

**OFFICE OF PLANNING  
STATE OF HAWAII**

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**AMENDED**

**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 HOUSING**  
Thursday, February 8, 2018  
9:30 AM  
State Capitol, Conference Room 423

in consideration of  
**HB 1804**  
**RELATING TO SCHOOL IMPACT FEES.**

Chair Brower, Vice Chair Nakamura, and Members of the House Committee on Housing.

The Office of Planning (OP) supports HB1804, which proposes to exempt affordable housing projects developed or financed by the Hawaii Housing Finance and Development Corporation or a county from school impact fees.

The OP agrees that exempting government affordable housing projects pursuant to Hawaii Revised Statutes §§ 46-15.1 and 201H-38, will encourage developers to provide more low-income housing, and increase the overall affordable housing supply for Hawaii residents, however, we have a concern that this bill will have an impact to the Executive Budget, and defer to the Department of Education on any fiscal impact this measure may have.

Thank you for the opportunity to testify on this matter.



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

**Date:** 02/08/2018  
**Time:** 09:30 AM  
**Location:** 423  
**Committee:** House Housing

**Department:** Education

**Person Testifying:** Dr. Christina M. Kishimoto, Superintendent of Education

**Title of Bill:** HB 1804 RELATING TO SCHOOL IMPACT FEES.

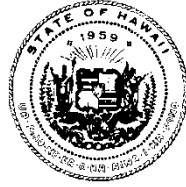
**Purpose of Bill:** Exempts affordable housing projects developed or financed by HHFDC or a county from school impact fees.

**Department's Position:**

The Department of Education (DOE) understands the concerns that have generated the introduction of this bill, but takes no position on HB 1804. The DOE will continue to need to build new schools and appreciates the opportunity to use impact fees, however the DOE's focus is on public education. Therefore, we defer to the legislature to determine how best to fund future school needs.

The Hawaii State Department of Education seeks to advance the goals of the Strategic Plan which is focused on student success, staff success, and successful systems of support. This is achieved through targeted work around three impact strategies: school design, student voice, and teacher collaboration. Detailed information is available at [www.hawaiipublicschools.org](http://www.hawaiipublicschools.org).

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 HOUSING**

**Thursday, February 8, 2018**  
**9:30 AM - Room 423, Hawaii State Capitol**

In consideration of  
**HB 1804**  
**RELATING TO SCHOOL IMPACT FEES**

Honorable Chair Brower and Members of the House Committee on Housing, thank you for the opportunity to provide testimony concerning House Bill (HB) 1804, relating to school impact fees.

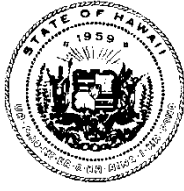
The Hawaii Public Housing Authority (HPHA) **supports the intent** of HB 1804 which exempts affordable housing projects developed or financed by HHFDC or a county from school impact fees, but is very concerned about the amount of funding that would be taken away from the State Department of Education.

The HPHA's mission is to promote adequate and affordable housing, economic opportunity and a suitable living environment free from discrimination through its public housing and rental assistance programs. The HPHA serves the State's most vulnerable populations, including those earning less than thirty percent of the Area Median Income (AMI), the disabled, and the elderly.

With the upcoming redevelopment of Mayor Wright Homes and the second phase of Kuhio Park Terrace underway, the school impact fees for both projects combined would be approximately \$26.3M. Funding for the redevelopment of HPHA projects will most likely be requested from the Legislature, and therefore, would be reallocating State funds between two state entities.

The HPHA appreciates the Committee's efforts to balance the effects of various fees on housing affordability, and for the opportunity to provide the House Committee on Housing with the HPHA's testimony regarding HB 1804. 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 HOUSING**

February 8, 2018 at 9:30 a.m.  
State Capitol, Room 423

In consideration of  
**H.B. 1804**  
**RELATING TO SCHOOL IMPACT FEES.**

HHFDC ***appreciates the intent*** of H.B. 1804, but defers to the Department of Education on any fiscal impact the measure may have.

H.B. 1804 would exempt government housing projects and 201H projects from school impact fees. This would reduce the cost to build affordable family housing projects serving low-income families. For example, family housing developments in Leeward Oahu are currently subject to a school impact fee ranging from \$4,334 per unit for multifamily units to \$5,504 per unit for single family units. In Lahaina, Maui, school impact fees range from \$2,055 per unit for multifamily units to \$5,778 per unit for single family units.

