

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

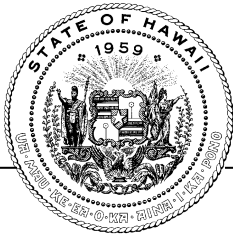
March 14, 2017 at 10:00 a.m.
State Capitol, Room 423

In consideration of
S.B. 1146, S.D. 2
RELATING TO SCHOOL IMPACT FEES.

The HHFDC **supports the intent** of S.B. 1146, S.D. 2, but defers to the Department of Education on any fiscal impact the measure may have.

S.B. 1146, S.D. 2, would exempt housing reserved for households at or below 80 percent of the area median income located in a county with a population greater than 500,000, from school impact fees. 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.



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STATE OF HAWAII**

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DAVID Y. IGE
GOVERNOR

LEO R. ASUNCION
DIRECTOR
OFFICE OF PLANNING

Statement of
LEO R. ASUNCION
Director, Office of Planning
before the
HOUSE COMMITTEE ON HOUSING
Tuesday, March 14, 2017
10:00 am
State Capitol, Conference Room 423

in consideration of
SB 1146, SD2
RELATING TO SCHOOL IMPACT FEES.

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

The Office of Planning (OP) supports the intent of SB1146, SD2 which proposes to provide an exemption from school impact fees for new housing units that are reserved for persons or families with incomes up to eighty percent of the area median income (AMI) in a county having a population greater than 500,000 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 individuals or families – specifically those that fall within the zero to one hundred forty percent AMI. Allowing housing development projects in which the units for families earning up to eighty percent of the AMI to be exempt from school impact fees, will encourage developers to provide more low-income housing, increasing the overall affordable housing supply for Hawaii residents. We note however, that including eighty to one hundred forty percent AMI, will provide additional affordable housing supply across the range of unit affordability.

Thank you for the opportunity to testify on this matter.

841 Bishop St., Suite 301
Honolulu, Hawaii 96813



Telephone: 808 926-1530
Contact@HEECoalition.org

Committee on Housing
Representative Tom Brower, Chair
Representative Nadine Nakamura, Vice Chair

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

We are providing testimony in support for SB1146 SD2 relating to school impact fees.

Hui for Excellence in Education, or "HE'E," is a statewide coalition of diverse stakeholders committed to working collaboratively to identify opportunities to improve public education in Hawai'i. HE'E seeks to be the focal point for community and parent engagement while serving as a public resource for educational policy.

The Coalition supported the action to designate the Kalihi to Ala Moana School Impact Fee District when it was presented to the Board of Education (BOE) in November 2016. Potentially up to 39,000 multi-family units and approximately 10,000 public school students would be impacted in the district due to residential development associated with Honolulu's Rapid Transit, which translates to 6 elementary schools and 1.5 middle and high schools.¹ State General Funds are insufficient to accommodate even repair and maintenance of our schools (2016 backlog of roughly \$300 million) let alone the building of new schools. The Hawaii State Legislature passed Act 237 in 2016 which allows the school impact fees to be used to purchase completed construction, construct new school facilities, improve or renovate existing structures for school use, or lease land or facilities for school use. Our aging schools are not able to accommodate well the educational needs of our students, and so we believe that additional revenue streams are needed to support schools.

The action was deferred by the BOE to allow the DOE to meet and work with stakeholders on establishment of the district and the amount of fees. There was substantial opposition from developers and supporters of affordable housing. We understand the concerns of these stakeholders and commend the legislature for proposing this option, which would exempt new housing units that are reserved for persons or families with incomes up to eighty percent of the area medium income located in a county having a population greater than 500,000 from school impact fee requirements.

Thank you for the opportunity to testify. Our support represents a 75% consensus or more of our voting membership.

