

Date: 03/30/2011

Committee: House Finance

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: SB 1385,SD2,HD1 RELATING TO PUBLIC SCHOOL LANDS.

Purpose of Bill: Permits the Department of Education, with the approval of the Board of Education, to lease certain public school lands for the development of affordable workforce housing rental units under specified conditions. Establishes a public school construction tax credit not exceeding ten per cent of construction costs incurred under such leases. Effective July 1, 2011. (SB1385 HD1) (\$)

Department's Position: The Department of Education appreciates the intent of this bill, which is to provide a vehicle for the redevelopment of public school lands in a manner that provides both improved public school facilities and workforce housing. However, DOE has the following concerns:

1) DOE is not aware of any studies that show the concept is feasible on the ten-campus scale contemplated by the bill. A "pilot" project of this magnitude is likely to generate considerable concern in school communities who will wonder "what is going to happen to us?"

2) In addition to the scale of the project generating concerns at the community level, DOE is skeptical that ten schools could be redeveloped within the three-year window for DOE to exercise its redevelopment authority under the bill.

3) DOE would need an appropriation of funds to undertake the work necessary before development could begin, including preliminary feasibility studies and the preparation and evaluation of site-specific requests for proposals.

4) The term "affordable rental rates" -- the rents at which developers must rent the workforce housing that is proposed to be built under this bill -- is not defined.

5) In Section 3 of the bill, the final item in the proposed advisory board's list of advisory activities is advising DOE on recommending the issuance of special purpose revenue bonds. It is not clear in what section of current state statute the proposed recommendation on the issuance of special purpose revenue bonds is contemplated.

DOE respectfully requests that the bill be further amended so that it is limited to Section 4 only, and that it include an appropriation of \$500,000 to undertake this work.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

HOUSE COMMITTEE ON FINANCE

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING SB 1385, SD 2, HD 1 RELATING TO PUBLIC SCHOOL LANDS

TESTIFIER: FREDERICK D. PABLO, DIRECTOR OF TAXATION (OR
DESIGNEE)
COMMITTEE: FIN
DATE: MARCH 30, 2011
TIME: 2:00PM

POSITION: COMMENTS

This measure establishes a public school construction tax credit for 10% of the construction costs incurred during a taxable year in which a taxpayer constructs workplace rental housing units or new public school constructions free of cost to the Department of Education.

The Department of Taxation (Department) supports the intent of this bill. Investment in our state's public school infrastructure is important. However, the Department has some concerns over the bill's inclusion of aggregate caps on the credit as well as the bill's credit calculation.

The Department generally opposes aggregate caps. There is no legislative guidance on how the cap is to be administered. Is the cap based on who files first? Do taxpayers need to apply for the credit? Should the credit be spread evenly amongst all taxpayers? All of these issues arise when an aggregate cap is instituted. These issues become even more concerning when there are a substantial number of taxpayer claiming the credit. The Department suggests instead that the Legislature simply appropriate \$5 million or \$10 million to the Department of Education to carry out this bill's purpose.

It is also unclear whether the credit is for 10% of the construction costs incurred each year or 10% of the total construction costs.

Due to the bill's aggregate caps, the Department estimates a revenue loss of \$5 million in FY 2012, \$10 million in FY 2013 and \$10 million in FY 2014.

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 1385, S.D. 2, H.D. 1

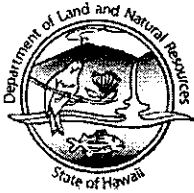
March 30, 2011

RELATING TO PUBLIC SCHOOL LANDS

Senate Bill No. 1385, S.D. 2, H.D. 1, allows the Department of Education, with the approval of the Board of Education, to lease public school lands for the construction of workplace rental housing units and new public schools, and establishes a public school construction tax credit not exceeding ten percent of the construction costs incurred under such leases. This bill also establishes the School Facilities Special Fund, into which shall be deposited all proceeds from leases, permits, interest and other revenue generated from public school lands. The School Facilities Special Fund shall be used to construct and improve public school facilities.

