

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. 841
RELATING TO SCHOOL IMPACT FEES.

Since H.B. 841 would reduce the cost of developing rental and for-sale housing, HHFDC ***supports its intent***. However, we defer to the Department of Education on any fiscal impact the measure may have. H.B. 841 would exempt housing projects certified for General Excise Tax exemptions under section 201H-36, HRS, from school impact fees.

Thank you for the opportunity to testify.



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

LATE

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 0841 RELATING TO SCHOOL IMPACT FEES.

Purpose of Bill: Exempts certain affordable housing projects from the school-impact-fee requirement.

Department's Position:

The Department of Education (DOE) is opposed to HB 0841 which exempts certain affordable 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 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 841.

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

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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. 841
Relating to School Impact Fees

The Department of Planning and Permitting (DPP) **supports, with a recommended amendment**, House Bill No. 841, which exempts affordable rental projects certified or approved for a general excise tax exemption under section 201H-36, Hawaii Revised Statutes (HRS), 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 on 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 area median income. 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. 841
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". The signature is fluid and cursive, with a long, sweeping tail that extends to the right.

Kathy Sokugawa
Acting Director

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

PHYSICAL:
94-487 AKOKI STREET
WAIPAHU, HAWAII 96797

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

LATE

RE: Strong Support for HB841, 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 strongly support HB841, which is part of a two-part package of bills introduced on behalf of the Hawai'i Construction Alliance to improve the economics of constructing, developing, and financing rental housing projects.

HB841 would exempt certain affordable housing projects from the school impact fee requirement. Specifically, projects approved and certified for exemption from general excise taxes under HRS §201H-36 would also be exempted from paying school impact fees. Qualifying projects include:

- Projects developed under HRS §201H;
- Projects developed under an HHFDC-approved government assistance program, including but not limited to the United States Department of Agriculture 502 program and Federal Housing Administration 235 program;
- Projects developed under the sponsorship of a private nonprofit organization providing home rehabilitation or new homes for qualified families in need of decent, low-cost housing; and
- Projects for rental housing where at least 50% of the available units are for households with incomes at or below 80% AMI, of which 20% of the available units are for households with incomes at or below 60% AMI.

The legislature is also considering expanding the types of projects which qualify for general excise tax exemptions this session through HB1179, the Hawai'i Rental Housing Coalition's bill.

We believe that projects such as these, which already qualify for general excise tax exemptions ought to also be given relief from school impact fees. 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.

Relief from school impact fees would immediately improve the economics of constructing, developing, and financing these types of rental housing projects. This would result in the creation of more rental housing projects and also lower rents for future tenants of rental housing projects.

The Hawai'i Construction Alliance is excited to take a leadership role in encouraging the production of rental housing across our state. We ask your committee to join us in this effort by taking favorable action today on HB841.

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



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

**TESTIMONY FOR HOUSE BILL 841, RELATING TO SCHOOL IMPACT
FEES**

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

LATE

**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 841, 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 affordable housing from school impact fees 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



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

LATE

RE: HOUSE BILL 841 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 841** as it relates to the original law. HB 841 exempts certain affordable housing projects from the school-impact-fee requirement.

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.

Randolph G. Moore
2445-A Makiki Heights Drive
Honolulu Hawaii 96822

Telephone (808) 778-8832

email rmoore@hawaii.rr.com

February 5, 2017

The Honorable Tom Brower, Chair
and members of the Committee on Housing
House of Representatives
State Capitol
Honolulu, HI

Dear Representative Brower and members of the Committee:

Subject: HB 841 (relating to school impact fees – exempts projects with a Section 201H-36 exemption from real property taxes)

HBs 841, 1001, and 656 all seek to exempt certain projects from school impact fees.

I write as a former assistant superintendent of education responsible for the designation of areas subject to school impact fees. The idea of school impact fees is that real estate developments that will result in more students in schools beyond the capacity of existing schools to accommodate the students should pay a portion of the cost of building new schools. A consequence of this policy is higher housing prices as the price of all housing increases because of the school impact fees that are tacked on to the cost of new houses.

The primary beneficiaries of this policy are those who own more than one residential unit. Those most adversely affected are first-time buyers, who are paying more – whether for a newly-built unit or for a unit in an older area. Move-up buyers, who are selling an existing unit to buy a newly-built one, are minimally affected: although they are paying more for the new unit as a result of school impact fees, they are also selling their old unit for more because school impact fees cause the price of all units to increase.

Schools are a benefit to the whole community. It's why we don't single out the parents of school-aged children to pay taxes to support the public schools. We shouldn't single out first-time home buyers to pay for building new schools, either.

I encourage you to repeal the school impact fee statute and instead have new schools paid for with public funds.

Mahalo for your consideration.



LATE

Eric W. Gill, Financial Secretary-Treasurer

Gemma G. Weinstein, President

Godfrey Maeshiro, Senior Vice-President

Monday, February 7, 2017

House Committee on Housing
Hawaii State Legislature
State Capitol
415 South Beretania Street

Re: HB 841 & HB 1001 relating to School impact fees

Aloha Chair Brower, Vice Chair Nakamura and committee members,

UNITE HERE Local 5 – a local labor organization representing 11,000 hotel, health care and food service workers throughout Hawaii would like to register our support for HB 841 and HB 1001.

There is no denying that Hawaii is in a housing crisis. Our communities need for more affordable rentals and homes has vastly outgrown what little housing is being built. Exacerbating the problem is the growing threat of illegal vacation rentals popping up throughout our state. Today, there are an estimated 33,000 vacation rentals throughout Hawaii. In two years that number will grow to 40,000. Regardless of what Airbnb or their commissioned reports say, vacation rentals are taking away from our housing stock, making our statewide housing crisis worse.

While we fully support the need to fund our public schools, we also don't think it should come at the expense of our low-income residents and renters.

We respectfully ask for your support of HB 841 and HB 1001.

Thank you.

LATE

Testimony of
Christopher Delaunay
Pacific Resource Partnership

House of Representatives
Committee on Housing
Representative Tom Brower, Chair
Representative Nadine Nakamura, Vice Chair

House Bills 841 – Relating to School Impact Fees

Tuesday, February 7, 2017
9:00 A.M.
State Capitol – Room 423

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

We **strongly support** HB 841 Relating to School Impact Fees, which exempts certain affordable housing projects from the school-impact-fee requirement and we also support the intent of HB 1001 and HB 656, which also relate to School Impact Fees.

The shortage of units for working moderate-and lower-income household is at a crisis level negatively affecting families throughout the State. School impact fees can significantly raise the costs of new housing development projects, which affect many families in the 80-140% AMI range, including most of our members.

For the reasons mentioned above, we respectfully request your support on HB 841. Thank you for the opportunity to share our views with you.

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.