Sincerely,

Cheri Nakamura
HE'E Coalition Director

¹http://boe.hawaii.gov/Meetings/Notices/Meeting%20Material%20Library/FIC_20161115_Committee%20Action%20to%20Designate%20Kalihi-Ala%20Moana%20School%20Impact%20Fee%20District.pdf

HE'E Member List

Academy 21
After-School All-Stars Hawaii
Alliance for Place Based Learning
*Castle Complex Community Council
*Castle-Kahuku Principal and CAS
Coalition for Children with Special Needs
*Faith Action for Community Equity
Fresh Leadership LLC
Girl Scouts Hawaii
Harold K.L. Castle Foundation
*Hawai'i Afterschool Alliance
*Hawai'i Appleseed Center for Law and Economic Justice
*Hawai'i Association of School Psychologists
Hawai'i Athletic League of Scholars
*Hawai'i Charter School Network
*Hawai'i Children's Action Network
Hawai'i Nutrition and Physical Activity Coalition
* Hawai'i State PTSA
Hawai'i State Student Council
Hawai'i State Teachers Association
Hawai'i P-20
Hawai'i 3Rs
Head Start Collaboration Office
It's All About Kids
*INPEACE
Joint Venture Education Forum
Junior Achievement of Hawaii
Kamehameha Schools
Kanu Hawai'i
*Kaua'i Ho'okele Council
Keiki to Career Kaua'i
Kupu A'e
*Leaders for the Next Generation

Learning First

McREL's Pacific Center for Changing the Odds
*Native Hawaiian Education Council
Our Public School
*Pacific Resources for Education and Learning
*Parents and Children Together
*Parents for Public Schools Hawai'i
Punahou School PUEO Program
Teach for America
The Learning Coalition
US PACOM
University of Hawai'i College of Education
YMCA of Honolulu
Voting Members () Voting member organizations vote on action items while individual and non-voting participants may collaborate on all efforts within the coalition.*

Hawai'i Construction Alliance

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

March 10, 2017

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

RE: Support and Suggested Amendment for SB1146, Relating to School Impact Fees

Dear Chair Brower, Vice Chair Nakamura, and members:

The Hawai'i Construction Alliance is comprised of the Hawai'i Regional Council of Carpenters; the Laborers' International Union of North America, Local 368; the Operative Plasterers' and Cement Masons' Union, Local 630; International Union of Bricklayers & Allied Craftworkers, Local 1; and the Operating Engineers, Local Union No. 3. Together, the member unions of the Hawai'i Construction Alliance represent 15,000 working men and women in the basic crafts of Hawai'i's construction industry.

The Hawai'i Construction Alliance is extremely concerned about the chronic deficiency of rental apartment housing across the state. Simply put: the shortage of units for working moderate- and lower-income households is at a crisis level. Said shortage is negatively affecting families throughout the entire community, including our membership.

We support SB1146 SD2, which would exempt housing developments reserved for persons or families with incomes up to 80% of the area median income located in a county having a population greater than 500,000 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 HD2, which your committee heard several weeks ago, and SB1105 SD2, which your committee heard today.

It is our firm belief that relief from general excise tax under and relief from school impact fees would immediately improve the economics of constructing, developing, and financing rental housing projects to the point that they become economically feasible.

To ensure that the types of projects which the Hawai'i Rental Housing Coalition intends to build are exempt from school impact fees, we would suggest that your committee consider amending the bill to include the language that is found in HB884 HD1, Page 1 Lines 13-15 and Page 2 Lines 13-17, specifically that "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;" be exempted from school impact fees as well.

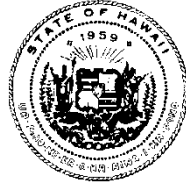
The Hawai'i Construction Alliance is excited to take a leadership role in encouraging the production of rental housing across our state. We humbly request your committee also take favorable action on HB884 HD1 to help us to improve the economics of producing rental housing in Hawai'i.

Mahalo,

A handwritten signature in black ink that reads "Tyler Dos Santos-Tam". The signature is written in a cursive, flowing style.

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

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

LATE

Statement of
Hakim Ouansafi
Hawaii Public Housing Authority
Before the

HOUE COMMITTEE ON HOUSING

Tuesday, March 14, 2017
Room 423, Hawaii State Capitol
10:00 AM

In consideration of
SB 1146, SD2
RELATING TO SCHOOL IMPACT FEES

Honorable Chair Brower and Members of the House Committee on Housing, thank you for the opportunity to provide testimony regarding Senate Bill 1146, SD2, relating to school impact fees.

The Hawaii Public Housing Authority (HPHA) **supports the intent with comments** for SB 1146, SD2, which exempts housing developments reserved for persons or families with incomes up to 80% of the area median income located in a count having a population greater than 500,000 from school impact fee requirements.

