

**OFFICE OF PLANNING  
STATE OF HAWAII**

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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**  
Wednesday, April 5, 2017  
2:30 PM  
State Capitol, Conference Room 308

in consideration of  
**SB 1146, SD2, HD2**  
**RELATING TO SCHOOL IMPACT FEES.**

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

The Office of Planning (OP) supports the intent of SB1146, SD2, HD2 which proposes to provide an exemption from school impact fees for new housing units that are reserved for persons or families with incomes up to eighty percent of the area median income (AMI) in a county having a population greater than 500,000 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 individuals or families – specifically those that fall within the zero to one hundred forty percent AMI. Allowing housing development projects in which the units for families earning up to eighty percent of the AMI to be exempt from school impact fees, will encourage developers to provide more low-income housing, increasing the overall affordable housing supply for Hawaii residents. We note however, that including eighty to one hundred forty percent AMI, will provide additional affordable housing supply across the range of unit affordability.

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**

**Wednesday, APRIL 5, 2017**  
**2:30 PM**  
**Room 309, Hawaii State Capitol**

In consideration of  
**SB1146, SD2, HD2**  
**RELATING TO SCHOOL IMPACT FEES**

Honorable Chair Luke and Members of the House Committee on Finance, thank you for the opportunity to provide testimony concerning Senate Bill 1146, SD2, HD2, relating to school impact fees.

The Hawaii Public Housing Authority (HPHA) supports SB 1146, SD2, HD2, which exempts from school impact fees: housing developments reserved for persons or families with incomes up to eighty per cent of the area median income located in a county having a population greater than 500,000; state or federal public housing projects; state low-income housing projects; housing projects certified or approved for a general excise tax exemption under 201H-36, HRS; and government housing projects and projects processed pursuant to section 46-15.1 and 201H-38, HRS.

The HPHA appreciates the exemption from school impact fees. School impact fees can significantly raise the cost of new housing development projects. As a state agency, any additional fees will create a greater gap in financing which, ultimately, will be funded by the State.

The HPHA appreciates the opportunity to provide the House Committee on Education with the HPHA's comments regarding SB 1146, SD2, HD2. 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**

April 5, 2017 at 2:30 p.m.  
State Capitol, Room 308

In consideration of  
**S.B. 1146, S.D. 2, H.D. 2**  
**RELATING TO SCHOOL IMPACT FEES.**

The HHFDC **supports the intent** of S.B. 1146, S.D. 2, H.D. 2, but defers to the Department of Education on any fiscal impact the measure may have. S.B. 1146, S.D. 2, H.D.2, would exempt the following housing projects from school impact fees:

1. Housing reserved for households at or below 80 percent of the area median income located in a county with a population greater than 500,000;
2. Housing projects certified for a General Excise Tax exemption under §201H-36, HRS; and
3. Government housing projects and projects processed per §45-15.1, HRS, and §201H-38, HRS.

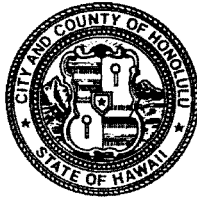
We believe that this would reduce the cost to build affordable family housing projects serving low-income families.

Thank you for the opportunity to testify.

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

650 SOUTH KING STREET, 7<sup>TH</sup> FLOOR • HONOLULU, HAWAII 96813  
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DEPT. WEB SITE: [www.honolulu.dpp.org](http://www.honolulu.dpp.org) • CITY WEB SITE: [www.honolulu.gov](http://www.honolulu.gov)

KIRK CALDWELL  
MAYOR



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

April 5, 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: Senate Bill No. 1146, SD 2, HD 2  
Relating to School Impact Fees

The Department of Planning and Permitting (DPP) **supports, with a recommended amendment**, Senate Bill No. 1146, SD 2, HD 2, which would exempt housing units reserved for persons or families with incomes up to 80 percent of the area median income (AMI) in a county with a population greater than 500,000 from paying school impact fees. This Bill also would exempt certain housing projects certified or approved for a GET exemption, and any State or Federal public housing project from paying school impact fees.

