



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

LATE

Date: 01/29/2019
Time: 01:20 PM
Location: 225
Committee: Senate Education
Senate Housing

Department: Education

Person Testifying: Dr. Christina M. Kishimoto, Superintendent of Education

Title of Bill: SB 0586 RELATING TO SCHOOL IMPACT FEES.

Purpose of Bill: Repeals the school impact fee exemptions for nonresidential development and housing subject to the transient accommodations tax when seeking development in a designated school impact district requiring county subdivision approval, county building permit, or condominium property regime approval of the project.

Department's Position:

The Hawaii State Department of Education (Department) understands the concerns that have generated the introduction of this bill, but takes no position on SB 586. The Department will continue to need to build new schools and appreciates the opportunity to use impact fees. The Department's focus is on public education, therefore, we defer to the legislature to determine how best to fund future school needs.

The Hawaii State Department of Education seeks to advance the goals of the Strategic Plan which is focused on student success, staff success, and successful systems of support. This is achieved through targeted work around three impact strategies: school design, student voice, and teacher collaboration. Detailed information is available at www.hawaiipublicschools.org.

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COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

January 28, 2019

TO: The Honorable Michelle N. Kidani, Chair
Senate Committee on Education

The Honorable Stanley Chang, Chair
Senate Committee on Housing

A handwritten signature in black ink, appearing to be "KTK".

FROM: Kelly T. King
Council Chair

SUBJECT: **HEARING OF JANUARY 29, 2019; TESTIMONY IN SUPPORT OF
SB 586, RELATING TO SCHOOL IMPACT FEES**

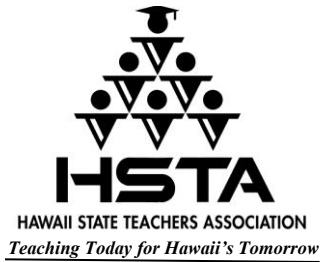
Thank you for the opportunity to testify in **support** of this important measure. The purpose of this measure is to repeal the school impact fee exemptions for nonresidential development and housing subject to the transient accommodations tax when seeking development in a designated school impact district requiring county subdivision approval, county building permit, or condominium property regime approval of the project.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I support this measure for the following reasons:

1. The population of our State continues to grow. With that growth, the need to provide more and expanded schools also increases.
2. Transient accommodations and other nonresidential uses contribute to the growth of communities and, under appropriate circumstances, should be required to help address the development impacts.
3. Although public education is a State responsibility, the County and the State are partners in the development and use of school facilities. In addition, County General Plan includes the following policy at page 52 of the Countywide Policy Plan: "Encourage the upgrade and ongoing maintenance of public-school facilities."

For the foregoing reasons, I **support** this measure.



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TESTIMONY BEFORE THE SENATE COMMITTEES ON EDUCATION AND HOUSING

RE: SB 586 - RELATING TO SCHOOL IMPACT FEES

TUESDAY, JANUARY 29, 2019

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Kidani, Chair Chang and Members of the Committees:

The Hawaii State Teachers Association **supports SB 586**, relating to school impact fees.

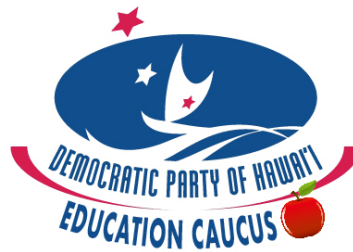
Our state's public school buildings are approximately 66-years-old on average. Facilities are damaged, restrooms and water foundations are in disrepair, classroom windows are broken, and campuses are plagued by rat and insect infestations. Our students, especially those with special needs, are subjected to dilapidated infrastructure. Our state's repair and maintenance backlog is huge and the total cost of lingering projects runs into the hundreds of millions of dollars. Maintenance and capacity problems are particularly painful for developing communities, like the 'Ewa Plain, which will welcome 28,000 more buildings by the year 2021, and Kaka'ako, in which 39,000 new multi-family units are projected to be built within an approximately half-mile radius of rail transit stations, per the Honolulu Community Development Authority. The state will need more funding, that much is clear.