School impact fees can significantly raise the cost of new housing development projects. Providing an exemption for housing developments for person or families with incomes up to eighty percent of the Average Median Income (AMI), will help to promote the development of affordable housing

The HPHA respectfully requests that all HPHA related projects, regardless of the income level, be excluded from paying school impact fees, as any impact fee added to a project will create a greater gap in financing which, ultimately, gets funded by the State.

The HPHA appreciates the opportunity to provide the House Committee on Housing with the HPHA's comments regarding SB 1146, SD2. We thank you very much for your dedicated support.



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

LATE

Date: 03/14/2017

Time: 10:00 AM

Location: 423

Committee: House Housing

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: SB 1146, SD2 RELATING TO SCHOOL IMPACT FEES.

Purpose of Bill: Exempts housing developments reserved for persons or families with incomes up to 80% of the area median income located in a county having a population greater than 500,000 from school impact fee requirements. Effective 7/1/2050. (SD2)

Department's Position:

The Department of Education (DOE) is opposed to SB 1146, SD2 which exempts certain residential units from having to pay school impact fees. Passage of this bill will reduce impact fee revenue for school land and construction, which will then have to be made up by State revenue.

The DOE thinks the bill as currently written will present some difficulty in administering and may have unintended consequences.

SB 1146, SD2 exempts units, not projects, reserved for families with incomes up to 80% of area median income (AMI). The DOE understands that most units in that category are not for sale, they are rental units. Individuals would not be paying the impact fees on rentals, developers would pay the fee as part of their construction costs. In a project with units at various income levels, the DOE would collect fees from the developers for some, but not all, of their units. The DOE would have to know how many units in each project would be reserved for families earning no more than 80%.

The DOE would be unable to collect when the few for-sale at 80% of AMI units are resold to families with earnings higher than 80%.

The bill finds that imposing school impact fees on affordable housing proposed in urban Honolulu could hinder development of affordable units. A DOE proposal for a Kalihi to Ala Moana school impact district has been introduced but not adopted by the Board of Education. Currently school impact fees are only collected in Leeward Oahu in the areas served by Campbell, Kapolei, Waipahu and Aiea high schools. While the bill is worded to exempt 80% of

AMI units across Oahu, at present, it would only exempt units in the Leeward Oahu school impact fee district.

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 creates additional demand for public school facilities. From initial studies of existing urban Honolulu schools, it is believed that existing campuses can only provide a portion of the land required for additional facilities. It is estimated that the cost associated with the land requirement alone could easily exceed \$250 million.

If a Kalihi to Ala Moana school impact fee is adopted, it is not clear how much the exemption provided in this bill would reduce revenue, but any loss would have to be made up by additional State revenue.

Thank you for the opportunity to present DOE testimony on SB 1146, SD 2.



HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



David Y. Ige
Governor

John Whalen
Chairperson

Jesse K. Souki
Executive Director

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LATE

STATEMENT OF

JESSE K. SOUKI, EXECUTIVE DIRECTOR
HAWAII COMMUNITY DEVELOPMENT AUTHORITY

BEFORE THE
HOUSE COMMITTEE ON HOUSING

Tuesday, March 14, 2017
10:00 A.M.

State Capitol, Conference Room 423

in consideration, of

SB 1146, SD2 – RELATING TO SCHOOL IMPACT FEES

Chair Brower, Vice Chair Nakamura and members of the committee.

The Hawaii Community Development Authority (HCDA) offers the following **comments** on SB 1146, SD2.

This bill exempts housing developments reserved for persons or families with incomes up to 80 percent of the area median income (AMI) located in a county having a population greater than 500,000 from school impact fee requirements. Given the Department of Education's (DOE) proposed school impact fee of \$9,374 per new unit, this bill may help projects developed for low income residential projects at 80 percent and below AMI. Notwithstanding, we expect that public monies and/or land will still need to be part of the overall development strategy of developments in this low affordability range.

