

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 7, 2017 at 9:00 a.m.
State Capitol, Room 423

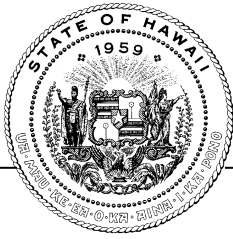
In consideration of
H.B. 656
RELATING TO SCHOOL IMPACT FEES.

The HHFDC *supports the intent* of H.B. 656, but defers to the Department of Education on any fiscal impact the measure may have.

H.B. 656 would exempt housing developments constructed by nonprofit housing organizations serving persons or families between 30 and 80 percent of the area median income from school impact fees.

We believe that 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.



**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 HOUSING
Tuesday, February 7, 2017
9:00 AM
State Capitol, Conference Room 423

in consideration of
HB 656
RELATING TO SCHOOL IMPACT FEES.

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

The Office of Planning (OP) supports the intent of HB 656, which proposes to provide an exemption from school impact fees for housing developments constructed by nonprofit housing organizations in which the units are rented or sold to persons or families earning between thirty and 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.

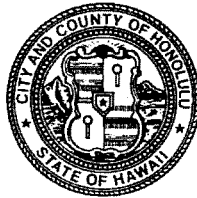
We also agree that exempting housing development projects in which the units are rented or sold to persons or families earning between thirty and eighty percent of the AMI from school impact fees will encourage developers to provide more low-income housing, increasing the overall affordable housing supply for Hawaii residents. We note however, that including housing development projects that produce units for individuals or families in the zero to thirty percent AMI and 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.

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 7, 2017

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. 656
Relating to School Impact Fees

The Department of Planning and Permitting (DPP) **supports, with a recommended amendment**, House Bill No. 656, which would exempt housing development constructed by a nonprofit housing organization serving persons or families with incomes between 30 and 80 percent of the area median income (AMI) 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.

The DPP recommends the Bill be amended 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, whether or not developed by a nonprofit organization. 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 Tom Brower, Chair
and Members of the Committee
on Housing
Hawaii House of Representatives
House Bill No. 656
February 3, 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

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Testimony to the House Committee on Housing
Tuesday, February 7, 2017
9:00 am
Conference Room 423

RE: HB 841, 1001, & 656 – Relating to School Impact Fees

Chair Brower, Vice-Chair Nakamura, 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 H.B. 841, 1001 and 656.

H.B. 841 proposes to exempt any housing project that has been certified or approved for a general excise tax exemption under section 201H-36 from the school-impact-fee requirement.

H.B. 1001 proposes to exempt any form of housing units reserved for persons or families with incomes up to eighty per cent of the area median income located within a one mile radius of the Honolulu rail transit line from the school-impact fee requirements.

H.B. 656 proposes to exempt any housing development constructed by a nonprofit housing organization in which the units are leased or sold to persons or families with incomes between thirty and eighty per cent of the area median income as determined by the United States Department of Housing and Urban Development from the 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.

Hawai'i Construction Alliance

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

February 6, 2017

The Honorable Tom Brower, Chair
The Honorable Nadine K. Nakamura, Vice Chair
and members
House Committee on Housing
415 South Beretania Street
Honolulu, Hawai'i 96813



RE: Support for the Intent of HB656, Relating to School Impact Fees

Dear Chair Brower, Vice Chair Nakamura, 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 the intent of HB656, which exempts housing developments constructed by nonprofit housing organizations in which the units are rented or sold to persons or families earning between thirty and eighty per cent of the area median income.

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 members.

School impact fees, which are assessed upon developers, are passed onto eventual renters and represent a significant obstacle to renters' ability to access housing. To illustrate the high cost of school impact fees, the Department of Education recently estimated that it would need a school impact fee of \$9,374 per new unit constructed in the proposed school impact district from Kalihi to Ala Moana to help cover land and construction costs for new or expanded schools in the area.

We note, however, that there is a large need for rental housing beyond the 30-80% AMI level, and thus recommend that the legislature consider exemptions for projects up to the 140% AMI level as well. We also note that many income-restricted units are also built by for-profit entities, and not just non-profit entities. If school impact fees are assessed on units built by for-profit entities, their eventual renters or owners are likely to bear the burden of paying those fees in higher rents or higher purchase prices.

Thank you for the opportunity to provide these comments in support of the intent of HB656.

Mahalo,

A handwritten signature in black ink that reads "Tyler Dos Santos-Tam". The signature is fluid and cursive, with the first name "Tyler" being the most prominent.

