

SB 1146

Measure Title: RELATING TO SCHOOL IMPACT FEES.

Report Title: Department of Education; Affordable Housing

Description: Exempts housing developments reserved for persons or families with incomes up to eighty per cent of the area median income located near the Honolulu rail transit line from school impact fee requirements.

Companion: HB1001

Package: None

Current Referral: HOU/EDU, WAM

Introducer(s): HARIMOTO, ESPERO, INOUYE, KEITH-AGARAN, KIDANI, NISHIHARA, K. RHOADS, RUDERMAN, Baker, Dela Cruz, English, Ihara, Kim, Shimabukuro

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

**SENATE COMMITTEE ON HOUSING
SENATE COMMITTEE ON EDUCATION**

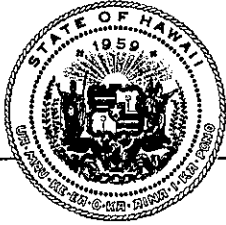
February 9, 2017 at 2:55 p.m.
State Capitol, Room 225

In consideration of
S.B. 1146
RELATING TO SCHOOL IMPACT FEES.

The HHFDC ***supports the intent*** of S.B. 1146, but defers to the Department of Education on any fiscal impact the measure may have.

S.B. 1146 would exempt housing reserved for households at or below 80 percent of the area median income located within a one mile radius of the Honolulu rail transit line from school impact fees. 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.



**OFFICE OF PLANNING
STATE OF HAWAII**

235 South Beretania Street, 6th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone: (808) 587-2846
Fax: (808) 587-2824
Web: <http://planning.hawaii.gov/>

DAVID Y. IGE
GOVERNOR

LEO R. ASUNCION
DIRECTOR
OFFICE OF PLANNING

Statement of
LEO R. ASUNCION
Director, Office of Planning
before the
SENATE COMMITTEES ON HOUSING, AND EDUCATION
Thursday, February 9, 2017
2:55 PM
State Capitol, Conference Room 225

in consideration of
SB 1146
RELATING TO SCHOOL IMPACT FEES.

Chairs Espero and Kidani, Vice Chairs Harimoto and Kahele, and Members of the Senate Committees on Housing, and Education.

The Office of Planning (OP) supports the intent of SB1146, 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).

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. We also agree it is vital to encourage affordable housing for sale or rental within one mile of Honolulu's rail transit system. 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

**SENATE COMMITTEE ON HOUSING
AND
SENATE COMMITTEE ON EDUCATION**

**Thursday, February 9, 2017
2:55 PM
Room 225, Hawaii State Capitol**

In consideration of
SB 1146
RELATING TO SCHOOL IMPACT FEES

Honorable Chair Espero, Honorable Chair Kidani, and Members of the Senate Committee on Housing and Senate Committee on Education, thank you for the opportunity to provide testimony concerning Senate Bill 1146, relating to school impact fees.

The Hawaii Public Housing Authority (HPHA) supports SB 1146, which exempts housing developments reserved for persons or families with incomes up to eighty per cent of the area median income located near the Honolulu rail transit line from school impact fee requirements.

School impact fees can significantly raise the cost of new housing development projects. Providing an exemption for housing development for persons or families with incomes up to eighty percent of the Average Median Income (AMI), will help to promote the development of affordable housing.

The HPHA appreciates the opportunity to provide the Senate Committees on Housing and Education with the HPHA's comments regarding SB 1146. We thank you very much for your dedicated support.

DAVID Y. IGE
GOVERNOR



KATHRYN S. MATAYOSHI
SUPERINTENDENT

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

Date: 02/09/2017
Time: 02:55 PM
Location: 225
Committee: Senate Housing
Senate Education

Department: Education
Person Testifying: Kathryn S. Matayoshi, Superintendent of Education
Title of Bill: SB 1146 RELATING TO SCHOOL IMPACT FEES.
Purpose of Bill: Exempts housing developments reserved for persons or families with incomes up to eighty per cent of the area median income located near the Honolulu rail transit line from school impact fee requirements.

Department's Position:

The Department of Education (DOE) is opposed to SB 1146 which exempts certain housing projects from having to pay school impact fees.

The 2007 school impact fee law, Section 302A-1601 to 1612, Hawaii Revised Statutes (HRS), requires the DOE to establish impact fees when new residential development will create an additional demand for public school facilities. As part of transit development, the urban corridor between Kailhi and Ala Moana is expected to double the number of students now attending schools in this area. Considering current capacity at area schools, it is estimated that this increase in student enrollment will require an additional one and a half high schools, one and a half middle schools, and as many as six (6) new elementary schools.