Thank you for the opportunity to testify.

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

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DEPUTY DIRECTOR

February 8, 2018

The Honorable Tom Brower, Chair  
and Members of the Committee on Housing  
Hawaii House of Representatives  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Brower, and Committee Members:

**Subject:** House Bill No. 1804  
Relating to School Impact Fees

The Department of Planning and Permitting (DPP) **supports** House Bill No. 1804, which exempts affordable housing projects developed or financed by HHFDC or a county from school impact fees. We ask that House Bill No. 1804 be **amended** to also exempt projects that provide affordable housing to meet county affordable housing requirements and also qualify for county fee exemptions.

In HB1804, Section 302A-1603(b)(5), HRS, exempts "Government housing projects and projects processed pursuant to sections 46-15.1 and 201H-38". The City is aggressively implementing an affordable housing strategy including direct City investments, transit-oriented development zoning with increased height and density, targeted infrastructure improvements, a proposed affordable housing requirement, and accompanying fee exemptions. Our proposed affordable housing requirement is currently under review by the City Council as Bill 58 (2017). It is intended to increase the production of affordable housing by the private sector and to maintain the affordability of units over the long term. Affordable units provided under Bill 58 would typically meet or exceed the requirements for the income levels and period of affordability required for projects processed under Section 201H.

Bill 59 (2017) was recently adopted by the City Council, and provides significant exemptions for affordable units provided 1) through Bill 58; 2) through an Interim Planned Development-Transit permit; and 3) affordable rental housing provided through the new HRS Section 201H-36(a)(5). These exemptions include wastewater facility charges, park dedication requirements, and building permit fees, and would range between \$25,000 to \$65,000 per unit, depending on the size and location of the project.

The Honorable Tom Brower, Chair  
and Members of the Committee on Housing  
Hawaii House of Representatives  
House Bill No. 1804  
February 8, 2018  
Page 2

We respectfully ask that House Bill No. 1804 be amended to reflect a concerted, unified State and county incentive package promoting affordable housing. Please exempt from school impact fees projects that provide affordable housing meeting county affordable housing requirements and also qualify for county fee exemptions.

Thank you for the opportunity to testify.

Very truly yours,



Kathy K. 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: HB 1804

INTRODUCED BY: LOWEN, CREAGAN, ING, KOBAYASHI, C. LEE, LUKE, MCKELVEY, MORIKAWA, NAKAMURA, NISHIMOTO, OHNO, QUINLAN, SAIKI, TODD, Brower, San Buenaventura

EXECUTIVE SUMMARY: Exempts affordable housing projects developed or financed by HHFDC or a county from school impact fees.

SYNOPSIS: Amends section 302A-1603, HRS, to exempt from the school impact fee requirement government housing projects and projects processed pursuant to sections 46-15.1 and 201H-38, HRS.

EFFECTIVE DATE: Upon approval.

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? Other developments anticipated in the area? 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 2/6/2018





February 7, 2018

Hawaii State House of Representatives  
Committee on Housing  
Rep. Tom Brower, Chair  
Rep. Nadine K. Nakamura, Vice Chair  
State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Hearing: February 8, 2018  
Time: 9:30AM, Room: 423  
Subject: HB1804 School Impact Fees - Exemptions

### TESTIMONY IN SUPPORT

Chair Brower, Vice Chair Nakamura and members of the Committee:

I am Kevin Carney, Vice President of EAH Housing. EAH is a 50 year old non-profit public benefit corporation whose mission is to develop, manage and promote affordable rental housing. We are one of the largest non-profit affordable rental housing developers in the western United States. We have developed over 100 affordable rental properties, manage over 100 rental properties and we serve over 20,000 residents in communities in California and Hawaii. The people we serve are primarily those with incomes at or below 60% of the area median income (AMI).

School Impact Fees are a cost burden that directly impacts the development of multi-family affordable rental housing as well as all other types of housing with the exception of senior housing which is exempt from the Fee.

