



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

Date: 02/15/2017
Time: 02:00 PM
Location: 309
Committee: House Education

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

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

Purpose of Bill: Exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements.

Department's Position:

The Department of Education (DOE) is opposed to HB884. The DOE believes this bill is a direct contradiction to the legislative intent of the school impact fee program and adds unnecessary and unenforceable language to the school impact fee law.

The Legislature created school impact fees in 2007, with amendments in 2010 and 2016. In 2007, the Legislature approved the language in Section 302A-1603 (a)(3), Hawaii Revised Statutes (HRS), which states that anyone who develops new residences in a school impact fee district must pay impact fees "including all government housing projects." HB884 seeks to exempt accessory dwelling units and ohana units. New accessory dwelling units and new ohana units house families with DOE students. We believe they have a smaller impact than primary dwellings, and we charge a lower fee for accessory and ohana dwellings, but it is clear they have an impact.

The school impact fee law requires new development to provide 100% of the land (or fee in lieu) and 10% of the construction cost for new school facilities needed to support students from new residential units. The balance of the cost, (i.e. 90% of construction), must be funded by the State.

As new development continues across the state, the cost associated with new school construction will be appreciable. As an example, the urban corridor between Kalihi and Ala Moana is expected to double the number of students now attending schools in this area. This would represent nearly 10,000 new students being added to current student enrollment in this area. It is estimated that this increase will require an additional one

and a half high schools, one and a half middle schools, and as many as 6 new elementary schools. Based on DOE educational specifications, this would translate into approximately 1.6 million square feet of new facilities. At the current cost per square foot, this would represent more than \$750 million in construction costs and over \$250 million in costs associated with required land. Any reduction in fee revenue will require further State support.

Thank you for the opportunity to present testimony on HB884.

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
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IN REPLY REFER TO:

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON EDUCATION

February 15, 2017 at 2:00 p.m.
State Capitol, Room 309

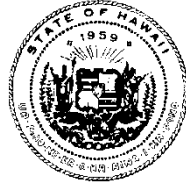
In consideration of
H.B. 884
RELATING TO SCHOOL IMPACT FEES.

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

H.B. 884 would exempt from school impact fees, 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

HOUSE COMMITTEE ON EDUCATION

Wednesday, February 15, 2017
2:00 PM
Room 309, Hawaii State Capitol

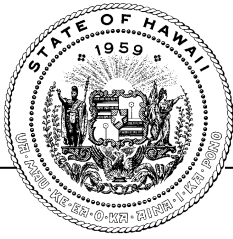
In consideration of
HB 884
RELATING TO SCHOOL IMPACT FEES

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

The Hawaii Public Housing Authority (HPHA) **supports** HB 884, which exempts affordable housing 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 House Committees on Education with the HPHA's comments regarding HB 884. We thank you very much for your dedicated support.



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DAVID Y. IGE
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LEO R. ASUNCION
DIRECTOR
OFFICE OF PLANNING

Statement of
LEO R. ASUNCION
Director, Office of Planning
before the
HOUSE COMMITTEE ON EDUCATION
Wednesday, February 15, 2017
2:00 PM
State Capitol, Conference Room 309

in consideration of
HB 884
RELATING TO SCHOOL IMPACT FEES.

Chair Takumi, Vice Chair Har, and Members of the House Committee on Education.

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

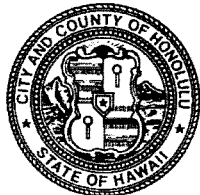
We defer to the respective county agencies regarding any impacts that this measure may have on alteration or expansion of existing dwelling units where no additional dwelling unit is created and use is not changed, accessory dwelling units, and ohana dwelling units.

Thank you for the opportunity to testify on this matter.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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MAYOR



KATHY K. SOKUGAWA
ACTING DIRECTOR

TIMOTHY F. T. HIU
ACTING DEPUTY DIRECTOR

February 15, 2017

The Honorable Roy M. Takuimi, Chair
and Members of the Committee on Education
Hawaii House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Takumi and Committee Members:

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

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

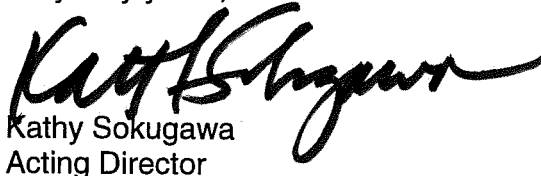
The City's Islandwide Affordable Housing Strategy includes waivers of City fees to help make affordable housing projects more financially feasible. By charging a school impact fee on these same types of projects, the reduced fees accomplished through the City waivers would be offset by the school impact 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 Bill's exemption of accessory dwelling and ohana dwelling units, not just housing projects, because these homes are intended to provide family members and non-family members with affordable rental opportunities.



We ask that you pass House Bill No. 884 out of committee.


Thank you for the opportunity to testify.

Very truly yours,


Kathy Sokugawa
Acting Director



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

February 15, 2017

The Honorable Roy M. Takumi, Chair
House Committee on Education
State Capitol, Room 309
Honolulu, Hawaii 96813

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

HEARING: Wednesday, February 15, 2017, at 2:00 p.m.

Aloha Chair Takumi, Vice-Chair Har, and Members of the Committee.

I am Myoung Oh, Director of Government Affairs, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 9,000 members. HAR **supports** H.B. 884 which exempts affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units 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, it is understandable that this measure is one 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 but be 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

February 13, 2017

The Honorable Roy M. Takumi, Chair
The Honorable Sharon E. Har, Vice Chair
and members
House Committee on Education
415 South Beretania Street
Honolulu, Hawai'i 96813

**RE: Support for Intent of HB884, Relating to School Impact Fees
and Suggested Amendment**

Dear Chair Takumi, Vice Chair Har, 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 HB884, which would exempt affordable housing units, additions to existing dwelling units, accessory dwelling units, and ohana dwelling units from school impact fee requirements.

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 contained in HB1179 HD1. **We are seeking your committee's assistance in ensuring that projects qualifying for general excise tax exemptions as described above are also exempted from school impact fees in HB884.**

Therefore, we would like to suggest an amendment to HB884, so that bullet point (5) on Page 2, Lines 13-14 reads:

“(5) 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 46-51.1 and 201H-38.”

It is our firm belief that relief from general excise tax under HB1179 and relief from school impact fees as we are proposing as an amendment to HB884 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 with our suggested amendment 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
Pacific Resource Partnership

House of Representatives
Committee on Education
Representative Roy M. Takumi, Chair
Representative Sharon E. Har, Vice Chair

House Bill 884 – Relating to School Impact Fees

Wednesday, February 15, 2017
2:00 P.M.
State Capitol – Room 309

Aloha Chair Takumi, Vice Chair Har and Members of the Committee:

We **support the intent** of HB 884 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.

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.



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LATE

Testimony to the House Committee on Education
Wednesday, February 15, 2017
2:00 p.m.
Conference Room 309

RE: HB 884 – Relating to School Impact Fees

Chair Takumi, Vice Chair Har, 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. 884. 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 and respectfully request that the bill 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, RELATING TO SCHOOL IMPACT FEES

House Committee on Education
Hon. Roy M. Takumi, Chair
Hon. Sharon E. Har, Vice Chair

Wednesday, February 15, 2017, 2:00 PM
State Capitol, Conference Room 309

Honorable Chair Takumi 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 884, 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 \$365,586,000, once the district is established by the Hawai'i State Board of Education. 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.

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

Sincerely,
Kris Coffield
Executive Director
IMUAlliance