The City administration's Islandwide Affordable Housing Strategy includes waivers of City fees to help make affordable housing projects at up to 120 percent of the AMI 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.

In addition to our support of this Bill, the DPP recommends an amendment to exempt, or provide fee reductions for, all types of affordable housing projects serving persons or families with incomes up to 120 percent of the AMI.

The Honorable Sylvia Luke, Chair  
and Members of the Committee on Finance  
Hawaii House of Representatives  
Hawaii House of Representatives  
Senate Bill No. 1146, SD 2, HD 2  
April 5, 2017  
Page 2

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kathy Sokugawa", written in a cursive style.

Kathy Sokugawa  
Acting Director

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Exempt Affordable Housing from School Impact Fees

BILL NUMBER: SB 1146, HD-2

INTRODUCED BY: House Committee on Education

EXECUTIVE SUMMARY: Our Department of Education now may require real estate developers to pay it an “education impact fee” for the anticipated costs of new school facilities. Although the law as originally designed explicitly requires government housing projects and affordable housing projects to pay this fee as well, this bill proposes to exempt such projects from the fee. The question left unanswered is: Who is expected to pay the freight for the projects that are exempted?

SYNOPSIS: Amends HRS section 302A-1603 to exempt the following developments from assessment of the education impact fee:

- Any form of housing units reserved for persons or families with incomes up to eighty per cent of the area median income located in a county with a population greater than five hundred thousand;
- 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 processed pursuant to sections 46-15.1 and 201H-38;
- Any state or federal public housing project as defined in section 356D-1 or 356D-91 or a state low-income housing project as defined in section 356D-51.

EFFECTIVE DATE: July 1, 2051.

STAFF COMMENTS: Under Act 245, SLH 2007, our Department of Education (DOE) has the authority to require developers to pay an “impact fee” in high growth areas of the state. The theory is that high growth will mean more children, and more schools are required to educate them. So those developers are asked to fork over some of the costs of those schools.

The Board of Education (BOE) used this authority to establish impact fee districts in Central Maui and West Maui in 2010, and in Leeward Oahu in 2012. It approved another district in West Hawaii in 2009, but apparently, the Big Island county government didn’t want to cooperate and that district remains an open issue.

Once an impact fee district is established, the DOE is authorized to collect 10% of estimated school construction costs and 100% of estimated land acquisition costs from each residential development planned within the district.

In 2016, the BOE was asked to look at establishing a “Kalihi to Ala Moana Impact Fee District,” which would cover the area around the last four miles of the anticipated Honolulu rail project.

The report issued by the DOE

(<https://www.hawaiipublicschools.org/DOE%20Forms/Facilities/Final%20corrected%20TOC%201-21-16.pdf>) projected that a large number of condominiums would be built around the rail line, and would result in about 39,000 new residential units and about 10,000 additional students to be served in the vicinity. For those additional students, up to six new elementary schools, one and a half middle schools, and one and a half high schools would be needed. The DOE recommended a per-unit school impact fee of \$584 for construction and 0.0016 acres for land, or a cash equivalent payment of \$9,374 per new housing unit. Low-income and affordable housing units would not be exempt from this fee, which perhaps is one of the motivations for enacting this bill.

Whether impact fees are charged, our government will still have to educate an increased number of keiki and the associated costs will still have to be paid. If the purchasers of the high rises don't pay for them, the rest of us must. In 2009, Hawaii County Councilmember Margaret Wille aptly called the issue a question of balance, namely whether those who create the need for additional school facilities should be required to bear a portion of the cost of providing them, as opposed to the general taxpayer population.

The existing law gives exemptions for certain types of developments that are not expected to result in more children – transient accommodations, nonresidential development, and housing that permanently excludes school-aged children. The existing law, in HRS section 302A-1603(a), *explicitly* applies to government housing projects and projects processed pursuant to sections 46-15.1 and 201H-38 (affordable housing projects).