Based on DOE educational specifications, this would translate into approximately 1.6 million square feet (SF) of new facilities. At the current cost per SF, for new school construction, this would represent more than \$750 million in construction costs. From initial studies of existing schools, it is believed that existing urban campuses can only provide a portion of the land area to site these new facilities. The remaining facilities would require the purchase of land or existing buildings to be retrofitted for school purposes. It is estimated that the cost associated with the land requirement could easily exceed \$250 million.

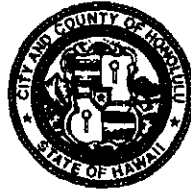
In the urban corridor, it is expected that at least 20 percent of new residential units will be designated affordable. The exemption provided in this bill would reduce impact fee revenue by a proportional amount, placing the burden of this cost on either the State or the other non-exempt units in the area.

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

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 768-8000 • FAX: (808) 768-6041
DEPT. WEB SITE: www.honolulu.dpp.org • CITY WEB SITE: www.honolulu.gov

KIRK CALDWELL
MAYOR



KATHY K. SOKUGAWA
ACTING DIRECTOR

TIMOTHY F. T. HIU
ACTING DEPUTY DIRECTOR

February 9, 2017

The Honorable Will Espero, Chair
and Members of the Committee on Housing
The Honorable Michelle N. Kidani, Chair
and Members of the Committee on Education
Hawaii State Senate
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chairs Espero and Kidani, and Committee Members:

Subject: Senate Bill No. 1146
Relating to School Impact Fees

The Department of Planning and Permitting (DPP) **supports, with a recommended amendment**, Senate Bill No. 1146, which would exempt housing units reserved for persons or families with incomes up to 80 percent of the area median income (AMI) within a one-mile radius of the Honolulu rail transit line from paying school impact fees.

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

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 located anywhere in the City and County of Honolulu serving persons or families with incomes up to 120 percent of the AMI. These exemptions would include removing the language under section 302A-1603(a), HRS, requiring the school impact fee for "all government housing projects and projects processed pursuant to sections 46-15.1 and 201H-38," and including the exemptions under subsection (b).

The Honorable Will Espero, Chair
and Members of the Committee on Housing
The Honorable Mitchell N. Kidani, Chair
and Members of the Committee on Education
Hawaii State Senate
Senate Bill No. 1146
February 9, 2017
Page 2

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kathy Sokugawa". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Kathy Sokugawa
Acting Director

841 Bishop St., Suite 301
Honolulu, Hawaii 96813



Telephone: 808 926-1530
Contact@HEECoalition.org

Committee on Housing
Senator Will Espero, Chair
Senator Breene Harimoto, Vice Chair

Committee on Education
Senator Michelle Kidani, Chair
Senator Kaiali'i Kahele, Vice Chair

Aloha Chairs Espero and Kidani, Vice Chairs Harimoto and Kahele, and Members of the Committee,

We are providing testimony in support for SB1146 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.¹ 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 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

¹http://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
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.*

BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

THE VOICE OF THE CONSTRUCTION INDUSTRY

2017 OFFICERS

PRESIDENT

EVAN FUJIMOTO
GRAHAM BUILDERS, INC.

PRESIDENT-ELECT

DEAN UCHIDA
SSFM INTERNATIONAL, INC.

VICE PRESIDENT

MARSHALL HICKOX
HOMEWORKS CONSTRUCTION, INC.

SECRETARY

DWIGHT MITSUNAGA
DM PACIFIC, INC.

TREASURER

MICHAEL WATANABE
JW, INC.

SPECIAL APPOINTEE-BUILDER

CURT KIRIUI
CK INDEPENDENT LIVING BUILDERS

SPECIAL APPOINTEE-BUILDER

MARK KENNEDY
HASEKO CONSTRUCTION MANAGEMENT
GROUP, INC.

SPECIAL APPOINTEE-ASSOCIATE

PETER ELDRIDGE
RAYNOR OVERHEAD DOORS & GATES

IMMEDIATE PAST PRESIDENT

CRAIG WASHOFSKY
SERVCO HOME & APPLIANCE
DISTRIBUTION

CHIEF EXECUTIVE OFFICER

GLADYS MARRONE
BIA-HAWAII

2017 DIRECTORS

KAREN BERRY
TRADE PUBLISHING COMPANY

CHRIS CHEUNG
CC ENGINEERING & CONSTRUCTION, INC.

CLIFTON CRAWFORD
C & J CONTRACTING, INC.