EAH strongly supports HB 1804 as the elimination of the fee means less dependence on government sources, whether it be City or State, to supply the funds to enable low income rental developers like EAH to pay the fee to the Department of Education. Without the fee we may be able to bring our projects on-line faster as applying to governmental sources takes time which could delay projects for months or years depending on the availability of funds.

We would like to take this opportunity to suggest further clarifying language to paragraph 5 on page 2 of HB 1804. Our suggestion is to include all affordable rental housing projects, family or senior, developed under IRS Code 42 pertaining to Low Income Housing Tax Credits.

EAH Housing encourage the legislature's strong support of the elimination of the School Impact Fees on affordable rental housing. Thank you for allowing us to share our thoughts on this issue.

Sincerely,

Kevin R. Carney, (PB), NAHP-E, RB-16444  
Vice President, Hawaii  
EAH Housing, RB-16985



49 South Hotel Street, Room 314 | Honolulu, HI 96813  
www.lwv-hawaii.com | 808.531.7448 | voters@lwv-hawaii.com

COMMITTEE ON HOUSING

THURSDAY, February 8, 2018, 9:30 AM, room 423

HB 1804, Relating to School Impact Fees

**TESTIMONY**

Nina Eejima, Legislative Committee, League of Women Voters of Hawaii

Chair Brower, Vice-Chair Nakamura, and Committee Members:

**The League of Women Voters of Hawaii supports HB 1804 that exempts affordable housing projects developed or financed by the Hawaii Housing Finance and Development Corporation or a county from school impact fees.**

We support this bill because it supports our collective efforts to facilitate affordable housing projects. Affordable housing development and financing is one of Hawaii's top priorities. While we recognize that school impact fees are collected to ensure that schools are expanded to meet a community's need, and/or new schools are built, at the same time we also recognize that hard choices have to be made. In this instance, affordable housing developments and financing are of the highest priority and this statutory exemption reflects our commitment to addressing our current affordable housing crisis.

Thank you for the opportunity to submit testimony.



**Testimony to the House Committee on Housing  
Thursday, February 8, 2018  
9:30 am  
State Capitol, Room 423**

**RE: HB 1804 – Relating to School Impact Fees**

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Chair Brower, Vice-Chair Nakamura, & 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.

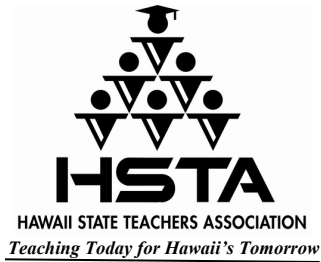
BIA-Hawaii is opposed to H.B. 1804 which proposes to exempt affordable housing projects developed or financed by HHFDC or a county from school impact fees.

The bill proposes to essentially exempt all government housing projects from public school impact fees, thereby shifting the entire burden of the school impact fees onto private housing developments.

Impact fees are used to mitigate the impact of a proposed project on public infrastructure and/or facilities. If families purchasing units in a government housing project do not have any children, there would be some justification for some type of exemption. However, if the families in these government housing projects do generate children, there would be an impact on the public school system in the area.

Exemptions from impact fees should be based on whether or not the project will impact the public infrastructure and/or facilities, not on who the developer of the project is or the price point of the units based on income.

We are opposed to H.B. 1804 as presently drafted, and appreciate the opportunity to express our views on this matter.



**LATE**

1200 Ala Kapuna Street ♦ Honolulu, Hawaii 96819  
Tel: (808) 833-2711 ♦ Fax: (808) 839-7106 ♦ Web: www.hsta.org

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Executive Director

TESTIMONY BEFORE THE HOUSE COMMITTEE ON  
HOUSING

RE: HB 1804 - RELATING TO SCHOOL IMPACT FEES

THURSDAY, FEBRUARY 8, 2018

COREY ROSENLEE, PRESIDENT  
HAWAII STATE TEACHERS ASSOCIATION

Chair Brower and Members of the Committee:

The Hawaii State Teachers Association **supports HB 1804**, relating to school impact fees.