Tyler Dos Santos-Tam
Executive Director
Hawai'i Construction Alliance
execdir@hawaiiconstructionalliance.org

LATE



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

**TESTIMONY FOR HOUSE BILL 656, RELATING TO SCHOOL IMPACT
FEES**

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

**Tuesday, February 7, 2017, 9:00 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 350 members. On behalf of our members, we offer this testimony with comments for House Bill 656, 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 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, 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, thus increasing the student populations and use of state schools.

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

Sincerely,
Kris Coffield
Executive Director
IMUAlliance



LATE

**Testimony to the House Committee on Housing
Tuesday, February 7, 2017 at 9:00 A.M.
Conference Room 423, State Capitol**

RE: HOUSE BILL 656 RELATING TO SCHOOL IMPACT FEES

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

The Chamber of Commerce Hawaii ("The Chamber") **expresses some concerns to the exemptions proposed in HB 656** as it relates to the original law. HB 656 provides an exemption from school impact fees for housing developments constructed by nonprofit housing organizations in which the units are rented or sold to persons or families earning between thirty and eighty per cent of the area median income.

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 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).



Chamber of Commerce HAWAII

The Voice of Business

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 support the intent of these bills to provide certain exemptions, but oppose the underlying problem of the original law. Perhaps it's time to rethink the notion of school impact fees and find other ways to get new public schools built along the transit corridor.

Thank you for the opportunity to testify.



February 2, 2017

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

Hearing: Tuesday, February 7, 2017

Time: 9:00 AM

Subject: HB 656, HB 841 and HB 1001 – All Related to a Proposed Exemption to the Recently Introduced DOE Impact Fee, Kalihi to Ala Moana School Impact District

COMMENTS & TESTIMONY IN SUPPORT

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

Thank you for this opportunity to submit testimony in Strong Support to the proposed exemption to the DOE impact fee which would currently apply to affordable low-income rental housing.

I am Kevin Carney, Vice President of EAH Housing. EAH is a 48 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 95 affordable rental properties, manage over 100 rental properties and we serve over 20,000 residents in communities in Northern California and on the islands of Kauai, Maui and Oahu. The people we serve are primarily those with incomes at or below 60% of the area median income (AMI).

All of the above referenced bills propose an exemption to the impact fee but with different qualification requirements as noted below:

HB 656 – Requires the development be constructed by a nonprofit housing organization, units can be sold or leased and serves between 30-80% of the area median income (AMI).

HB 841 – Allows an exemption for any housing project that has been certified or approved for a GET exemption under Section 201H – 36.

HB 1001 – Allows an exemption for any form of housing unit serving up to 80% AMI and located within one mile radius of the Honolulu rail transit line.

Of the three (3) proposed bills EAH is most supportive of HB 1001. As to HB 656, although we are a nonprofit we believe it is more important to have the units built rather than restrict the exemption to only nonprofit developers. And while we may initiate the development as a nonprofit, all of our projects end up as the owner being a Limited Partnership because of the way they are financed.

We are opposed to the DOE impact fee because of the additional cost it places on already very difficult to develop low-income rental housing. We trust that you are aware of the housing crisis that is impacting all our islands. Studies show that the greatest need for housing is at or below the 80% level of AMI. At that level of income we are typically referring to rental housing although there are a few non-profits that produce for-sale housing at the 80% level but not on a large scale. In order to make our 60% AMI rental projects financially feasible we need free land and large subsidies. Our rents are fixed by the Department of Housing and Urban Development (HUD). Our largest source of equity is the Low Income Housing Tax Credit Program which is detailed in IRS Code 42. This equity source is typically supplemented by the State's Rental Housing Revolving Fund, HOME Program

Funds, Community Development Block Grant Funds and other non-recourse funds that may be available at the county level. In order to pay the DOE proposed impact fee we would have to rely on these types of sources which are limited and in most cases competitive. Also as presented the DOE impact fee is the same \$9,374 per unit whether you are building micro-units of 300 square feet or condominiums or single family homes of 2,000 plus square feet.

We thank you for taking action in proposing an exemption to a fee that in the long run, as it applies to the residents we serve, would be paid either by the State or County in order to make our projects feasible.

Sincerely,

A handwritten signature in black ink, appearing to read "Keyin R. Carney". The signature is fluid and cursive, with a long horizontal stroke at the end.

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



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



Date: 02/07/2017
Time: 09:00 AM
Location: 423
Committee: House Housing

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: HB 0656 RELATING TO SCHOOL IMPACT FEES.

Purpose of Bill: Provides an exemption from school impact fees for housing developments constructed by nonprofit housing organizations in which the units are rented or sold to persons or families earning between thirty and eighty per cent of the area median income.

Department's Position:

The Department of Education (DOE) is opposed to HB 0656 which exempts certain housing developments 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 developments will create an additional demand for public school facilities. As part of transit development, the urban corridor between Kalihi 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 cost. 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 HB 0656.