The department recognizes the benefit of a special fund to offset the cost of construction of school facilities. However, as a matter of general policy, the Department of Budget and Finance expects the creation of any special fund would meet the requirements of Section 37-52.3 of the Hawaii Revised Statutes. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to Senate Bill No. 1385, S.D. 2, H.D. 1, it is difficult to determine whether the above requirements are met. If these issues can be thoroughly considered and resolved, the concept could prove to provide an innovative and compelling strategy for future evolution of funding education in Hawaii.

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

**Testimony of
WILLIAM J. AILA, JR.
Chairperson**

**Before the House Committee on
FINANCE**

**Wednesday, March 30, 2011
2:00 PM
State Capitol, Conference Room 308**

**In consideration of
SENATE BILL 1385, SENATE DRAFT 2, HOUSE DRAFT 1
RELATING TO PUBLIC SCHOOL LANDS**

Senate Bill 1385, Senate Draft 2, House Draft 1 authorizes the Department of Education, with the approval of the Board of Education, to lease certain public school lands for the development of affordable workforce housing rental units under specified conditions, and establishes a public school construction tax credit not exceeding ten per cent of construction costs incurred under such leases. The Department of Land and Natural Resources (Department) has concerns with this bill as written.

According to Section 171-11, Hawaii Revised Statutes, "[w]henver lands set aside for a public purpose to the various departments and agencies of the State, or to any city and county, county, or other political subdivisions of the State, or to the United States, are not being utilized or required for the public purpose stated, the order setting aside the lands shall be withdrawn and the lands shall be returned to the department." The Department is concerned that leasing public school lands for the purpose of constructing workplace rental housing units may be inconsistent with public purpose as stated in the set aside.

WILLIAM J. AILA, JR.
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

GUY H. KAULUKUKUI
FIRST DEPUTY

WILLIAM M. TAM
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS



SB1385, SD2, HD1
RELATING TO PUBLIC LANDS
House Committee on Finance

March 30, 2011

2:00 p.m.

Room 308

The Office of Hawaiian Affairs (OHA) offers the following comments on SB1385 SD2 HD1, which authorizes the Department of Education/Board of Education (DOE/BOE) to lease school lands to private developers to construct affordable workforce rental housing units.

OHA appreciates that SB1385 has been amended to eliminate authority to sell school lands, including ceded land and public trust land. As we have pointed out in prior testimony, the bulk of Hawai'i's schools sit on former government and crown lands that were ceded by the Republic of Hawai'i to the United States in 1898, "without the consent of or compensation to the Native Hawaiian people of Hawaii or their sovereign government[.]" P.L. 103-150 (1993).

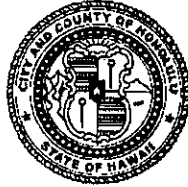
OHA notes, however, that we still have concerns regarding the exclusive use of income from these public lands for one purpose. Section 5(f) of the Hawai'i Admission Act; Article XII of the Hawai'i Constitution; Chapter 10, Hawai'i Revised Statutes; Act 178, SLH (2006), and Executive Order 06-06 all impose on the state trust obligations with respect to public trust lands, including accurately determining and accounting for all income and proceeds from the use of lands within the public land trust, and transferring to OHA all payments due. Restricting the use of revenues generated on public trust land solely for the use of public schools would undermine the state's trust responsibilities to Native Hawaiians. Therefore, we ask that the bill be amended to expressly state that the revenues generated from the use of all public trust lands placed within the proposed "school facilities special fund" are subject to Act 178, SLH 2006.

Mahalo for the opportunity to testify on this important measure.

OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU

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PETER B. CARLISLE
MAYOR



March 30, 2011

The Honorable Marcus Oshiro, Chair
House Committee on Finance
Twenty-Sixth Legislature
Regular Session of 2011
State of Hawaii

RE: Testimony of Mayor Peter Carlisle on S.B. 1385, S.D. 2, H.D. 1, Relating to Public School Lands

Chair Takumi and members of the House Committee on Finance, Mayor Peter Carlisle submits the following testimony with concerns regarding S.B. 1385, S.D. 2, H. D. 1.