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

During the 2016 legislative session, lawmakers passed Act 130 and Act 237, allowing fee-in-lieu funds collected in Honolulu's urban core—which the bills specifically defined as the Kalihi to Ala Moana school impact fee district—to be spent on purchasing completed construction, leasing land or facilities, and improving or renovating existing structures for school use. Following passage of these proposals, Department of Education officials performed an analysis of the district in question. In their original recommendation, they estimated revenue generated from the additional 39,000 units being built in the 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 if money is tendered by developers instead of land. Thus, the total all-cash fee would be \$9,374 per new unit or a total of \$365,586,000, once the district is established by the board.

Yet, the amount of the fee led to concerns about the impact of the \$9,374 fee amount on affordable housing. We acknowledge that the Department of Business, Economic Development, and Tourism estimates that Hawai'i needs approximately 66,000 additional housing units by the year 2025 to keep up with demand. Exempting affordable housing developments from school impact fees will ensure that no extra costs are placed on affordable units that prevent the construction of affordable housing or get passed on to already cost burdened consumers. Hopefully, it will also incentivize the immediate implementation of the Kalihi-Ala Moana School Impact fee, so that no more non-affordable developments are built in the urban core without paying their fair share for the needs of Hawai'i's keiki.

A quality education is priceless. To provide our children with quality school facilities, the Hawaii State Teachers Association asks your committee to **support** this bill.



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

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## TESTIMONY FOR HOUSE BILL 1804, RELATING TO SCHOOL IMPACT FEES

**House Committee on Housing**  
**Hon. Tom Brower, Chair**  
**Hon. Nadine K. Nakamura, Vice Chair**

**Thursday, February 8, 2018, 9:30 AM**  
**State Capitol, Conference Room 423**

Honorable Chair Brower and committee members:

I am Kris Coffield, representing IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 400 members. On behalf of our members, we offer this testimony in support of House Bill 1804, relating to school impact fees.

In comparison to school districts of similar size and demographic composition, Hawai'i ranks 227th in per-pupil funding *before* adjusting for cost of living, according to a Ballotpedia analysis of public school spending, at \$12,855 per child. Washington D.C., New York City, Boston, Pittsburgh, and Cincinnati school districts, for example, spend nearly twice as much as Hawai'i per pupil, at well over \$22,000 to over \$26,000 per student. Similarly, local private schools, discounting Catholic institutions, spend nearly \$19,173 dollars per student, with Punahou President Jim Scott revealing, in 2014, "The real cost of our education per student is \$26,000," owing to the school's then-total endowment of \$235 million and fundraising operations of \$12-\$15 million annually.

Our state must consider all possible ways to plug our education funding deficit, including the expansion of school impact fees, which could finance new or existing public school facilities as demand for such facilities increases, including through new residential properties spurred by transit oriented development (TOD). Pursuant to HRS §302A-1604, the Board of Education is empowered to establish districts that may range from one school to one or more high school complexes in which impact fees are to be applied, with new developers of residential properties in those districts then required to contribute to constructing school facilities that serve the ensuing influx of families and students. There are two types of fees established in state law: construction cost component impact fees and land component impact fees. Put simply, the former are fees paid for the construction of new school facilities, while the latter involve fees paid in lieu of or actual acreage given to the Department of Education to offset the cost of vacant land suitable for a school

site. Since new residential developments within designated impact fee districts create demand for public school facilities, developers are required to contribute toward the creation of new school space through both of the aforementioned means.

Both the land and construction requirements are based on a proportionate share of the need to provide additional public school facilities, consistent with fair-share principles. New residential developments are not charged for higher levels of service than existing developments demand, which is borne out by the DOE imposing fees based on averages taken from recently built and comparable developments. Notably, construction cost component impact fees, per state law, involve ten percent of the share of the construction cost for a required new school or expansion of existing school facilities—or both—that is attributable to a specific new residential development, with the cost per student meaning the average of actual school construction costs divided by the respective design enrollments (maximum number of students a school facility is designed to accommodate) for schools constructed within approximately the last ten years. Using data from 1997-2007, state law further codifies the construction cost component impact fee averages for different school types as follows:

- (1) Elementary schools: \$35,357 per student;
- (2) Middle and intermediate schools: \$36,097 per student; and
- (3) High schools: \$64,780 per student.

Ergo, the average contribution per student to a developer varies, depending on the type of school(s) being built to accommodate relocating families.

