



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

Date: 03/20/2017
Time: 03:15 PM
Location: 229
Committee: Senate Education
Senate Housing

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: HB 0884, HD1 ERROR: The remote server is not a known TCP/IP host.

Purpose of ERROR: Exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements. (HB884 HD1)
The remote server is not a known TCP/IP host.:

Department's Position:

The Department of Education (DOE) is opposed to HB 884, HD1. Passage of this bill will reduce fee revenue used to build new school facilities in high growth areas across the state.

The bill may have unintended consequences of exempting some, but not all, affordable projects; and exempting all accessory dwelling units whether they are affordable or market priced.

HB 884, HD1 seeks to exempt all accessory dwelling units and ohana units from school impact fees. However, DOE students will reside in new accessory dwelling units and new ohana units. We realize there are generally fewer students in accessory units than those living in primary dwellings. That is why we charge a lower fee for accessory and ohana dwellings, but it is clear those new units have an impact on school enrollments.

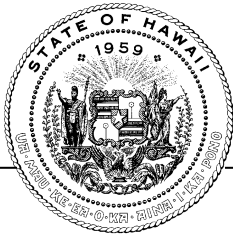
Some of the accessory dwelling units that would be exempted by HB 884, HD1 from paying school fees would be market-priced rental units built on large lot parcels with luxury primary units.

HB 884, HD 1 exempts projects that are already exempt such as remodeling projects which do not create an additional dwelling unit. The impact fee law is clear it only applies to new dwelling units. Additional language exempting home improvement projects is unnecessary.

As new development continues across the state, the state costs associated with new school

construction will be significant. Any reduction in school impact fee revenue will require more state support to make up the difference.

Thank you for the opportunity to present testimony on HB 884, HD1.



**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
SENATE COMMITTEES ON EDUCATION AND HOUSING
Monday, March 20, 2017
3:15 PM
State Capitol, Conference Room 229

in consideration of
HB 884, HD1
RELATING TO SCHOOL IMPACT FEES.

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

The Office of Planning (OP) supports HB 884, HD1 which proposes to exempt affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements.

OP agrees that while the school impact fees are necessary to offset the impact of new homes and families on local schools, it can be detrimental to efforts that provide housing to low-income individuals. We also agree that exempting government housing projects and projects processed pursuant to Hawaii Revised Statutes §§ 46-15.1 and 201H-38, will encourage developers to provide more low-income housing, increasing the overall affordable housing supply for Hawaii residents.

We defer to the respective county agencies regarding any impacts that this measure may have on alteration or expansion of existing dwelling units where no additional dwelling unit is created and use is not changed, accessory dwelling units, and ohana dwelling units.

Thank you for the opportunity to testify on this matter.

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 EDUCATION
SENATE COMMITTEE ON HOUSING**

March 20, 2017 at 3:15 p.m.
State Capitol, Room 229

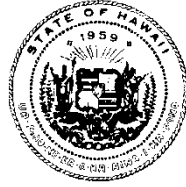
In consideration of
H.B. 884, H.D. 1
RELATING TO SCHOOL IMPACT FEES.

The HHFDC *supports the intent* of H.B. 884, H.D.1, but defers to the Department of Education on any fiscal impact the measure may have.

H.B. 884, H.D. 1, would exempt from school impact fees, housing certified or approved for a General Excise Tax exemption by HHFDC or the counties, housing developed using the HHFDC and the counties' 201H development powers, accessory dwelling units, and ohana dwellings. 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.

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 EDUCATION
AND
SENATE COMMITTEE ON HOUSING**

**Monday, March 20, 2017
3:15 PM
Room 229, Hawaii State Capitol**

In consideration of
HB 884, HD1
RELATING TO SCHOOL IMPACT FEES

Honorable Chair Kidani, Honorable Chair Espero, and Members of the Committee on Education and Committee on Housing, thank you for the opportunity to provide testimony concerning House Bill 884, House Draft 1, relating to school impact fees.

The Hawaii Public Housing Authority (HPHA) supports HB 884, HD1, which exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements.

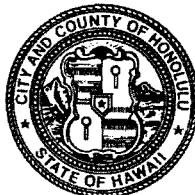
School impact fees can significantly raise the cost of new housing development projects. Providing an exemption for all government housing projects, will help to promote the development of affordable housing. Please note however, that impact fees seem to create a greater gap in financing which, ultimately, gets funded by the State.

The HPHA appreciates the opportunity to provide the Senate Committees on Education and Housing with the HPHA's comments regarding HB 884, HD1. We thank you very much for your dedicated support.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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MAYOR



KATHY K. SOKUGAWA
ACTING DIRECTOR

TIMOTHY F. T. HIU
ACTING DEPUTY DIRECTOR

March 20, 2017

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

Dear Chairs Kidani and Espero, and Committee Members:

Subject: House Bill No. 884, HD 1
Relating to School Impact Fees

The Department of Planning and Permitting (DPP) **supports** House Bill No. 884, HD 1, which would exempt affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements.

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.

We appreciate this measure's intent and ask that you pass House Bill No. 884, HD 1, out of committee.

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, written over a white background.

Kathy Sokugawa
Acting Director



March 15, 2017

Hawaii State Capitol
Committee on Education
Attn: Senator Michelle N. Kidani, Chair & Senator Kaiali'i Kahele, Vice Chair
Committee on Housing
Attn: Senator Will Espero, Chair & Senator Breene Harimoto, Vice Chair
415 South Beretania Street
Honolulu, Hawaii 96813

Hearing: Monday, March 20, 2017
Time: 3:15 PM Room 229
Subject: **HB 884 HD1 Relating to School Impact Fees**

TESTIMONY IN SUPPORT

Chair Espero, Vice Chair Harimoto and members of the Committee on Housing,
Chair Kidani, Vice Chair Kahele and members of the Committee on Education:

Thank you for this opportunity to submit testimony in SUPPORT of the proposed exemption to the DOE impact fee for housing projects that are approved for a general excise tax exemption under Section 201H-36 of the Hawaii Revised Statutes.

I am Kevin Carney, Vice President of EAH Housing. EAH is a 49 year old non-profit public benefit corporation whose mission is to develop, manage and promote affordable rental housing. EAH has developed over 95 affordable rental properties, we manage 110 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).

EAH is opposed to the DOE impact fee because of the additional cost it places on already very difficult to develop low-income rental housing. We know that you are well 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 (proposed to be eliminated by the current administration) 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 numerical amount 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,

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

Hawai'i Construction Alliance

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

March 15, 2017

The Honorable Michelle N. Kidani, Chair
The Honorable Kaiali'i Kahele, Vice Chair
and members
Senate Committee on Education
415 South Beretania Street
Honolulu, Hawai'i 96813

The Honorable Will Espero, Chair
The Honorable Breene Harimoto, Vice Chair
and members
Senate Committee on Housing
415 South Beretania Street
Honolulu, Hawai'i 96813

RE: Support for HB884 HD1, Relating to School Impact Fees

Dear Chairs Kidani and Espero, Vice Chairs Kahele and Harimoto, 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 HB884 HD1, which would exempt affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements. **In particular, we are strongly supportive of the language found on Page 2, Lines 13-17 of the bill**, which would exempt any housing project that has been certified or approved for a general excise tax exemption under section 201H-36 and all government housing projects and projects processed pursuant to sections 46-15.1 and 201H-38.

The Hawai'i Construction Alliance and our partners in the banking, development, landowning, contracting, architecture, and engineering communities – collectively the Hawai'i Rental Housing Coalition (“HRHC”) - have identified a series of measures which can be taken to improve the economics of construction, developing, and financing rental housing projects wherein at least twenty percent of available units are for households whose incomes are at or below 80%AMI, and wherein all remaining units are households whose incomes are at or below 140%AMI.

One such measure is to qualify these projects for exemptions to the general excise tax for development, construction, and financing costs and to allow HHFDC to regulate the term of affordability and income levels for these projects. This proposal is currently moving forward in SB1105 and HB1179.

It is our firm belief that relief from general excise tax and **relief from school impact fees as is proposed on Page 2 of HB884 HD1, Lines 13-17, would immediately improve the economics of constructing, developing, and financing these types of rental housing projects to the point that they become economically feasible.**

The Hawai'i Construction Alliance is excited to take a leadership role in encouraging the production of rental housing across our state. We humbly request your committee also take favorable action on HB884 HD1 to help us to improve the economics of producing rental housing in Hawai'i.

Mahalo,

A handwritten signature in black ink that reads "Tyler Dos Santos-Tam". The signature is written in a cursive style with a large, stylized initial 'T'.

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

Testimony of
Christopher Delaunay, Government Relations Manager
Pacific Resource Partnership

THE SENATE
THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

COMMITTEE ON EDUCATION
Senator Michelle N. Kidani, Chair
Senator Kaiali'i Kahele, Vice Chair

COMMITTEE ON HOUSING
Senator Will Espero, Chair
Senator Breene Harimoto, Vice Chair

House Bill 884, HD1 – Relating to School Impact Fees

Monday, March 20, 2017
3:15 P.M.
State Capitol – Room 229

Aloha Chairs Kidani & Espero, Vice Chairs Kahele & Harimoto, and Members of the Committees:

We **support the intent** of HB 884, HD1 Relating to School Impact Fees, which exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, and `ohana dwelling units from school impact fee requirements.

The shortage of affordable housing units for working moderate-and lower-income households is at a crisis level negatively affecting families throughout the State. In order to address this housing crisis, we need to incentivize developers to build more affordable housing, including housing for families in the 80%-140% AMI range. Exempting affordable housing units from school impact fees is a step in the right direction; however, we need to ensure that this exemption also applies to the development of housing units for families in the 80%-140% AMI range.

Thank you for the opportunity to share our views with you.



(Continued From Page 1)

About PRP

Pacific Resource Partnership (PRP) is a not-for-profit organization that represents the Hawaii Regional Council of Carpenters, the largest construction union in the state, and more than 240 of Hawaii's top contractors. Through this unique partnership, PRP has become an influential voice for responsible construction and an advocate for creating a stronger, more sustainable Hawaii in a way that promotes a vibrant economy, creates jobs and enhances the quality of life for all residents.



**Testimony to the Senate Committee on Education
and the Senate Committee on Housing
Monday, March 20, 2017 at 3:15 P.M.
Conference Room 229, State Capitol**

RE: HOUSE BILL 884 HD1 RELATING TO SCHOOL IMPACT FEES

Chairs Kidani and Espero, Vice Chairs Kahele and Harimoto, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **opposes** HB 884 HD1, which exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements.

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 affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling. 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 (i.e. Houses priced at 140% and higher 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.

Finally, impact fees should be applied to all developments that generate students. It seems rather short sighted to exempt housing projects which would probably generate the bulk of the new students for the new school. If the State will be subsidizing affordable housing and other types of middle to lower income housing projects in the future, 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.

We stand in opposition to this bill and respectfully request that it be held. Thank you for the opportunity to express our views on this matter.



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

**TESTIMONY FOR HOUSE BILL 884, HOUSE DRAFT 1, RELATING TO
SCHOOL IMPACT FEES**

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

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

**Monday, March 20, 2017, 3:15 PM
State Capitol, Conference Room 229**

Honorable Chair Kidani, Chair Espero, 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 in opposition to House Bill 884, HD 1, 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 a total of \$365,586,000, once the district is established by the Hawai'i State Board of Education (a reduced fee of \$5,858 has also been proposed to the BOE, which would generate roughly \$228,000,000). 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. Finally, if the proposed exemptions are enacted, the DOE estimates a revenue drop of nearly \$73 million in collected fees under the higher impact fee, or \$46 million less under the reduced impact fee. With facilities along the urban core expected to cost \$750 million as families move in, this revenue gap will require additional general fund expenditures.

Mahalo for the opportunity to testify in opposition to this bill.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance

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**Testimony to the Senate Committee on Education; and
Senate Committee on Housing
Monday, March 20, 2017
3:15 p.m.
Conference Room 229**

RE: HB 884 HD1 – Relating to School Impact Fees

Chairs Kidani & Espero, Vice Chairs Kahele & Harimoto, 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 H.B. 884 HD1. The bill proposes to exempt affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units 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 affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling. 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 (i.e. Houses priced at 140% and higher AMI).

In 2014, the National Association of Home Builders (NAHB) prepared a state by state analysis of the number of home buyers impacted for every \$1,000 increases in price. In 2014, 594 households in Hawaii were priced out of the market by a \$1,000 increase in price.

Our concern is that Hawaii's needs to build its way out of our current housing crisis by increasing the supply of housing at all price points. A healthy housing market allows people to purchase housing at price ranges they can afford and as their income improves, provides them with the opportunity to "move up" the housing ladder. Shifting the school impact fee to only apply to buyers at the 80% or more AMI will just add more costs to these units and negatively impact housing affordability in the State.

The housing market has changed dramatically since the impact fee law was passed in 2007. Most of the developments were "greenfield" projects and there was no rail rapid transit project in Honolulu. Now the focus is on urban infill with more compact units and more rental units on government lands in the urban core. Perhaps 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

We stand in opposition to H.B. 884 HD1 and respectfully request that the bill be held. Thank you for the opportunity to express our views on this matter.

HB 884, HD1
Opposition Statement by Michelle Foyt
House Education & Housing Committee Hearing
Monday, 3/20/2017, 3:15 pm, Capitol Rm 229

Thanks to Chair Kidani, Vice Chair Kahele and other committee members for this opportunity to testify.

I oppose HB 884 which exempts various categories of housing from school impact fees. I believe that the key to getting everyone involved in furthering our children's education is by having everyone financially support that education. Hawaii's children are our state's future. Hawaii's residential and commercial population should all support Hawaii schools because education is a necessity for Hawaii's future sustainability -- economically and strategically. To be able to meet the needs of our future society, children must receive a good education. The children who will benefit most from good public education are the less advantaged, like those in families living in affordable housing, etc. Like everyone else, parents need to buy into their children's future. That way, they are not passive recipients, but instead can have a strong and needed voice in the building of their children's education – its funding, quality and content. If families have less income, they should pay less for education. At the other end of the scale, the rich will benefit from a revitalized economy and way of life.

The poor quality of Hawaii public education is the direct result of inadequate funding. U.S. education statistics show Hawaii at the bottom of state comparison charts. If funding doesn't come from property tax, it must come from some other broad based, consistent source. It should be applied as a necessity to the future of our State and Country, not like some sort of luxury tax. It's also important to realize that Hawaii can never ever hope to move beyond a service based economy without better educating our students.

Please help keep Hawaii and our Country free and strong by supporting the educational needs of our students -- good teachers, learning practices and conditions. Please make the support of education a broad-based mandate where people pay according to their means. Please do not pass HB 884, HD1.

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