This bill proposes exemptions for developments that *are* expected to result in more children, but whose occupants might not be able to absorb such a fee financially. The bill is obviously upsetting the balance struck when crafting the original legislation, and we should all be wary of consequences when this happens. One question not answered by this bill is this: So who is expected to pick up the costs of educating those kids, the other developments anticipated in the area or taxpayers in general?

In addition, perhaps the entire impact fee law should be reexamined as well. The law essentially allows DOE to assess what is essentially a tax, and then spend the money with limited or no legislative oversight. Is that how we ensure accountability from our public officials? If we are going to allow this program to continue, we should be asking for more transparency, not less.

Digested 4/3/2017



HAWAII COMMUNITY  
DEVELOPMENT AUTHORITY



David Y. Ige  
Governor

John Whalen  
Chairperson

Jesse K. Souki  
Executive Director

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## STATEMENT OF

JESSE K. SOUKI, EXECUTIVE DIRECTOR  
HAWAII COMMUNITY DEVELOPMENT AUTHORITY

BEFORE THE  
HOUSE COMMITTEE ON FINANCE

Wednesday, April 5, 2017  
2:30 P.M.

State Capitol, Conference Room 308

in consideration, of

### **SB 1146, SD2 HD2 – RELATING TO SCHOOL IMPACT FEES**

Chair Luke, Vice Chair Cullen and members of the committee.

The Hawaii Community Development Authority (HCDA) offers the following **comments** on SB 1146, SD2 HD2.

This bill exempts the following from school impact fees: housing developments reserved for persons or families with incomes up to 80 percent of the area median income (AMI) located in a county having a population greater than 500,000; state or federal housing projects; low income housing projects; housing projects certified and approved for a general excise tax exemption; and government housing projects.

Given the Department of Education's (DOE) proposed school impact fee of \$9,374 per new unit, this bill may help projects developed for low income residential projects at 80 percent and below AMI. Notwithstanding, we expect that public monies and/or land will still need to be part of the overall development strategy of developments in this low affordability range.

The legislature might consider expanding this bill to include projects developed for moderate income residential projects at 140 percent and below AMI. This would be consistent with existing programs under HCDA and the Hawaii Housing and Finance Development Corporation.<sup>1</sup> Examples of jobs that would qualify for housing developed for residential projects between 80 and 140 percent AMI are shown below:

<sup>1</sup> HCDA is considering amendments to its housing rules that will reduce affordability to 120 percent AMI on average of all reserved units. See *Notice of Public Hearing, Proposed Amendments Relating to HAR Chapter 15-218, "Kakaako Reserved Housing Rules,"* available at <https://dbedt.hawaii.gov/hcda/files/2013/05/20170226-Public-Hearing-Notice-Kakaako-Reserved-Housing-Rules-Amendment.pdf>.



## Who can qualify for Reserved, Workforce or Low Income Housing?

The below are the mean income for selected jobs in Honolulu. The statistics are courtesy of the U.S. Bureau of Labor Statistics. The AMI percentages are for a single person living alone.

Under 30% AMI	30-60% AMI	60-80% AMI
<ul style="list-style-type: none"> <li>• Childcare worker \$19,980</li> </ul>	<ul style="list-style-type: none"> <li>• Restaurant Cooks \$28,030</li> <li>• Security Guards \$28,310</li> <li>• Maids and Housekeeping \$35,630</li> <li>• Kindergarten Teachers \$45,610</li> </ul>	<ul style="list-style-type: none"> <li>• Child, Family and School Social Workers \$52,560</li> <li>• Administrative Assistants \$52,590</li> <li>• Construction Laborers \$54,420</li> </ul>
80-100% AMI	100-120% AMI	120-140% AMI
<ul style="list-style-type: none"> <li>• High School Teachers \$56,730</li> <li>• Food Service Managers \$58,890</li> <li>• Firefighters \$59,240</li> </ul>	<ul style="list-style-type: none"> <li>• Accountants \$60,440</li> <li>• Carpenters \$69,150</li> <li>• Insurance Sales Agents \$72,460</li> </ul>	<ul style="list-style-type: none"> <li>• Crane Operators \$76,830</li> <li>• Physican Therapists \$81,490</li> <li>• Sales Managers \$83,680</li> </ul>