Kaka’ako, an area covered by the recently approved Kalihi-Ala Moana School Impact Fee District, is set to be filled with freshly designed high-rise projects, including 39,000 new multi-family units within an approximately half-mile radius of rail transit stations, per the Honolulu Community Development Authority. Similarly, the ‘Ewa Plain is expected to welcome 28,000 more buildings by the year 2021. DOE officials are considering all possible answers to school capacity questions posed by new developments, including mixed use schools that cater to grades K-12 and rededicating unused space at schools operating below their design enrollment—McKinley High School's maximum capacity is 2,100 students, for example, but enrollment is just over 1,600, leaving room for an additional 500 students. **These strategies are not demographically sustainable, however, raising the urgency of creating alternative financial instruments to subsidize new schools.** TOD, as previously stated, only exacerbates school capacity problems, as transit hubs incentivize residential and commercial development to accompany the high-traffic, convenient, and readily accessible rail line.

This measure will allow school impact fees to be part of our state’s solution to school capacity concerns. It shouldn’t take a falling roof at Farrington High School or the 1,300-student overload at Campbell High School to spur us to act. Additionally, we note that the list of

permissible uses for impact fees collected in the urban core, defined as the Kalihi–Ala Moana School Impact Fee District, was expanded by lawmakers in 2016 under Act 130 and Act 237, with the DOE now being allowed to use revenue generated by the fees for completed construction, constructing new school facilities, leasing land or facilities, or improving or renovating existing structures for school use. We ask you to work with public school advocates, in the future, to extend these permissions to all school impact fee districts, thereby maximizing the department’s ability to prevent capacity and facilities problems before they become an education emergency.

That said, **we urge your committee to ensure that this proposal is constitutional and comports with federal case law, specifically 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, as this bill proposes, *may* 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. **If the measure is found to comply with SCOTUS’s prior decisions, we fully support its passage.**

Imagine a society in which our schools are the sign and signal of Hawai’i’s highest standards of excellence. To realize that vision, we must expedite the collection of impact fees to provide first-rate school facilities for our children. Mahalo for the opportunity to testify in support of this bill.

Sincerely,  
Kris Coffield  
*Executive Director*  
IMUAlliance





**HB1804**  
**RELATING TO SCHOOL IMPACT FEES**  
House Committee on Housing

February 8, 2018

9:30 a.m.

Room 423

The Office of Hawaiian Affairs (OHA) offers the following **COMMENTS** on HB1804, which seeks to further incentivize affordable housing production by exempting from school impact fees government housing projects, and housing projects developed by private developers pursuant to Hawai'i Revised Statutes § § 201H-38 and 46-15.1. **While OHA appreciates this measure's intent to provide affordable housing relief, OHA respectfully recommends that any new exemptions or fee waivers for private developers be conditioned on a larger affordable housing contribution than currently required.**

**As home prices, rental prices, and homelessness continue to increase, and as Hawai'i anticipates additional population growth and an associated demand for more housing over the next decade,<sup>1</sup> mechanisms that provide valuable exemptions from governmental regulations and fees should maximize the production of affordable housing.** Currently, the 201H program allows private developers of "affordable housing" projects to seek broad exemptions from "all statutes, ordinances, charter provisions, and rules of any government agency relating to planning, zoning, construction standards for subdivisions, development and improvement of land, and the construction of dwelling units."<sup>2</sup> To qualify for such exemptions, 50% of a privately-developed project must be set aside as affordable to those earning 140% of the Area Median Income (AMI).<sup>3</sup> At these income limits, a private developer needs to only ensure that half of a development project is targeted at **single individuals making \$102,620 per year.**<sup>4</sup> In other words, the developer could charge rents as high as **\$2,565/month for a studio, or \$3297/month for a two bedroom apartment,**<sup>5</sup> in their project's "affordable housing" component, and still qualify for 201H incentives – which would include the school impact fee exemption proposed

<sup>1</sup> See SMS, HAWAII' I HOUSING PLANNING STUDY, at 34 (2016), available at

[https://dbedt.hawaii.gov/hhfdc/files/2017/03/State\\_HHPS2016\\_Report\\_031317\\_final.pdf](https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf).