The legislature might consider expanding the impact of this bill to include projects developed for moderate income residential projects at 140 percent and below AMI. This would be consistent with existing programs under HCDA and the Hawaii Housing and Finance Development Corporation.¹ Examples of jobs that would qualify for housing developed for residential projects between 80 and 140 percent AMI are shown below:

¹ HCDA is considering amendments to its housing rules that will reduce affordability to 120 percent AMI on average of all reserved units. See *Notice of Public Hearing, Proposed Amendments Relating to HAR Chapter 15-218, "Kakaako Reserved Housing Rules,"* available at <https://dbedt.hawaii.gov/hcda/files/2013/05/20170226-Public-Hearing-Notice-Kakaako-Reserved-Housing-Rules-Amendment.pdf>.

Who can qualify for Reserved, Workforce or Low Income Housing?

The below are the mean income for selected jobs in Honolulu. The statistics are courtesy of the U.S. Bureau of Labor Statistics. The AMI percentages are for a single person living alone.

Under 30% AMI	30-60% AMI	60-80% AMI
<ul style="list-style-type: none"> • Childcare worker \$19,980 	<ul style="list-style-type: none"> • Restaurant Cooks \$28,030 • Security Guards \$28,310 • Maids and Housekeeping \$35,630 • Kindergarten Teachers \$45,610 	<ul style="list-style-type: none"> • Child, Family and School Social Workers \$52,560 • Administrative Assistants \$52,590 • Construction Laborers \$54,420
80-100% AMI	100-120% AMI	120-140% AMI
<ul style="list-style-type: none"> • High School Teachers \$56,730 • Food Service Managers \$58,890 • Firefighters \$59,240 	<ul style="list-style-type: none"> • Accountants \$60,440 • Carpenters \$69,150 • Insurance Sales Agents \$72,460 	<ul style="list-style-type: none"> • Crane Operators \$76,830 • Physician Therapists \$81,490 • Sales Managers \$83,680

Source: 2016 Hawaii Community Development Authority, Report to the Twenty-Ninth Legislature Regular Session of 2017, p. 12, Jan. 2017, available at <http://files.hawaii.gov/dbedt/annuals/2016/2016-hcda.pdf>.

Also, attached for your information and consideration is HCDA testimony on the DOE's proposed school impact district from Kalihi to Ala Moana, dated November 1, 2016. As the legislature considers policies to ensure affordable housing is built while ensuring important infrastructure like schools are available, HCDA's comments in the attached may be helpful.

Thank you for the opportunity to provide **comments** on this bill.

Attachment



HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



David Y. Ige
Governor

John Whalen
Chairperson

Aedward Los Banos
Interim Executive Director

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Website
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November 1, 2016

Ms. Heidi Meeker
Department of Education
State of Hawaii
Honolulu, Hawaii 96804

Dear Ms. Meeker:

Re: Proposed School Impact District from Kalihi to Ala Moana

The Hawaii Community Development Authority ("HCDA") has reviewed the proposed "Draft Analysis of the Kalihi to Ala Moana School Impact District" and largely supports the proposal with some added suggestions.

The HCDA agrees that the proposed impact fees will allow for the provision of schools to accommodate the projected student population growth and offered the following comments:

1. The impact fees for new developments should be based on square feet and not unit count only. Studies have shown that impact fees that do not take into account unit size and are simply based on unit count are regressive. An impact fee based on units is a flat fee system and brings issues of equity. That is, with the currently proposed system, a small dwelling unit of 600 square feet will pay the same amount as a luxury unit of 8,000 square feet. Over the long-run the larger units will underpay and the smaller units will over pay.
2. The impact fees should also be varied based on unit types. The proposed analysis assumes that most of the upcoming residential developments to be built within the impact district will be multifamily dwellings; and therefore; it proposes that the multifamily fee amount applies whether a unit is a single family or a multifamily dwelling unit. Even though the assumption is correct as this impact district is in the urban core, there are some lots that will have single family dwellings. If unit types are taken into account when calculating the impact fees the fees tend to be more fair and proportional to the impacts.
3. The proposed impact district map should be reviewed. It seems that some of the parcels outside the boundary area are served by the same schools as those within the boundary.

Ms. Heidi Meeker
November 1, 2016
Page 2

4. There is much need to develop affordable housing within the urban core in Honolulu and any additional cost to development of adorable housing makes it that much more challenging. We suggest that the Department of Education consider a graduated impact fee scale for affordable housing projects that try to reach the lower levels of affordability.
5. We suggest that the land value be based on neighborhoods instead of averaging of land costs from Kalihi to Ala Moana as it will be more equitable and a fair representation of market conditions.