The purpose of this bill is to permit the Department of Education ("DOE") or the Board of Education ("BOE") to enter a lease agreement to lease up to ten public school properties for terms not more than fifty-five years to lessees who shall construct workforce rental housing units at affordable rental rates and who may be required to construct a new public school or substantially remodel an existing school at no cost to the BOE or DOE. If a county owns the land underlying the school, the lessee shall be subject to the county for all property taxes on the value of the non-school improvements. In addition, the lessee shall maintain and operate the workforce rental housing units for the length of the lease and shall pay for the right to use the land. The lessee may retain the rental proceeds and may be eligible for a tax credit that shall not exceed ten percent of the construction costs incurred during the taxable year in which construction occurred; however the total aggregate tax credits shall not exceed \$5 million in the first year, \$10 million in the second year and \$10 million in the third year.

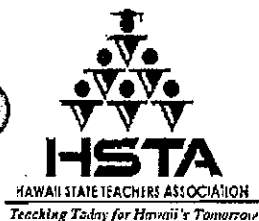
Although we appreciate the evolution of this bill in response to the concerns raised by the counties and other interested parties and the bill's intent to give the counties the real property taxes from the value of the non-school improvements, we still have some concerns about the details of this proposal. Our main concern is that the parameters of the term "affordable workplace rental housing" are undefined. Under current Revised Ordinances of Honolulu ("ROH") section 8-10.20, low-income rental housing projects are exempt from real property taxes. A low-income housing project is defined as a rental housing project where at least 20% of the dwelling units are reserved for low-income residents. Low-income means the annual income

of a household that does not exceed 80% of the area median income for the county as determined by the United States Department of Housing and Urban Development. We have attached a chart which indicates the 2010 low income caps based upon a median household income of \$81,700 for the City and County of Honolulu. It is unclear to us whether the "affordable workplace rental housing" built under this bill will be taxable real property under the current ROH provisions. We also note that the rental units revert back to the DOE after the lease term ends. If at that point, the DOE should continue to rent the units after the lease term ends, the county is unlikely to receive any further property taxes on the land.

For these reasons, I respectfully ask that we be included in any further discussions to work out the details on this bill and thank you for this opportunity to present these comments.

FY 2010 Income Limits Summary

Honolulu County, Hawaii										
FY 2010 Income Limit Area	<u>Median Income</u>	FY 2010 Income Limit Category	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Honolulu County	\$81,700	<u>Very Low (50%) Income Limits</u>	\$34,800	\$39,750	\$44,700	\$49,650	\$53,650	\$57,600	\$61,600	\$65,550
		<u>Extremely Low (30%) Income Limits</u>	\$20,900	\$23,850	\$26,850	\$29,800	\$32,200	\$34,600	\$37,000	\$39,350
		<u>Low (80%) Income Limits</u>	\$55,650	\$63,600	\$71,550	\$79,450	\$85,850	\$92,200	\$98,550	\$104,900



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Wil Okabe
 President
Karolyn Moseman
 Vice President
Joan Kamila Lewis
 Secretary-Treasurer
Alvin Nagasako
 Executive Director

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON
 FINANCE**

RE: SB 1385, SD2, HD1 - RELATING TO PUBLIC SCHOOL LANDS.

March 30, 2011

**WIL OKABE, PRESIDENT
 HAWAII STATE TEACHERS ASSOCIATION**

Chair Oshiro and Members of the Committee:

The Hawaii State Teachers Association (HSTA) supports the concept and intent to provide funding for public education through SB 1385, SD2, HD1. It goes without saying that our school facilities are in dire need of repair maintenance and improvement of systems and infrastructure to meet the twenty-first century challenges in technology and education.

Because of the deep budget cuts the Department of Education has undergone and continues to face, HSTA has concerns regarding the demands placed upon the DOE in its implementation of this amended bill. The increased responsibilities placed on the DOE without qualified staffing would negatively impact the DOE's role focusing on quality education.

Thank you for the opportunity to present testimony.



