee on Budget and Fiscal Accountability and request that the school be reinstated in the priority list. On September 2009, the DOE reinstated Royal Kunia Elementary in the priority list.

The current land owner (Mr. Burt Kobayashi) is ready and willing to start the planning and design work for the school. Mr. Stanford Carr is leading the Phase II development. The land permits have been issued, and the work is slated to begin at the end of 2010.

HB 2740 will enable an alternate funding mechanism for the planning and building of Royal Kunia Elementary School. Due to the current state of the economy, it will ensure that the DOE's school projects will stay on track. Without this funding, the overcrowding at Kalei'opu'u Elementary will continue.

It has been a long and arduous road for our residents. Please help us ease the overcrowding and give the students in our community the school that they desperately need.

Thank you for your consideration.

Sincerely,

Gracie Prouté  
94-1227 Keahua Loop  
Waipahu, HI 96797  
(808) 688-0179

February 4, 2010

Re: Testimony in support of HB 2740 - Securing Special COP Funding Mechanism for the Royal Kunia Elementary School

Dear SOH House of Representatives Committee on Education,

As a resident of the Royal Kunia Community, I am writing to you today to voice my support of HB 2740. It is our hope that your approval of HB 2740 would allow the State or DOE to enter into a financing agreement for the timely planning and design of the long-awaited Royal Kunia Elementary School.

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With the poor state of today's economy, it is vital that the State of Hawaii/DOE be able to consider alternate financing arrangements that will help enable critical school projects to keep on track. Without timely funding, the overcrowding that has already resulted at our nearby Kalei'opu'u Elementary School is certain to continue to the detriment of our children's learning.

In closing, we humbly ask for your support of HB 2740. Mahalo for your consideration.

Sincerely,

David O'Neal  
94-1038 Kaiamu Street, Waipahu HI 96797

05 February 2010

RE: Support for HB 2740 –Budget for Public School Facilities; Financing Agreement;  
Certificate of Participation

Dear House Education Committee Members:

By way of introduction, my name is Albi Mateo, General Manager for ROYAL KUNIA COMMUNITY ASSOCIATION since 1997. Additionally, I am a homeowner and resident of Royal Kunia since 1994.

As you may know, Royal Kunia is a Master Planned Community being developed in two phases. Phase I, consisting of 1,924 units, was completed in 2006. The development of Phase II, where the land for Royal Kunia Elementary School II (RKE II) has been designated, is anticipated to break ground by the first quarter of 2011. Your approval of HB 2740 will ensure RKE II will be constructed and ready for our children to obtain the proper education.

For your convenience I am including a copy of an article published on June 30, 2002 in the Honolulu Advertiser related to RKE II. It is my hope the article will provide you a better understanding of our community and its schools, and do what is right.

Thank you for the opportunity to submit this written testimony in of support HB 2740. I am humbly requesting for your approval.

Sincerely,



Albi Mateo

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Posted on: Sunday, June 30, 2002

## Building of school faces new roadblock

By Scott Ishikawa  
Advertiser Central O'ahu Writer

Construction of Royal Kunia Elementary School, the Department of Education's top priority in new building, has been delayed indefinitely because of liens placed against a financially strapped developer.

The liens against developer Herbert K. Horita prevent the transfer to the state of property needed for the school. Its opening, once scheduled for the mid-1990s, then pushed back to 2001, may not occur until 2004 or 2005 at the earliest.

The effect on nearby Kaleiopuu Elementary School in Village Park has been devastating: Its student body has swelled to nearly 50 percent over capacity since the opening of the Royal Kunia development.

This may be the first time in Hawai'i that a school has been delayed because of a developer's financial problems, a situation that highlights the need for the state Land Use Commission's recent actions requiring better education planning from developers.

The land use commission this month placed stricter guidelines on Castle & Cooke's future Koa Ridge/Waiawa residential development, ensuring new schools are built promptly to keep up with population growth.

"In hindsight, when they planned Royal Kunia, they should have had the school built in the first phase of development, rather than the second phase (where the planned school is situated)," said state Sen. Brian Kanno, D-20th (Ewa Beach, Makakilo, Kapolei). "Schools should be built in a timely manner. Instead, we have Royal Kunia residents still waiting for their school."