In general, in order to proportionally distribute the impact fees various variables (i.e., unit size, type, configuration, location) should be taken into account. An impact fee that takes into account different variables will have a rational nexus and it will not negatively impact the development of housing.

Should you have any questions, please contact Mr. Deepak Neupane, P.E., AIA, Director of Planning and Development, at 594-0300.

Sincerely,



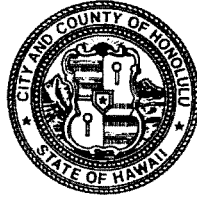
Aedward Los Banos
Interim Executive Director

ALB/DN/SB:

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

March 14, 2017

LATE

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: Senate Bill No. 1146, SD 2
Relating to School Impact Fees

The Department of Planning and Permitting (DPP) **supports, with a recommended amendment**, Senate Bill No. 1146, SD 2, which would exempt housing units reserved for persons or families with incomes up to 80 percent of the area median income (AMI) in a county with a population greater than 500,000 from paying school impact fees.

The City's Islandwide Affordable Housing Strategy includes waivers of City fees to help make affordable housing projects more financially feasible. By charging a school impact fee on these same types of projects, the reduced fees accomplished through the City waivers would be offset by the school impact fees, inhibiting the ability to facilitate affordable housing projects. This result would be counterproductive to both City and State objectives of producing more affordable housing.

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 AMI. 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
Senate Bill No. 1146, SD 2
March 14, 2017
Page 2

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kathy Sokugawa", written in a cursive style.

Kathy Sokugawa
Acting Director

HAWAII RENTAL HOUSING COALITION

March 13, 2017

LATE

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

RE: Support SB1146 (Exemption from School Impact Fees) with suggested amendments

Dear Chair Brower, Vice-Chair Nakamura 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's goal is to make 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.

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.

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, including school impact fees, thwarts the central thrust of the Coalition's efforts. We strongly support this measure to exempt affordable housing projects from the imposition of any school impact fees; however, the Hawaii Rental Housing Coalition supports the measure to expand the exemptions to include all affordable housing projects.

HAWAII RENTAL HOUSING COALITION

To ensure that the types of projects which the Hawai'i Rental Housing Coalition intends to build are exempt from school impact fees, we would suggest that your committee consider amending the bill to include the language that is found in HB884 HD1, Page 1 Lines 13-15 and Page 2, Lines 13-17, specifically, that "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;" be exempted from school impact fees as well.

Respectfully submitted,

/s/ Christine Nakashima-Heise

Christine Nakashima-Heise
Project Coordinator
cnheise@gmail.com

Testimony of
Christopher Delaunay
Pacific Resource Partnership

HOUSE OF REPRESENTATIVES
THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017



COMMITTEE ON HOUSING
Representative Tom Brower, Chair
Representative Nadine K. Nakamura, Vice Chair

NOTICE OF HEARING

DATE: Tuesday, March 14, 2017
TIME: 10:00am
PLACE: Conference Room 423

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

PRP **supports** SB 1146, SD2 and recommends an amendment to this bill. SB 1146, SD2 exempts housing developments reserved for persons or families with incomes up to 80% of the area median income located in a county having a population greater than 500,000 from school impact fee requirements.

We support the Hawaii Rental Housing Coalition’s efforts to advocate for policies that would help to develop more rental housing projects wherein at least 20% of available units are for households whose incomes are at or below 80% AMI and wherein all remaining units are for households whose incomes are at or below 140% AMI. To ensure that the types of projects which the Hawai`i Rental Housing Coalition intends to build are exempt from school impact fees, we recommend that this Committee consider the Hawaii Construction Alliance’s proposed amendments to include the language that is found in HB 884 HD1, Page 1 Lines 13-15 and Page 2 Lines 13-17, specifically stating that “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;” be exempted from school impact fees as well.



(Continued From Page 1)

Thank you for this opportunity to testify.