<sup>2</sup> HAW. REV. STAT. §201H-38 available at [https://www.capitol.hawaii.gov/hrscurrent/Vol04\\_Ch0201-0257/HRS0201H/HRS\\_0201H-0038.htm](https://www.capitol.hawaii.gov/hrscurrent/Vol04_Ch0201-0257/HRS0201H/HRS_0201H-0038.htm).

<sup>3</sup> See HHFDC 201H APPLICATION, HAWAII' I HOUSING FINANCE & DEVELOPMENT CORPORATION, available at <http://dbedt.hawaii.gov/hhfdc/201h-development-assistance/>. See also HAW. REV. STAT. §201H-57 available at [https://www.capitol.hawaii.gov/hrscurrent/Vol04\\_Ch0201-0257/HRS0201H/HRS\\_0201H-0057.htm](https://www.capitol.hawaii.gov/hrscurrent/Vol04_Ch0201-0257/HRS0201H/HRS_0201H-0057.htm).

<sup>4</sup> See HHFDC 2017 INCOME, SALES, AND RENT GUIDELINES, HONOLULU COUNTY INCOME SCHEDULE BY FAMILY SIZE available at [http://dbedt.hawaii.gov/hhfdc/developers/copy2\\_of\\_copy\\_of\\_copy2\\_of\\_copy\\_of\\_income-sales-rent-guidelines/](http://dbedt.hawaii.gov/hhfdc/developers/copy2_of_copy_of_copy2_of_copy_of_income-sales-rent-guidelines/). At 140% AMI, a family of four would earn \$146,440 a year.

<sup>5</sup> See HHFDC 2017 INCOME, SALES, AND RENT GUIDELINES, HONOLULU COUNTY AFFORDABLE RENT GUIDELINES available at <https://dbedt.hawaii.gov/hhfdc/files/2017/05/2017-HUD-Income-Limits-Honolulu.pdf>.

under this measure. **Accordingly, any new exemptions offered to private developments should require that projects include, at a minimum, lower AMI requirements and/or a larger affordable housing component than currently required, to more appropriately meet the state's current demand.**

As the legislature recognizes, Hawai'i is in the midst of an affordable housing crisis: recent research indicates a need for 65,000 more housing units by 2025, with half of this demand for units at or below 60% of the Area Median Income (AMI);<sup>6</sup> only 11 percent of State's housing demand is for housing units at or above 140% AMI, or for units that do not meet the State's current definition of "affordable housing."<sup>7</sup> **As such, in exempting 201H projects from school impact fees, this measure is offering to private developers valuable incentives for "affordable housing" units that are not appropriately targeted to meet actual demand.**

**Accordingly, OHA respectfully suggests that the Committee consider requiring greater affordable housing contributions from private developers than currently required under HRS 201H, as a condition of receiving any further exemptions and fee waivers than those already authorized under existing law.**

Mahalo nui for the opportunity to testify on this measure.

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<sup>6</sup> See SMS, HAWAII HOUSING PLANNING STUDY, at 34 (2016), available at [https://dbedt.hawaii.gov/hhfdc/files/2017/03/State\\_HHPS2016\\_Report\\_031317\\_final.pdf](https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf).

<sup>7</sup> See *id.* at 34.



**LATE**

**Testimony to the House Committee on Housing  
Thursday, February 8, 2018 at 9:30 A.M.  
Conference Room 423, State Capitol**

**RE: HOUSE BILL 1804 RELATING TO SCHOOL IMPACT FEES**

Chair Brower, Vice Chair Nakamura, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **opposes** HB 1804, which proposes to exempt affordable housing projects developed or financed by HHFDC or a county from school impact fees.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ 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.

The bill proposes to essentially exempt all government housing projects from public school impact fees. Thereby shifting the entire burden of the school impact fees onto private housing developments.

Impact fees are used to mitigate the impact of a proposed project on public infrastructure and/or facilities. If families purchasing units in a government housing project do not have any children, there would be some justification for some type of exemption. However, if the families in these government housing projects do generate children, there would be an impact on the public school system in the area.

Exemptions from impact fees should be based on whether or not the project will impact the public infrastructure and/or facilities, not on who the developer of the project is or the price point of the units based on income.

We are opposed to H.B. 1804 as presently drafted, and appreciate the opportunity to express our views on this matter.

Thank you for the opportunity to testify.