Source: 2016 Hawaii Community Development Authority, Report to the Twenty-Ninth Legislature Regular Session of 2017, p. 12, Jan. 2017, available at <http://files.hawaii.gov/dbedt/annuals/2016/2016-hcda.pdf>.

Also, attached for your information and consideration is HCDA’s testimony on the DOE’s proposed school impact district from Kalihi to Ala Moana, dated November 1, 2016. As the legislature considers policies to ensure affordable housing is built while ensuring important infrastructure like schools are available, HCDA’s comments in the attached may be helpful.

Thank you for the opportunity to provide **comments** on this bill.

Attachment



HAWAII COMMUNITY  
DEVELOPMENT AUTHORITY



David Y. Ige  
Governor

John Whalen  
Chairperson

Aedward Los Banos  
Interim Executive Director

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November 1, 2016

Ms. Heidi Meeker  
Department of Education  
State of Hawaii  
Honolulu, Hawaii 96804

Dear Ms. Meeker:

Re: Proposed School Impact District from Kalihi to Ala Moana

The Hawaii Community Development Authority ("HCDA") has reviewed the proposed "Draft Analysis of the Kalihi to Ala Moana School Impact District" and largely supports the proposal with some added suggestions.

The HCDA agrees that the proposed impact fees will allow for the provision of schools to accommodate the projected student population growth and offered the following comments:

1. The impact fees for new developments should be based on square feet and not unit count only. Studies have shown that impact fees that do not take into account unit size and are simply based on unit count are regressive. An impact fee based on units is a flat fee system and brings issues of equity. That is, with the currently proposed system, a small dwelling unit of 600 square feet will pay the same amount as a luxury unit of 8,000 square feet. Over the long-run the larger units will underpay and the smaller units will over pay.
2. The impact fees should also be varied based on unit types. The proposed analysis assumes that most of the upcoming residential developments to be built within the impact district will be multifamily dwellings; and therefore; it proposes that the multifamily fee amount applies whether a unit is a single family or a multifamily dwelling unit. Even though the assumption is correct as this impact district is in the urban core, there are some lots that will have single family dwellings. If unit types are taken into account when calculating the impact fees the fees tend to be more fair and proportional to the impacts.
3. The proposed impact district map should be reviewed. It seems that some of the parcels outside the boundary area are served by the same schools as those within the boundary.

Ms. Heidi Meeker  
November 1, 2016  
Page 2

4. There is much need to develop affordable housing within the urban core in Honolulu and any additional cost to development of adorable housing makes it that much more challenging. We suggest that the Department of Education consider a graduated impact fee scale for affordable housing projects that try to reach the lower levels of affordability.
5. We suggest that the land value be based on neighborhoods instead of averaging of land costs from Kalihi to Ala Moana as it will be more equitable and a fair representation of market conditions.

In general, in order to proportionally distribute the impact fees various variables (i.e., unit size, type, configuration, location) should be taken into account. An impact fee that takes into account different variables will have a rational nexus and it will not negatively impact the development of housing.

Should you have any questions, please contact Mr. Deepak Neupane, P.E., AIA, Director of Planning and Development, at 594-0300.

Sincerely,



Aedward Los Banos  
Interim Executive Director

ALB/DN/SB:

# HAWAII RENTAL HOUSING COALITION

April 4, 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, HI 96813

**RE: Support SB1146 SD2 HD2 (Exemption from 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 is deeply concerned about the effects of housing shortages in our State which are reflected by the growing population of homeless individuals on our streets, as well as the continuing exodus of our best and brightest who leave Hawaii in search of higher wages and more affordable housing.