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The Twenty-Sixth Legislature, State of Hawaii
House of Representatives
Committee on Finance
Testimony by
Hawaii Government Employees Association
March 30, 2011

S.B. 1385, S.D. 2, H.D.1 – RELATING TO PUBLIC SCHOOL LANDS

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports the intent of S.B. 1385, S.D.2, H.D.1.

This bill establishes a three-year pilot project to generate revenue from uses such as workforce housing to build and retrofit twenty-first century schools. Essentially, the department will be permitted to lease public school land for not more than ten existing schools to a lessee who shall be required to construct workforce rental housing units at affordable rental rates. The proceeds generated through leases will be used for the new construction and upgrade of twenty-first century public school facilities.

We appreciate the opportunity to present our testimony on this bill.

Respectfully submitted,

Leiomalama Desha
Executive Assistant



Testimony to the House Committee on Finance
Wednesday, March 30, 2011
2:00 p.m.
Conference Room 308
Agenda #5

RE: SENATE BILL NO. 1385 SD2 HD1 RELATING TO PUBLIC SCHOOL LANDS

Chair Oshiro, Vice Chair Lee, and members of the committee:

The Chamber of Commerce of Hawaii ("The Chamber") supports the overall intent of S.B. 1385 relating to Public School Lands.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 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 its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The purpose of this Act is to allow the Department of Education, with the approval of the Board of Education, to lease certain public school lands for the development of affordable workforce housing rental units under specified conditions. It establishes a public school construction tax credit not exceeding ten per cent of construction costs incurred under such leases. It also authorizes certain development rights to be conveyed from owners in agricultural districts to certain owners of land in urban districts, subject to conditions.

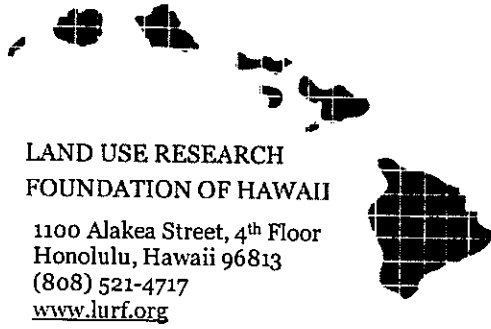
The DOE has approximately the same number of students today (+/-180,000) as they did 30 years ago. Today, the student population is spread across 285 public schools state-wide (K thru 12). The difference today from 30 years ago is that the distribution of the student population has been dispersed across the state. This creates situations where existing assets (School sites) are underutilized and provides opportunities to reposition these real estate assets for future needs. This could involve redevelopment of the site for a new school, allowing for mixed use with a redeveloped school and possibly teacher housing, or provide for new revenue sources based on long term leasing of the property.

Compounding the problem is that as school enrollment has decreased in some of the older, urban schools, administrative programs and staff have been moved into these schools converting classrooms into office spaces. Thus, while school facilities are not being used to educate students, the facilities are being used by the Department of Education. Relocation of these administrative services and personnel will also be required if the school facility is redeveloped.

The concept is modeled after land grant public schools on the mainland. Most of the land grant states (i.e. the 26 states west of the Mississippi) were required to set aside lands for the "Common School Funds" as a condition of being admitted into the United States. These states presently manage the Common School Funds which are lands that are used for one of two purposes: 1) School Sites; or 2) Generate revenues which are used solely by the public schools. School lands were granted by Congress to the states at the time each new state joined the Union. The land grants were originally made for a single, explicitly stated purpose: to support common schools and similar public institutions.

Our concern is that the law may not go far enough to stimulate investment of private capital in the redevelopment of public school lands. However, we also are aware that changes of this magnitude generally must occur in small increments. Toward this end, the Chamber supports these initial steps in allowing for the redevelopment of the public school lands in Hawaii.

Thank you for this opportunity to express our views.