Some may argue that nonresidential development should not have to chip in for public schools, but quite the contrary is shown from research by the Development, Planning, and Financial Group, Inc., along with the Brookings Institute, that both indicate that new business growth actually contributes to the pace and scale of development. New businesses are used to incentivize the sale of neighboring residential units, from which they directly benefit creating jobs and thus contributing to the need for more public schools. Nonresidential development also takes a toll on the state's infrastructure in Hawai'i, and public schools are directly

impacted. Other areas across the U.S., such as Newark, impose impact fees on nonresidential development along with residential development for the above reasons.

In 2018, the Hawai‘i Board of Education established the Kalihi-Ala Moana School Impact Fee District. Developers of residential units in the urban core will now have to pay \$3,864 when applying for new building permits, helping to offset the cost of educating the children of families living in the estimated 39,000 new dwelling units needed for urban Honolulu in coming years. **Nonresidential developments should not be exempt and should also contribute.**

A quality education is priceless and an investment in a strong economy in Hawai‘i, we cannot continue to underfund our schools and it is everyone’s kuleana. To provide our children with quality school facilities, the Hawaii State Teachers Association asks your committee to **support** this bill.



SENATE BILL 586, RELATING TO SCHOOL IMPACT FEES

JANUARY 29, 2019 · SENATE EDUCATION AND
HOUSING COMMITTEES · CHAIRS SEN. MICHELLE
KIDANI AND SEN. STANLEY CHANG

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus supports SB 586, relating to school impact fees, which repeals school impact fee exemptions for nonresidential development and housing subject to the transient accommodations tax.

In 2018, the Hawai'i Board of Education established the Kalihi-Ala Moana School Impact Fee District. Developers of residential units in the urban core will now have to pay \$3,864 when applying for new building permits, helping to offset the cost of educating the children of families living in the estimated 39,000 new dwelling units needed for urban Honolulu in coming years.

Yet, the full potential of impact fees has yet to be realized in Hawai'i, even in places where population density is expected to rapidly escalate because of transit oriented development. While some in the development and building industries may argue that commercial properties do not directly impact school enrollment, the fact remains that business growth contributes to the pace and scale of development, creating jobs that entice families to relocate. Also, commercial and residential properties are often combined into the same development project, with new businesses used to incentivize the sale of neighboring residential units, from which they directly benefit.



O`ahu County Committee on Legislative Priorities (OCCLP)

January 28, 2019

TO: Honorable Chair Kidani and Chair Chang and Committee Members

RE: SB 586 Relating to School Impact Fees

Support for hearing on Jan. 29

Aloha mai kakou:

The O`ahu County Committee on Legislative Priorities (OCCLP) of the Democratic Party of Hawai`i (DPH) hereby submits its testimony in **SUPPORT of SB 586 relating School Impact Fees.**

We support SB 586 as it would repeal the school impact fee exemptions for nonresidential development and housing subject to the transient accommodations tax when seeking development in a designated school impact district requiring county subdivision approval, county building permit, or condominium property regime approval of the project. We understand that some affordable housing projects desire these exemptions, but it does not change the need for schools to be built and operated as housing expands.

Thank you for your favorable consideration.

Mahalo nui loa

Me ka `oia`i`o

/s/ Melodie Aduja

Melodie Aduja

Chair, O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i

Ph. (808) 258-8889

Email: legislativepriorities@gmail.com

SB-586

Submitted on: 1/27/2019 5:29:20 PM

Testimony for EDU on 1/29/2019 1:20:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Mike Golojuch	Individual	Support	No

Comments:



AMERICANS FOR DEMOCRATIC ACTION

OFFICERS	DIRECTORS			MAILING ADDRESS
John Bickel, President	Melodie Aduja	Ken Farm	Stephen O'Harrow	P.O. Box 23404
Alan Burdick, Vice President	Guy Archer	Chuck Huxel	Doug Pyle	Honolulu
Marsha Schweitzer, Treasurer	Juliet Begley	Jan Lubin		Hawai'i 96823
Dylan Armstrong, Secretary	Gloria Borland	Jenny Nomura		

Jan 26, 2018

TO: Honorable Chairs Kidani & Chang & Committee Members

RE: SB 586 Relating to School Impact Fees

Support for hearing on Jan. 29

Americans for Democratic Action is an organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

We support SB 586 as it would repeal the school impact fee exemptions for nonresidential development and housing subject to the transient accommodations tax when seeking development in a designated school impact district requiring county subdivision approval, county building permit, or condominium property regime approval of the project. We understand that some affordable housing projects desire these exemptions, but it does not change the need for schools to be built and operated as housing expands.