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. The HRHC's goal is to relieve this shortage by making 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.

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 SB1146 SD2 HD2.

Respectfully submitted,  
/s/ Christine Nakashima-Heise

Christine Nakashima-Heise  
Project Coordinator

841 Bishop St., Suite 301  
Honolulu, Hawaii 96813



Telephone: 808 926-1530  
Contact@HEECoalition.org

Committee on Finance  
Representative Sylvia Luke, Chair  
Representative Ty Cullen, Vice Chair

April 5, 2017

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

We are providing testimony in support for SB1146 SD2 HD2 relating to school impact fees.

Hui for Excellence in Education, or “HE’E,” is a statewide coalition of diverse stakeholders committed to working collaboratively to identify opportunities to improve public education in Hawai‘i. HE’E seeks to be the focal point for community and parent engagement while serving as a public resource for educational policy.

The Coalition supported the action to designate the Kalihi to Ala Moana School Impact Fee District when it was presented to the Board of Education (BOE) in November 2016. Potentially up to 39,000 multi-family units and approximately 10,000 public school students would be impacted in the district due to residential development associated with Honolulu’s Rapid Transit, which translates to 6 elementary schools and 1.5 middle and high schools.<sup>1</sup> State General Funds are insufficient to accommodate even repair and maintenance of our schools (2016 backlog of roughly \$300 million) let alone the building of new schools. The Hawaii State Legislature passed Act 237 in 2016 which allows the school impact fees to 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. Our aging schools are not able to accommodate well the educational needs of our students, and so we believe that additional revenue streams are needed to support schools.

The action was deferred by the BOE to allow the DOE to meet and work with stakeholders on establishment of the district and the amount of fees. There was substantial opposition from developers and supporters of affordable housing. We understand the concerns of these stakeholders and commend the legislature for proposing this option, which would exempt new housing units that are reserved for persons or families with incomes up to eighty percent of the area medium income located in a county having a population greater than 500,000 from school impact fee requirements.

Thank you for the opportunity to testify. Our support represents a 75% consensus or more of our voting membership.

Sincerely,

Cheri Nakamura  
HE’E Coalition Director

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<sup>1</sup>[http://boe.hawaii.gov/Meetings/Notices/Meeting%20Material%20Library/FIC\\_20161115\\_Committee%20Action%20to%20Designate%20Kalihi-Ala%20Moana%20School%20Impact%20Fee%20District.pdf](http://boe.hawaii.gov/Meetings/Notices/Meeting%20Material%20Library/FIC_20161115_Committee%20Action%20to%20Designate%20Kalihi-Ala%20Moana%20School%20Impact%20Fee%20District.pdf)

## HE'E Member List

Academy 21  
After-School All-Stars Hawaii  
Alliance for Place Based Learning  
\*Castle Complex Community Council  
\*Castle-Kahuku Principal and CAS  
Coalition for Children with Special Needs  
\*Faith Action for Community Equity  
Fresh Leadership LLC  
Girl Scouts Hawaii  
Harold K.L. Castle Foundation  
\*Hawai'i Afterschool Alliance  
\*Hawai'i Appleseed Center for Law and Economic Justice  
\*Hawai'i Association of School Psychologists  
Hawai'i Athletic League of Scholars  
\*Hawai'i Charter School Network  
\*Hawai'i Children's Action Network  
Hawai'i Nutrition and Physical Activity Coalition  
\* Hawai'i State PTSA  
Hawai'i State Student Council  
Hawai'i State Teachers Association  
Hawai'i P-20  
Hawai'i 3Rs  
Head Start Collaboration Office  
It's All About Kids  
\*INPEACE  
Joint Venture Education Forum  
Junior Achievement of Hawaii  
Kamehameha Schools  
Kanu Hawai'i  
\*Kaua'i Ho'okele Council  
Keiki to Career Kaua'i  
Kupu A'e  
\*Leaders for the Next Generation