LAND USE RESEARCH
FOUNDATION OF HAWAII
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www.lurf.org

March 29, 2011

Representative Marcus R. Oshiro, Chair and Representative Marilyn B. Lee, Vice Chair
House Committee on Finance

Support of the Intent of SB 1385, SD 2, HD 1, and Comments Relating to Public School Lands. (Permits the State Department of Education [DOE] to lease certain public school lands for the development of affordable workforce housing rental units under specified conditions. Establishes a public school construction tax credit not exceeding ten per cent of construction costs incurred under such leases. Effective July 1, 2011.)

Wednesday, March 30, 2011, at 2:00 p.m. in CR 308

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions 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.

SB 1385, SD 2, HD 1. This bill recognizes that the State must provide for the optimal use of excess and underused public school lands in order to generate opportunities required to improve public school facilities and infrastructure, and create a learning environment which will maximize student achievement and prepare students to meet the challenges of the 21st century and succeed in today's highly competitive economy. SB 1385, SD 2, HD 1 thus permits the DOE to lease certain public school lands for the development of affordable workforce housing rental units under conditions specified under the bill, and establishes a public school construction tax credit not exceeding ten per cent of construction costs incurred under such leases.

Background. SB 1385, SD 2, HD 1 recognizes that the considerable amount of underused public school lands on the State's 257 school campuses may be used as a resource (e.g., redeveloped) to enable the construction, repair, and retrofit of public schools to meet the challenges of the twenty-first century and improve the quality of education in Hawaii.

This bill establishes a three-year pilot project to generate revenue from uses such as the construction of affordable workforce rental housing, to build and retrofit twenty-first century schools. The Act also establishes a school facilities advisory board (Advisory

Board) to provide guidance to the DOE on ways to optimize use of public school lands, and creates the school facilities special fund into which all proceeds generated from the use or lease of public school lands will be deposited.

SB 1385, SD 2, HD 1 also establishes a public school construction tax credit for construction undertaken as part of the terms of a lease specified under the bill for the construction of workplace rental housing units and new public schools construction. The amount of the tax credit shall not exceed ten per cent of the construction costs incurred under such leases during the taxable year when construction is undertaken. The effective date of the bill is July 1, 2011.

LURF's Position.

➤ **LURF Supports the Intent of this Bill as an Innovative Method to Use State Assets to Benefit Hawaii's Public Schools and Public School Children.**

LURF supports this bill because it looks to and establishes innovative methods through which the State may use its assets to obtain funding to benefit Hawaii's public schools and public school children. LURF has consistently supported creative legislation, especially legislation targeted to further education in this State. In 2007, LURF testified in support of legislation proposed to establish a two-year pilot project within a designated complex area which would authorize reallocation of resources within the schools in the complex area to achieve greater efficiency and cost-effectiveness. Other prior education-related efforts by the DOE, LURF and other stakeholders over the past years include:

- **SB 292 (2005) proposal to grant DOE Asset Management authority.** In 2005, pursuant to SB 972, the legislature considered the establishing the authority of the Board and the DOE to own and administer all of the lands and facilities being used for the public schools of Hawaii.
- **SB 611 (2007) proposal to transfer lands and facilities to DOE.** In 2007, a similar version was presented as SB 611, which proposed to transfer all public lands and facilities in use for public schools to the DOE. That bill also empowered the Board and the DOE to acquire, sell, lease, transfer, hypothecate, develop, and enter into agreements for the improvement of lands and facilities under its control for the support of the public schools.
- **DOE Advisory Council: SB 611 (2007).** SB 611 was the result of one of the working groups from the DOE Advisory Council, which was created to evaluate the merits of the DOE's various proposals being implemented, and to make recommendations on establishing measurable goals and objectives.
- **SB 690 (2007) proposal for DOE cost-benefit analysis and additional school funding based on savings from school closures or consolidation.** This proposal would have required the DOE to do a cost-benefit analysis to determine the cost savings of school closures or consolidations, and would have required that 50% of the savings be retained by the affected schools for a period of not less than five years.