Horita, who owns the rights for the unbuilt second phase of the Royal Kunia development where the planned school would be situated, needs to settle debts with other parties before the land for its campus can be transferred. Horita's Halekua Development Corp. owes millions of dollars in mortgage payments and other outstanding debts to four lienholders — City Bank, Robinson Estate, HRT Ltd. and Kunia Residential Partners, an organization formed when he sold a partial stake to Castle & Cooke in 1992.

A lien is placed on a property as a legal way to prevent its being sold or transferred to a third party until a debt or other obligation is settled.

Despite the state Legislature's appropriating \$1.5 million this year for planning and design of the Royal Kunia campus, DOE assistant superintendent Al Suga said the uncertainty of the land title situation means the state cannot accept the 12-acre parcel off Anoiki Street.

"Before we can accept the land, it has to be free and clear of obligations, financial and otherwise," Suga said. "We can start design work for the school, but nothing else until the issue is resolved."



Those close to the situation say until Horita works out an arrangement to pay off his debtors, construction on the second phase of home development around the school site will probably remain stalled as well.

Horita did not return Advertiser phone calls, and his spokesman could not reach him for comment.

Royal Kunia Elementary has been on the state's drawing board for seven years. As the school's opening date was delayed again and again, the area's population swelled as 1,700 homes in the Royal Kunia development's first phase were sold.

The school delay has left Kaleiopuu Elementary in Village Park bulging at the seams. With enrollment hovering between 950 and 1,000, school principal Virginia Padayhag expects the student count to go even higher when more families move into new Royal Kunia homes being built in the development's first phase.

Kaleiopuu Elementary already uses 12 portable classrooms to deal with the student increase and has room for no more, she said.

"Royal Kunia school was on the drawing board before the second Mililani Mauka elementary school was even a concept," said Padayhag, who pointed out that her campus was originally designed for a capacity of 650 to 700 students. "Now Mililani Mauka II is being built and we're still without a new school out here.

"If the school isn't built in the next three to five years, we will have a serious problem."

State Rep. Mark Moses, R-42nd (Kapolei, 'Ewa Village, Village Park) hopes the situation can be resolved before the next legislative session so school construction money can be sought. The estimated \$25 million in construction money would likely be allocated over two years.

"There have been so many roadblocks to this Royal Kunia school, and now this," Moses said about the lien situation. "They need to resolve this land title thing soon, so we can lobby for construction funding in time for the school's 2004- 2005 opening."

Moses said a subdividing problem and previous concerns by the DOE over lack of infrastructure and an access road for the school site have also held up the project. Because the developer hasn't built an access road to the construction site, the DOE may end up paying for that, Suga said.

While the backlog in new schools has been mainly attributed to the lack of state money for construction, this may be the first situation in which a school is delayed because of a developer's financial struggles, according to Kanno.

The Royal Kunia community was conceived by Horita in 1988 as a two-phase, master-planned development of 4,000 homes. In 1992, after financing and permitting delays, Horita sold a 50 percent stake to Castle & Cooke, which became general partner of the 2,000-unit first phase. An estimated 300 units have yet to be built.

Horita maintains sole control of the unbuilt second phase on 210 acres, where the planned school is located.

But the sluggish housing market in the 1990s forced Horita to file in 1999 for bankruptcy protection for

several of his projects. One of them was Royal Kunia Apartments Inc., which included 402 affordable rental townhomes built as part of the overall development.

Kanno said he negotiated with the state and developer on the possibility of moving the campus to the development's first phase where a park was designated, but the difficulty of swapping already-zoned sites proved too great.

Castle & Cooke Homes Hawai'i president Harry Saunders, whose company, through the entity of Kunia Residential Partners, filed a lien in 1999 against Horita for outstanding debt, said the idea of releasing only the school parcel to the state might be a possibility. But that would require the approval of all four lienholders of the property.

"We would like to see the school open ourselves, since a new school would be a big selling point," Saunders said. "At the same time, however, it's not our property, so there is not much we can do."

DOE official Suga said Royal Kunia Elementary, when built, will serve about 750 students, and up to 1,000 children when it operates on a multi-track schedule.

But for now, a giant pile of red dirt and weeds sits where classroom buildings should be standing.

### **Back**

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