## Learning First

McREL's Pacific Center for Changing the Odds

\*Native Hawaiian Education Council

Our Public School

\*Pacific Resources for Education and Learning

\*Parents and Children Together

\*Parents for Public Schools Hawai'i

Punahou School PUEO Program

\*Teach for America

The Learning Coalition

US PACOM

University of Hawai'i College of Education

YMCA of Honolulu

*Voting Members (\*) Voting member organizations vote on action items while individual and non-voting participants may collaborate on all efforts within the coalition.*

# Hawai'i Construction Alliance

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

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April 3, 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 SB1146 SD2 HD2, 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 SB1146 SD2 HD2**, which would exempt housing developments reserved for persons or families with incomes up to 80 percent of the area median income located in a county having a population greater than 500,000; state or federal public housing projects; state low-income housing projects; housing projects certified or approved for a general excise tax exemption under section 201H-36, Hawaii Revised Statutes (HRS); and government housing projects and projects processed pursuant to sections 46-15.1 and 201H-38, HRS from school impact fee requirements.

**In particular, we are strongly supportive of the language found on Page 3, Lines 15-19 of the bill, which would exempt 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 processed pursuant to sections 46-15.1 and 201H-38.

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 moving forward in HB1179 HD2 SD1, which your committee heard on February 28.

**Another such measure that is part of the Coalition's proposal is found on Page 3 of SB1146 SD2 HD2, Lines 15-19. It is our firm belief that relief from general excise tax and relief from school impact fees as is proposed in this bill would immediately improve the economics of constructing, developing, and financing these types of rental housing projects to help them 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 SB1146 SD2 HD2 to help us to improve the economics of producing rental housing in Hawai'i.

Mahalo,

A handwritten signature in black ink that reads "Tyler Dos Santos-Tam". The signature is written in a cursive, flowing style.

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





**Testimony to the House Committee on Finance  
Wednesday, April 5, 2017 at 2:30 P.M.  
Conference Room 308, State Capitol**

**RE: SENATE BILL 1146 SD2 HD2 RELATING TO SCHOOL IMPACT FEES**

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

The Chamber of Commerce Hawaii ("The Chamber") **opposes** SB 1146 SD2 HD2, which exempts the following from school impact fee requirements: housing developments reserved for persons or families with incomes up to 80 percent of the area median income located in a county having a population greater than 500,000; state or federal public housing projects; state low-income housing projects; housing projects certified or approved for a general excise tax exemption under section 201H-36, Hawaii Revised Statutes (HRS); and government housing projects and projects processed pursuant to sections 46-15.1 and 201H-38, HRS.

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



# Chamber of Commerce HAWAII

*The Voice of Business*

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 families at the 80% and below AMI. 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 above the 80% AMI, including those units identified as affordable and workforce housing (i.e. 140% and below 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.

Perhaps, given the need for more housing, it's time to rethink the notion of school impact fees and repeal the school impact fee law, rather than attempting to exempt certain types of housing from being subject to school impact fees.

We are opposed to this bill, as drafted, and suggest that the Legislature seriously consider repeal of the existing school impact fee statute and look for new ways to fund new school construction. Thank you for the opportunity to express our views on this matter.

Testimony of  
Christopher Delaunay, Government Relations Manager  
Pacific Resource Partnership

HOUSE OF REPRESENTATIVES  
THE TWENTY-NINTH LEGISLATURE  
REGULAR SESSION OF 2017

COMMITTEE ON FINANCE  
Representative Sylvia Luke, Chair  
Representative Ty J.K. Cullen, Vice Chair

NOTICE OF HEARING

DATE: Wednesday, April 5, 2017  
TIME: 2:30 pm  
PLACE: Conference Room 308

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

PRP **supports** SB 1146, SD2, HD2, relating to School Impact Fees, which exempts the following from school impact fee requirements: housing developments reserved for persons or families with incomes up to 80 percent of the area median income located in a county having a population greater than 500,000; state or federal public housing projects; state low-income housing projects; housing projects certified or approved for a general excise tax exemption under section 201H-36, Hawaii Revised Statutes (HRS); and government housing projects and projects processed pursuant to sections 46-15.1 and 201H-38, HRS.