As noted in LURF's 2007 testimony in support of the above measures (updated and confirmed by DOE News Release dated October 18, 2010), the DOE currently has approximately the same number of students enrolled in public schools today (+/- 180,000) as it did 30 years ago, the difference being that the concentration of the student population has moved. This creates situations such as with the present bill, where existing assets are underused and provides opportunities to reposition these real estate assets for future needs. Possibilities include redevelopment of the site for a new school; allowing for mixed use with a redeveloped school and teacher housing; or providing for new revenue sources based on long term leasing of the property.

The following are various other initiatives that the DOE, the proposed Advisory Board, other stakeholders, and the Legislature may wish to consider pursuing in the future:

- **Capital Improvement Projects ("CIP") Public Private Partnership Group.** One of the working groups from the DOE Advisory Council was the CIP Public Private Partnership group, which explored "non-traditional" alternatives for building new schools, or redeveloping existing schools. The term "non-traditional" was meant to describe the processes or methods not presently being used by the DOE.
- **Common School Fund Program.** The idea of giving the DOE the power and authority to own the land under the school facilities is based on the "Common School Fund" programs or "Land Grant Schools" on the mainland. Many of the school lands in the western United States were provided by Congress to each of the states via "land grants" at the time each state joined the United States. The land grants were originally made for a single explicitly stated purpose - to support common schools and similar public institutions. These granted lands are generally known as "Common School Fund Lands," and are held by the states, together with any permanent funds and revenues generated from the lands, and all of those assets are generally viewed as a "trust." Most of the western states manage the Common School Fund Lands, either for use as school sites, or to generate revenues for the schools. The corpus of the trust is determined by the value of the land, any permanent funds and any revenues generated by the lands. Hence, the trust land managers in those states approach their management responsibilities under the same array of rules and enforcement mechanisms that surround any legal trustee with fiduciary duties.
- **Management of DOE lands as "trust" lands for the benefit of DOE schools and programs.** The prior Hawaii legislation listed above was based on an idea similar to the "Common School Fund Lands program - - that the existing DOE school lands could be used to create a trust for the DOE public schools. Somewhat like Kamehameha Schools Bishop Estate ("KSBE"), the DOE lands could then be managed as a "trust," and the DOE will have the ability to leverage underutilized land assets for redevelopment, joint venture, revenue production, and other opportunities similar to KSBE or any other real estate corporation. Considering the need to attract and retain teachers, and the prospects of a fixed-guide-way system for Oahu, the bill would potentially allow for the repositioning of some of the "underused school sites" in the City's Primary Urban Center to be redeveloped to provide teacher housing and/or generate

income for the DOE as a center for a mixed-use transit oriented development ("TOD").

In order to effectuate these and other initiatives, LURF suggests that the Advisory Board proposed to be established by this bill be expressly afforded the flexibility and authority necessary to allow it to explore and consider any and all options relating to the use of public school lands, including, but not limited to all types of development, funding, and leasing options, so as not to be inaccurately construed as being limited only to advisory functions in connection with the construction of public schools and workforce rental housing units during the three-year pilot project period.

➤ **LURF Supports Incentives Anticipated to Assist with the Revitalization of Hawaii's Construction Industry.**

LURF also supports SB 1385, SD 2, HD 1, as the bill, by proposing an income tax credit for DOE lessees who construct workplace rental housing units and any new public schools in accordance with DOE plans and specifications, provides incentive to stimulate Hawaii's construction industry. The tax credits proposed by this bill will no doubt be offset by increased State tax revenues resulting from the sale of building and construction materials, as well as from increased employment in industries relating to development and construction.

Revitalization of the construction industry will, in turn, help to stimulate the State's economy. LURF therefore believes that the implementation of this legislation is warranted, and that the objective of this measure (i.e., to improve public school education and concurrently create construction jobs), would be well satisfied and furthered by its enactment.

Conclusion. LURF supports the intent of SB 1385, SD2, HD 1 as an inventive means of utilizing excess and underused assets to generate funding for the benefit of public school children, as well as boosting the local construction industry. To this end, LURF also suggests that this bill be clarified in order that the proposed Advisory Board be afforded the authority and flexibility to allow it to explore and consider any and all options relating to the use of public school lands, so as not to be inaccurately construed as being limited only to advisory functions in connection with the construction of public schools and workforce rental housing units during the three-year pilot project period.