Thank you for your favorable consideration.

Sincerely,

John Bickel President



LATE

SB-586

Submitted on: 1/28/2019 9:18:19 PM

Testimony for EDU on 1/29/2019 1:20:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
William Caron	Individual	Support	No

Comments:



LATE

TESTIMONY TO THE SENATE COMMITTEES ON EDUCATION AND HOUSING
Tuesday, January 29, 2019
1:20 PM
State Capitol, Conference Room 225

RE: SB 586 RELATING TO SCHOOL IMPACT FEES.

Chairs Kidani and Chang, Vice Chairs Mercado Kim and Kanuha, and members of the committees:

My name is Gladys Quinto-Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-Hawaii is opposed to S.B. 586 which proposes to repeal the school impact fee exemptions for nonresidential development and housing subject to the transient accommodations tax when seeking development in a designated school impact district requiring county subdivision approval, county building permit, or condominium property regime approval of the project.

The bill proposes to amend Section 302A-1603, Hawaii Revised Statutes by deleting the following exemptions:

(2) Any form of housing that is or will be paying the transient accommodation tax under Chapter 237D HRS;

(3) All non residential development.

School impact fees are assessed on projects that will generate students **AND** result in the need for more school facilities to accommodate the additional students from the development to maintain the same level of service being provided by the Department of Education.

The current exemptions in HRS Section 302A-1603 recognize the fact that visitors to the State of Hawaii who pay the Transient Accommodation Tax (TAT), and non-residential developments, do not generate any students who attend public schools. There is no nexus to impose school impact fees on these types of developments.

We are opposed to S.B. 586 as presently drafted, and appreciate the opportunity to express our views on this matter.

SB-586

Submitted on: 1/28/2019 6:40:58 AM

Testimony for EDU on 1/29/2019 1:20:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Watanabe	Testifying for JW, Inc.	Oppose	No

Comments:

I am a member of the BIA Hawaii and I agree with testimony submitted by BIA Hawaii on SB 586.



**Testimony to the Senate Committees on Education & Housing
Wednesday, January 29, 2019 at 1:20 P.M.
Conference Room 225, State Capitol**

LATE

RE: SENATE BILL 586 RELATING TO SCHOOL IMPACT FEES

Chairs Kidani & Chang, Vice Chairs Mercado Kim & Kanuha, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **opposes** SB 586, which proposes to repeal the school impact fee exemptions for nonresidential development and housing subject to the transient accommodations tax when seeking development in a designated school impact district requiring county subdivision approval, county building permit, or condominium property regime approval of the project.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ 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.

The bill proposes to amend Section 302A-1603, Hawaii Revised Statutes by deleting the following exemptions:

- (2) Any form of housing that is or will be paying the transient accommodation tax under Chapter 237D HRS;
- (3) All non-residential development.

School impact fees are assessed on projects that will generate students AND result in the need for more school facilities to accommodate the additional students from the development to maintain the same level of service being provided by the Department of Education.

The current exemptions in Section 302A-1603, HRS recognize the fact that visitors to the State of Hawaii who pay the Transient Accommodation Tax (TAT) and non-residential developments, do not generate any students who attend public schools. There is no nexus to impose school impact fees on these types of developments.

Thank you for the opportunity to testify.



January 28, 2019

Senator Michelle N. Kidani, Chair
Senator Donna Mercado Kim, Vice Chair
Members of the Senate Committee on Education

Senator Stanley Chang, Chair
Senator Donna Mercado Kim, Vice Chair
Members of the Senate Committee on Housing

RE: **SB 586 – RELATING TO SCHOOL IMPACT FEES**
Hearing date: January 29, 2019 at 1:20 pm

Aloha Chairs Kidani and Chang, and Members of the Committees on Education and Housing,

Thank you for allowing me to submit testimony on behalf of NAIOP Hawaii in **OPPOSITION** to SB 586 RELATING TO SCHOOL IMPACT FEES. NAIOP Hawaii is the Hawaii chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals.