The shortage of affordable housing units for working moderate-and lower-income households is at a crisis level negatively affecting families throughout the State. 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.

Thank you for this opportunity to testify and we respectfully request your support on SB 1146, SD2, HD2.



(Continued From Page 1)

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.*

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**LATE**

**Testimony to the House Committee on Finance**  
**Wednesday, April 5, 2017**  
**2:30 p.m.**  
**Conference Room 308**

**RE: SB 1146 SD2 HD2 – Relating to School Impact Fees**

Chair Luke, 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 SB 1146 SD2 HD2.

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;
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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 families at the 80% and below AMI. 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 above the 80% AMI, including those units identified as affordable and workforce housing (i.e. 140% and below AMI).

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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.

We stand in opposition. Thank you for the opportunity to express our views on this matter.



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

**Date:** 04/05/2017  
**Time:** 02:30 PM  
**Location:** 308  
**Committee:** House Finance

**Department:** Education

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

**Title of Bill:** SB 1146, SD2, HD2 RELATING TO SCHOOL IMPACT FEES.

**Purpose of Bill:** Exempts the following from school impact fee requirements: housing developments reserved for persons or families with incomes up to 80 percent of the area median income located in a county having a population greater than 500,000; state or federal public housing projects; state low-income housing projects; housing projects certified or approved for a general excise tax exemption under section 201H-36, Hawaii Revised Statutes (HRS); and government housing projects and projects processed pursuant to sections 46-15.1 and 201H-38, HRS. (SB1146 HD2)

**Department's Position:**

The Department of Education (DOE) is opposed to SB 1146, SD2, HD2, which exempts most affordable residential units from paying school impact fees in the City and County of Honolulu (C&C). It will also exempt all market priced units that may be built within affordable projects. Passage of this bill will reduce impact fee revenue for school land and construction, which will then have to be made up by State revenue.

The DOE can only collect school impact fees in designated impact fee districts. According to the legal tests for impact fees, DOE must collect fees from each new unit which has the potential to house DOE students.

SB 1146, SD2, HD2, paragraph (3), currently exempts all units reserved for people with incomes up to 80% of area median income (AMI), located in the C&C. It is not clear whether the exemptions in paragraphs (4) and (5) also apply to only the C&C, or if they are to be applied statewide. Paragraphs (4) and (5) refer to projects, not units, so it is unclear whether a project with some affordable units is completely or only partially exempt.

SB 1146, SD2 HD2, paragraph (3), exempts units, not projects. Almost all units in that affordable category are not for sale, they are rental units. Individuals would not be paying the impact fees on rentals, developers would pay the fee as part of their construction costs.

In projects with units at various income levels, the DOE should be able to collect fees from the

developers for some, but not all, of their units. SB 1146, SD2, HD2 would prohibit collection from the few for-sale at 80% of AMI units although the units can later be resold to families with earnings higher than 80%.

The purpose section of the bill refers to one of two options in the Kalihi to Ala Moana proposed school impact fee amounts. It also finds that housing along the rail line should benefit low income people and that school fees would discourage the development of affordable units there. So while the bill's findings concern transit oriented development in urban Honolulu, the bill currently would only exempt units in the Leeward Oahu school impact fee district. It also appears to exempt market priced units whose owners could be high income individuals.

The 2007 school impact fee law requires the DOE to establish impact fees when those new residential units create additional demand for public school facilities. The law is meant to place a percent of the burden of new school cost on those creating the impact and not solely on state tax payers.

Thank you for the opportunity to present DOE testimony on SB 1146, SD2, HD2.