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 House Committee on Housing
Tuesday, March 14, 2017 at 10:00 A.M.
Conference Room 423, State Capitol**

LATE

RE: SENATE BILL 1146 SD2 RELATING TO SCHOOL IMPACT FEES

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

The Chamber of Commerce Hawaii ("The Chamber") **opposes** SB 1146 SD2, which exempts housing developments reserved for persons or families with incomes up to 80% of the area median income located in a county having a population greater than 500,000 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 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.

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. Thank you for the opportunity to express our views on this matter.

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LATE

Testimony to the House Committee on Housing
Tuesday, March 14, 2017
10:00 a.m.
Conference Room 423

RE: HB 1146 SD2 – 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 SB 1146 SD2, which would exempt housing developments reserved for persons or families with incomes up to eighty per cent of the area median income located near the Honolulu rail transit line 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 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).

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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. Thank you for the opportunity to express our views on this matter.



LATE

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

**TESTIMONY FOR SENATE BILL 1146, SENATE DRAFT 2, RELATING TO SCHOOL
IMPACT FEES**

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

**Tuesday, March 14, 2017, 10:00 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 in opposition to Senate Bill 1146, SD 2, 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 core 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. HIDOE 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 state expenditures.

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

Sincerely,
Kris Coffield
Executive Director
IMUAlliance



LATE

March 12, 2017

From: George S. Massengale
To: House Committee on House
Date: March 14, 2017 at 10:00 A.M.
Subj: SB1146, SD2, Relating to School Impact Fees

TESTIMONEY IN SUPPORT

Chair Brower, Vice Chair Nakamura and members to the Committee on Housing. I am here today on behalf of Hawaii Habitat for Humanity Association, and our two Habitat affiliates on Oahu, Honolulu and Leeward, to testify in support of SB1146, SD2. Which, if passed, would exempt housing developments for individuals with incomes less than 80% AMI.

We're sure that the Chair, and committee members are aware the greatest need for affordable housing is at 80% AMI and lower.

As we all know Hawaii is experiencing a severe housing crisis in the availability of affordable housing, in both the rental market and home ownership market. Impact fees add additional cost to overall cost developing low income housing. By eliminating the school impact fees, Habitat and other housing developers would be able to incorporate additional savings into their respective housing construction efforts.

We would also like to take a minute to thank Chair Brower and the members of the committee for hearing this measure and taking the initiative to pass measures that should significantly add to our affordable housing inventories.

Respectfully,

A handwritten signature in black ink, appearing to read "George S. Massengale".

George S. Massengale
Director, Community Engagement

LATE

SB1146, SD2
Opposition Statement by Michelle Foyt
House Housing Committee Hearing
Tuesday, 3/14/2017, 10 am

Thanks to Chair and Vice Chair Representatives Brower and Nakamura and other committee members for this opportunity to testify.

I oppose SB1146. Hawaii's children are our state's future. They must be able to meet the needs of our future society. All children should be receiving a good education. The children who will benefit most from good public education are those in families living in affordable housing. 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.

Education is fundamental to being a productive citizen in our state and country. Democracy or a republic can't work if people lack the ability to make educated decisions. Most states use real estate tax to finance education because it is a primary need. In addition, good schools equate to good property value many places in the mainland because families want good schools for their children. Hawaii has some great private schools like Punahou and Iolani. But, most can't afford the tuition. Some think a few schools like these are enough, as if a master class can rule wisely. Perhaps they overlook that this kind of thinking can also help cultivate a slave or serf underclass. We've got to close the opportunity gap between the private and public schools so that all students grow and aspire. In our country, every child needs to learn how to learn, think and evaluate.

Having attended multiple Board of Education Meetings and listened to presentations by the Hawaii State Teachers Association, I'm impressed with the hardship a multitude of both students and teachers face in Hawaii. The multilingual nature of the population adds to the complexity of teacher workloads. Teachers are not given the tools necessary to help their students. Large class size minimizes the attention that a teacher can give to individual students. Low teacher salaries make living in Hawaii unfeasible.

Please help keep our Country free and strong. Please support the educational needs of our children by supporting our teachers and good learning conditions for our students. Please make the support of education broad-based and not narrow. Please do not pass SB1146.



Michelle Foyt, a retired public services librarian
1296 Kapiolani Blvd Apt 2804-E, Honolulu, HI 96814
808-593-7679, michellefoyt@gmail.com