Thank you for this opportunity to present testimony regarding this matter.



Hearing date:
Wednesday,
March 30,
2:00 p.m.
House Committee
on Finance,
Room 308

To: Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

From: Elisabeth Chun, Executive Director
Good Beginnings Alliance

Date: Wednesday, March 30, 2011, 2:00 p.m.
Conference Room 308

Subject: **SB 1385 SD2 HD1: Permits the Department of Education, with the approval of the Board of Education, to lease certain public school lands for the development of affordable workforce housing rental units under specified conditions. Establishes a public school construction tax credit not exceeding ten percent of construction costs incurred under such leases. Effective July 1, 2011. (SB1385 HD1)**

The Good Beginnings Alliance is a policy and advocacy organization focused on Hawaii's youngest children and their families. We strive to ensure a nurturing, safe and healthy development for all children from pre-birth to age eight. We believe all children deserve safe and supportive environments that meet their needs as they grow and develop. Good Beginnings is also a member of One Voice for Hawaii's Children (www.onevoiceforchildren.net), an alliance of organizations and individuals committed to the development of an effective and equitably funded early childhood system that gives all young children the opportunity to arrive at kindergarten safe, healthy and ready to succeed. The following information is provided to help you in your decision-making process.

Preschool attendance by our public school kindergarten students has dropped two straight years and is now at 59% for the current school year. We believe this is due to the economic challenges facing our families and the reductions in preschool subsidies for low income children. We are concerned with this decrease as 85% of a child's brain development takes place before age 5 based on the quality of his or her early learning experiences. Thus, the potential of this bill to innovatively fund and construct elementary school campuses that contain an early learning component (e.g., a P-6 school) would be of great benefit to our young children and families in Hawaii.

Mahalo for your consideration. For more information contact: Good Beginnings Alliance; phone: 531-5502; lchun@goodbeginnings.org



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

TESTIMONY ON SENATE BILL 1385, SENATE DRAFT 2, HOUSE DRAFT 1, RELATING TO PUBLIC SCHOOL LANDS

House Committee on Finance
Hon. Marcus R. Oshiro, Chair
Hon. Marilyn B. Lee, Vice Chair

Wednesday, March 30, 2011, 2:00 PM
State Capitol, Conference Room 308

Honorable Chair Oshiro and committee members:

I am Kris Coffield, representing the IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 60 local members. On behalf of our members, we offer this testimony in support of SB 1385, SD1, HD1 relating to public school lands.

As of today, the state is facing a crippling deficit of approximately \$200 million for the current fiscal year and \$1.3 billion for the two-year budget cycle. To plug the widening gap, Gov. Abercrombie has demanded a 10 percent reduction in spending for all departments for the next three months, while the House budget draft decreases Department of Education funding by \$110 million for the ensuing biennium. According to State Superintendent Kathryn Matayoshi, these cuts could necessitate the elimination of bus service on Oahu, curtailment of categorical programs like athletics and after-school tutoring, lessening of per-student funding by up to \$43 million, and increasing of school lunch prices from \$2.35 to \$3.18. In a sense, all of these measures are regressive, disproportionately impacting financially indigent families and their children, many of whom already struggle to succeed academically. Ergo, lawmakers should mitigate future cutbacks by implementing innovative safeguards, including SB 1385, SD2, HD1, which permits the DOE, in conjunction with the Board of Education, to lease public school lands for the development of affordable housing rentals, provided that the lessee constructs new public schools or remodels existing facilities, with revenues accrued from contracts and related interest deposited into a special fund for facilities upgrades, thereby abating the state's shortage of affordable housing units and high-tech classrooms. Mahalo for the opportunity to testify in support of this bill.