MARK HERTEL
INTER-ISLAND SOLAR SUPPLY,
OAHU-MAUI-HAWAII-KAUI

BRENTON LIU
DESIGN TRENDS CONSTRUCTION, INC.

SARAH LOVE
BAYS LUNG ROSE & HOLMA

BEAU NOBMANN
HPM BUILDING

GARY OKIMOTO
HONOLULU WOOD TREATING

JACKSON PARKER
D.R. HORTON, SCHULER DIVISION

DOUGLAS PEARSON
CASTLE & COOKE HOMES

PAUL D. SILEN
HAWAIIAN DREDGING
CONSTRUCTION CO., INC.

ALAN TWU
HK CONSTRUCTION CORP.

MAILING:
P.O. BOX 970967
WAIPAHU, HAWAII 96797-0967

PHYSICAL:
94-487 AKOKI STREET
WAIPAHU, HAWAII 96797

Testimony to the Senate Committee on Housing; and Senate Committee on Education Thursday, February 9, 2017 2:55 pm Conference Room 225

RE: HB 1146 – Relating to School Impact Fees

Chairs Espero & Kidani, Vice-Chairs Harimoto & Kakele, and members of the committees:

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, which would exempt housing developments reserved for persons or families with incomes up to eighty per cent of the area median income located near the Honolulu rail transit line from school impact fee requirements.

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

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

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

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

With our current housing crisis, it is understandable that legislation is being considered to reduce the cost housing, for 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.

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

LATE TESTIMONY



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

TESTIMONY FOR SENATE BILL 1146, RELATING TO SCHOOL IMPACT FEES

Senate Committee on Housing
Hon. Will Espero, Chair
Hon. Breene Harimoto, Vice Chair

Senate Committee on Education
Hon. Michelle N. Kidani, Chair
Hon. Kaiali'i Kahele, Vice Chair

Thursday, February 9, 2017, 2:55 PM
State Capitol, Conference Room 225

Honorable Chair Espero, Chair Kidani, and committee members:

I am Kris Coffield, representing IMU Alliance, a nonpartisan political advocacy organization that currently boasts over 350 members. On behalf of our members, we offer this testimony with comments for Senate Bill 1146, relating to school impact fees.

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

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

Additionally, we note that lawmakers, last year, passed Act 130 and Act 237, which expanded the permissible uses of school impact fees in transit oriented development zones along the urban to include renovating existing school structures, with “urban core” defined as the Kalihi to Ala Moana school impact fee district. Hawai’i Community Development Authority officials have plans to approve up to 35,000 additional residential units within a half-mile radius of the nine transit stations from Middle Street to Ala Moana. Moreover, the Hawaii Public Housing Authority is currently redeveloping four housing projects in areas close to the rail line, netting 4,000 new units. Approximately 10,000 students would be generated from the 39,000 multi-family unit build out. Hawai’i State Department of Education leaders have said that “after filling excess classroom capacity in existing schools, there would still be a need to establish facility space for slightly more than 8,500 elementary, middle school and high school students,” translating into six new elementary schools, one-and-a-half middle schools, and one-and-a-half high schools.

Currently, DOE officials estimate that revenue generated from the additional 39,000 units in the Kalihi to Ala Moana district to be \$22,736,872 in \$584-per-unit construction cost component impact fees and the equivalent of 63.5 acres of land, with a fee-in-lieu impact fee amount of \$8,790 per unit. Thus, the total all-cash fee would be \$9,374 per new unit or \$365,586,000, once the district is established by the Hawai’i State Board of Education. At public hearings on the impact fee, affordable housing advocates stated a possible need for an additional \$800,000 in rental housing revolving funds to complete already-approved affordable housing projects, if the fee is implemented. Given the clear distinction between the hundreds of millions of dollars potentially generated by the impact fees, especially in the urban core, and the publicly stated requests from affordable housing developers, we urge your committee to partner with developers in receiving additional revolving funds, rather than exempting low-income and affordable housing from impact fees altogether, which may be unconstitutional and would increase the cost of the fee for units priced just beyond low-income or affordable housing guidelines, such as workforce housing and developments aimed at individuals and families making 80 to 140 percent of area median income. We also note that both low-income and affordable housing developments sometimes contain more expensive units that serve the “moderate-income” market to increase the financial viability of the projects, and not solely units reserved for low-income and affordable housing. Exempting low-income or affordable housing developments *en masse*, then, would exempt those units within low-income or affordable housing developments that are priced beyond lower AMI levels.

Mahalo for the opportunity to testify with comments on this bill.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance