



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

Date: 04/05/2017

Time: 09:30 AM

Location: 211

Committee: Senate Ways and Means

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: HB 0884, HD1, SD1 RELATING TO SCHOOL IMPACT FEES.

Purpose of Bill: Exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, ohana dwelling units, and affordable housing projects developed by the Hawaii Public Housing Authority from school impact fee requirements. Effective 7/1/2051. (SD1)

Department's Position:

The Department of Education (DOE) is opposed to HB 0884, HD1, SD1, which exempts most affordable residential units from paying school impact fees in school impact fee districts across the state. The DOE thinks this bill will reduce its ability to raise revenue for new school facilities in high growth areas across the state.

The bill may exempt affordable projects as defined in subparagraph (5) and subparagraph (9) of subsection (b). However there will be market-priced units within some of those projects where owners would have the capacity to pay to offset their unit's impact on local school enrollment. HB 0884, HD1, SD1 also exempts all accessory dwelling units whether they are affordable or market priced.

HB 0884, HD1, SD1 seeks to exempt all accessory dwelling units and ohana units from school impact fees regardless of the income of their occupants. DOE students 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 accessory units have an impact on school enrollments.

Some of the accessory dwelling units that would be exempted by HB 0884, HD1, SD1 from paying school fees include market-priced rental units built on large lot parcels with luxury primary units.

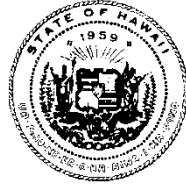
HB 0884, HD1, SD1 subparagraph (6) exempts projects that are already excluded by school impact fee law. That includes remodeling projects which do not create an

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. According to the legal tests for impact fees, DOE must collect fees from each new unit which has the potential to house DOE students. Any reduction in school impact fee revenue will require more State support to make up the difference. By applying a blanket exemption to all accessory dwellings and all Hawaii Public Housing Authority projects, the bill will be excluding high income individuals buying market priced units.

Thank you for the opportunity to present DOE testimony on HB 0884, HD1, SD1.

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 WAYS AND MEANS

Wednesday, April 5, 2017
9:30 AM
Room 211, Hawaii State Capitol

In consideration of
HB 884, HD1, SD1
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, Senate Draft 1, relating to school impact fees.

The Hawaii Public Housing Authority (HPHA) **supports** HB 884, HD1, SD1, which exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, ohana dwelling units, and affordable housing projects developed by the Hawaii Public Housing Authority from school impact fee requirements.

The HPHA appreciates the exemption from school impact fees. School impact fees can significantly raise the cost of new housing development projects. Providing an exemption for all affordable housing projects developed by the HPHA, 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 Committee on Ways and Means with the HPHA's comments regarding HB 884, HD1, SD1. 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

SENATE COMMITTEE ON WAYS AND MEANS

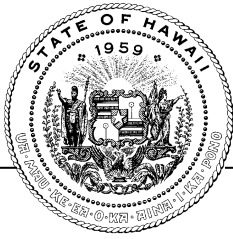
April 5, 2017 at 9:30 a.m.
State Capitol, Room 211

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

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

H.B. 884, H.D. 1, S.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, ohana dwellings and Hawaii Public Housing Authority projects. We believe that this would reduce the cost to build affordable family housing projects serving low-income families.

Thank you for the opportunity to testify.



**OFFICE OF PLANNING
STATE OF HAWAII**

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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 WAYS AND MEANS
Wednesday, April 5, 2017
9:30 AM
State Capitol, Conference Room 211

in consideration of
HB 884, HD1, SD1
RELATING TO SCHOOL IMPACT FEES.

Chair Tokuda, Vice Chair Dela Cruz, and Members of the House Committee on Ways and Means.

The Office of Planning (OP) supports HB 884, HD1, SD1 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.

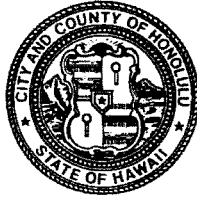
We defer to the respective county agencies regarding any impacts that this measure may have on alteration or expansion of existing dwelling units where no additional dwelling unit is created and use is not changed, accessory dwelling units, and ohana dwelling units.

Thank you for the opportunity to testify on this matter.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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KIRK CALDWELL
MAYOR



KATHY K. SOKUGAWA
ACTING DIRECTOR

TIMOTHY F. T. HIU
ACTING DEPUTY DIRECTOR

April 5, 2017

The Honorable Jill N. Tokuda, Chair
and Members of the Committee on
Ways and Means
Hawaii State Senate
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Tokuda and Committee Members:

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

The Department of Planning and Permitting (DPP) **supports** House Bill No. 884, HD 1, SD 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 administration'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, SD 1, out of committee.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink that reads "Kathy Sokugawa".

Kathy Sokugawa
Acting Director



**Testimony to the Senate Committee on Ways and Means
Wednesday, April 5, 2017 at 9:30 A.M.
Conference Room 211, State Capitol**

RE: HOUSE BILL 884 HD1 SD1 RELATING TO SCHOOL IMPACT FEES

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **opposes** HB 884 HD1 SD1, which exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, ohana dwelling units, and affordable housing projects developed by the Hawaii Public Housing Authority 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 as drafted, and suggest that the Legislature seriously consider repeal of the existing school impact fee statute and look for new ways to fund new school construction. Thank you for the opportunity to express our views on this matter.



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 | 1259 A'ala Street, Suite 300
Honolulu, HI 96817

April 5, 2017

The Honorable Jill Tokuda, Chair
Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

RE: H.B. 884, H.D.1, S.D.1, Relating to School Impact Fees

HEARING: Wednesday, April 5, 2017, at 9:30 a.m.

Aloha Chair Tokuda, Vice-Chair Dela Cruz, and Members of the Committee.

I am Myoung Oh, Director of Government Affairs, here to testify on behalf of the Hawaii'i Association of REALTORS[®] ("HAR"), the voice of real estate in Hawai'i, and its 9,200 members. HAR **supports** H.B. 884, H.D.1, S.D.1, which exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, 'ohana dwelling units, and affordable housing projects developed by the Hawaii Public Housing Authority from school impact fee requirements.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing. With our current housing crisis, HAR believes that this measure can serve as a valuable tool in the toolbox to reduce the cost housing.

HAR believes these efforts should continue to help address the lack of supply issue in our State, while being sensible to how various taxes, fees, assessments, etc., impact the "affordability" of housing in Hawaii.

Mahalo for the opportunity to testify in support of this measure.



Hawai'i Construction Alliance

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

April 3, 2017

The Honorable Jill N. Tokuda, Chair
The Honorable Donovan M. Dela Cruz, Vice Chair
and members
Senate Committee on Ways and Means
415 South Beretania Street
Honolulu, Hawai'i 96813

RE: Support for HB884 HD1 SD1, Relating to School Impact Fees

Dear Chair Tokuda, Vice Chair Dela Cruz, 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 SD1, which would exempt affordable housing units, additions to existing dwelling units, accessory dwelling units, 'ohana dwelling units, and affordable housing projects developed by the Hawaii Public Housing Authority 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 HB1179 HD2 SD1, which your committee recently heard.

Another measure is found on Page 2 of HB884 HD1 SD1, Lines 13-17. It is our firm belief that relief from general excise tax and relief from school impact fees as is proposed in this bill would immediately improve the economics of constructing, developing, and financing these types of rental housing projects to help them 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 SD1 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, flowing style.

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 WAYS AND MEANS
Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair

House Bill 884, HD1, SD1 – Relating to School Impact Fees

Wednesday, April 5, 2017
9:30 A.M.
State Capitol – Room 211

Aloha Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

We **support the intent** of HB 884, HD1, SD1 Relating to School Impact Fees, which exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, ohana dwelling units, and affordable housing projects developed by the Hawaii Public Housing Authority 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.

HAWAII RENTAL HOUSING COALITION

April 4, 2017

The Honorable Jill N. Tokuda, Chair
The Honorable Donovan M. Dela Cruz, Vice Chair
and Members
Senate Committee on Ways and Means
415 South Beretania Street
Honolulu, HI 96813

RE: Strong Support HB884 HD1 SD1 (School Impact Fees)

Dear Chair Tokuda, Vice Chair Dela Cruz and Members:

The Hawaii Rental Housing Coalition (HRHC) is a non-profit citizens group comprised of landowners and developers, real estate industry professionals, Union representatives, segments of the non-profit community, and members of the banking industry who are committed to stimulating and supporting the private sector development of rental housing in the State of Hawaii. The HRHC is deeply concerned about the effects of housing shortages in our State which are reflected by the growing population of homeless individuals on our streets, as well as the continuing exodus of our best and brightest who leave Hawaii in search of higher wages and more affordable housing.

It has long been recognized that affordable housing, and particularly rental housing in Hawaii, has become economically unfeasible for the private sector to develop. As such only subsidized projects utilizing government funding have been constructed. The HRHC's goal is to relieve this shortage by making it possible for the private sector to build rental housing for the workforce members of the community who earn less than 140% of the average median income (AMI) for their area.

A recent study by the Hawaii Housing Finance and Development Corporation (HHFDC) shows that by 2020 approximately 64,000+ rental units will be needed State-wide and more than 31,000 will be needed on Oahu. Government alone cannot address that need.

It is this need that the Hawaii Rental Housing Coalition is seeking to address. In order to do that the fundamental economics of building rental housing in Hawaii must be altered. We seek to do that not only in a collaborative manner with key players in the private sector, and the construction industry, *but also in concert with the public sector's help*. The Hawaii Rental Housing Coalition seeks ways in which to reduce the baseline costs of building and operating rental housing to encourage the private sector to build to the rental housing needs of Hawaii's workforce. Any additional costs to building such housing, specifically, school impact fees, among other things, thwarts the central thrust of the Coalition's efforts. It is for this reason that the Hawaii Rental Housing Coalition strongly supports the measures proposed by HB 884 HD1 SD1.

Respectfully submitted,

/s/ Christine Nakashima-Heise

Christine Nakashima-Heise
Project Coordinator

Hawaii Rental Housing Coalition
Christine Nakashima-Heise, Project Coordinator
cnheise@gmail.com (808) 782-9005

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, April 4, 2017 2:08 PM
To: WAM Testimony
Cc: darakawa@lurf.org
Subject: Submitted testimony for HB884 on Apr 5, 2017 09:30AM

HB884

Submitted on: 4/4/2017

Testimony for WAM on Apr 5, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
David Z. Arakawa	Land Use Research Foundation of Hawaii	Oppose	No

Comments: The Land Use Research Foundation of Hawaii opposes HB 884, HD1, SD1, and proposes an amendment that would impose a moratorium on impact fees until the 2018 legislative session; and in the meantime establish a task force to develop a better for equitable form of impact fees.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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