Sincerely,
Kris Coffield
Legislative Director
IMUAlliance

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BIA-HAWAII
BUILDING INDUSTRY ASSOCIATION

March 30, 2011

Representative Marcus Oshiro, Chair
Committee on Finance
State Capitol, Room 308
Honolulu, HI 96813

RE: SB1385 SD2 HD1 Relating to Public School Lands

Chair Oshiro and Members of the Committee:

I am Karen Nakamura, Chief Executive Officer 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.

The Building Industry Association of Hawaii (BIA) **supports the intent of SB 1385 SD2 HD1**, whose purpose is to optimize uses of public school lands to generate opportunities for improving public school facilities and infrastructure in order to meet the challenges of the twenty-first century and, overall, to improve the quality of education in Hawaii.

SB 1385 SD2 HD1 establishes a three-year pilot project to generate revenue from uses such as workforce housing to build and retrofit twenty-first century schools. The pilot project will lay important groundwork for a statewide approach and plan to optimizing public school lands and modernizing public school facilities. The department may lease public school properties for not more than ten existing schools under a lease for a term of not more than fifty-five years to a lessee who shall be required to construct workforce rental housing units at affordable rental rates.

A school facilities special fund will also be created, into which shall be deposited all proceeds from the leases, permits, interest from sale contracts, interest income generated from public school lands, and other revenue generated from the non-permanent disposition of public school lands. These moneys will be used to build or upgrade twenty-first century school facilities.

SB 1385 SD2 HD1 establishes a school facilities advisory board to provide guidance to the department of education on ways to optimize the use of public school lands.

The bill also creates a public school construction tax credit not to exceed 10 percent of the construction costs incurred during the taxable year in which the taxpayer constructed a public school free of cost to the department of education and workplace rental housing units. While we are not sure how this tax credit would work and whether it would be enough of an incentive to encourage the construction of public schools free of cost to the Department of Education, it is an idea worth pursuing.

A school facilities advisory board will be established, to be composed of seven real estate, land use development, and education professionals who will provide the department with advice, expertise, and guidance on the construction, management, and redevelopment of public school lands and facilities. **BIA-Hawaii proposes that there be representation from the building community on this school facilities advisory board.**

This bill has the potential to create a win-win situation for Hawaii's public school system and our construction industry, and to provide housing that will be affordable for our core service professionals. All of these are part of what makes an economy vibrant and sustainable.

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



Chief Executive Officer, BIA-Hawaii

Owen Miyamoto
3209 Paty Drive
Honolulu, HI 96822-1439

March 28, 2011

Honorable Marcus R. Oshiro, Chair
Honorable Marilyn B. Lee, Vice Chair
Honorable Members of the House Committee on Finance

I am submitting testimony in support for SB 1385, SD2, HD1 Relating to Public School Lands

I am a member of the Technical Review Committee for the Hawaii 3R's Program, which provides funding for small projects to repair, remodel and restore our public schools. I am not speaking on its behalf. The Technical Review Committee examines proposals from schools requesting financial assistance. Funding has been provided through Senator Inouye's efforts and each project must leverage the financial contribution with the sweat equity of volunteers. Private sector contributors provide additional funding.

It is clear that the 3R's program cannot possibly meet the huge backlog of repairs and upgrades needed for the school system. Further, the deficit of the federal budget and the elimination of earmarks make it unlikely that the US government can be counted on continuing its support.

HD 1 of SB 1385, SD 2, sets an aggressive program for implementation of the proposed Public Schools Land Trust. The Department of Education must prepare a master plan for the schools, which presumably will optimize alternative uses to generate revenues from unused public school lands. Since the legislation now requires the development of unused school lands for the construction of affordable workforce rental housing, the focus of planning is now restricted to this type of activity. Limiting the program to not more than 10 schools will require a substantial planning, design and construction effort, which may not be within the capabilities of the DOE staff. The bill does not provide any funding for consultant assistance and should be further amended to provide a temporary source of financing until the trust is capable of generating revenue as originally conceived for the program.

In spite of its many challenges for action in time for the deadlines set by SB 1385, the effort is well worth the potential benefits to the public school system. I urge your passage of legislation that takes into consideration my comments above. Thank you for the opportunity to present my views.


Owen Miyamoto