SB 586 would repeal the current exemption given to non-residential development projects, including commercial projects and housing subject to the transient accommodations tax. NAIOP Hawaii strongly opposes this bill because of the additional taxes it imposes. Although NAIOP Hawaii supports the intent of providing dedicated funds to support education, additional taxes is not the answer. Hawaii's residents and businesses are already among the most heavily taxed in the entire country. The construction and tourism industries are two of the biggest drivers of the entire State economy. SB 586 is directly attacking these industries by unnecessarily increasing taxation, which would cause many projects to become infeasible.

If passed, SB 586 would lead to decreased investment in tourism infrastructure and commercial real estate, which will translate to increased unemployment and lower General Excise Tax and Transit Accommodation Tax revenues to the State. The consequences of the increase in taxes on two of our main economic drivers would substantially outweigh the incremental benefits to education, especially given the alternatives available for building quality schools.

Senator Michelle N. Kidani, Chair
Senate Committee on Education

Senator Stanley Chang, Chair
Senate Committee on Housing

Senate Bill 586 – Relating to School Impact Fees

In short, it is a poor long term strategy. The appropriate strategy is to find the required funding through cost reduction strategies within the existing State budget which would enhance tax payer/voter value. Accordingly, we strongly urge you to defer SB 586.

Mahalo for your consideration,

Scott Settle
NAIOP Hawaii

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Repeal School Impact Fee Exemptions for Transient Accommodations

BILL NUMBER: SB 586

INTRODUCED BY: KEITH-AGARAN, J. KEOHOKALOLE, Baker, S. Chang, Dela Cruz, English, Kanuha

EXECUTIVE SUMMARY: Repeals the school impact fee exemptions for nonresidential development and housing subject to the transient accommodations tax. The exemptions sought to be repealed are consistent with the philosophy of the tax. If a policy decision is made to change the philosophy of the tax, more extensive changes to the tax are required.

SYNOPSIS: Amends HRS section 302A-1603 to delete the existing exemptions for housing that is or will be paying the transient accommodations tax, and for all nonresidential development.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The Hawaii Revised Statutes contains twelve sections relating to “school impact fees,” starting with section 302A-1601. The law states, in part, “New residential developments within identified school impact districts create additional demand for public school facilities. As such, once school impact districts are identified, new residential developments shall be required to contribute toward the construction of new or expansion of existing public school facilities.”

Builders of large projects within school impact districts are required to provide land for school facilities depending on the numbers of students expected in their projects and the amount of available classroom space in existing area schools. Smaller developers and individual home owner-builders are required to pay a fee instead of land, when their project is too small to entertain a school site. All home builders or buyers must pay a construction cost fee.

Once an impact fee district is established, the DOE is authorized to collect 10% of estimated school construction costs and 100% of estimated land acquisition costs from each residential development planned within the district.

The Board of Education (BOE) used this authority to establish impact fee districts in Central Maui and West Maui in 2010, and in Leeward Oahu in 2012. It approved another district in West Hawaii in 2009, but apparently the Big Island county government didn’t want to cooperate and that district remains an open issue.

The theory behind this law is that high growth will mean more children, and more schools are required to educate them.

With that background, the exemptions in section 302A-1603 make more sense. If a particular development is not going to house children who are going to use our public schools, it doesn't make sense for that development to pay the school impact fee.

The bill proposes to eliminate these exemptions, which is not consistent with the theory of the impact fee, making the bill look like a pure money grab.

If the Committee desires to go forward with eliminating the exemptions, consideration then must be given to rewriting the legislative findings in section 302A-1601 and the formulas for determining the impact fee in land or in cash, in sections 302A-1606 and -1607. Under the present formula, for example, if a large shopping center is planned with no residential units, the school land area requirement in section 302A-1606(b) will be zero because the incremental number of single-family units and the incremental number of multi-family units will both be zero. Eliminating the exemption, therefore, might not accomplish much unless additional structural changes are made to the tax.

In addition, the accounting and expenditure requirements in section 302A-1608 restrict the expenditure of impact fees for construction of new or expanded schools. The fees are not to be used to replace existing schools, or to maintain or operate existing schools. If the intent is for the additional funds generated to be used to shore up existing facilities, wholesale changes to this section are required.

Digested 1/26/2019