


OFFICE OF HAWAIIAN AFFAIRS
‘Ōlelo Hō‘ike ‘Aha Kau Kānāwai
Legislative Testimony

HB753 HD1
RELATING TO SCHOOL IMPACT FEES
Ke Kōmike Hale o ke ‘Oihana ‘Imi Kālā
Committee on Finance

Malaki 2, 2021

12:00 p.m.

Lumi 308

The Office of Hawaiian Affairs (OHA) **SUPPORTS** HB753 HD1, which would exempt Department of Hawaiian Home Lands (DHHL) development projects from school impact fees, thereby allowing DHHL to more fully dedicate its funding to its primary mission of providing housing and homesteading opportunities to native Hawaiians, and facilitating its contributions to our islands’ overall affordable housing goals.

DHHL’s mission is to return native Hawaiians to the land, “in order to fully support self-sufficiency for native Hawaiians . . . and the preservation of the values, traditions, and culture of native Hawaiians.”¹ In light of DHHL’s historical underfunding, OHA commends creative efforts to facilitate the implementation of this critical mission in a more timely manner – including through the subject proposal to exempt DHHL developments from school impact fees. **OHA believes that exempting DHHL from school impact fees will allow for funds allocated to DHHL for developing homesteads and returning native Hawaiians to the land, to be used more strictly for such purposes.** OHA notes that DHHL already accounts for needed educational facilities in planning for new developments on Hawaiian home lands, and also provides lands for the use of Department of Education public schools.

Notably, the affordable nature of the housing DHHL makes available to its native Hawaiian beneficiaries is commensurate with that provided by other affordable housing developers, who are statutorily eligible for a variety of exemptions and incentives, including school impact fee exemptions. Indeed, DHHL housing may provide the only opportunity for many native Hawaiians to afford and achieve homeownership.² **Providing DHHL with an exemption from school impact fees would therefore be one way to provide greater parity to this native Hawaiian-serving agency, and facilitate its contributions to our islands’ overall affordable housing goals.**

Accordingly, OHA urges the Committee to **PASS** HB753 HD1. Mahalo for the opportunity to testify.

¹ Hawaiian Homes Commission Act of 1920 (as amended) (HHCA) §101.

² SMS, DHHL BENEFICIARY STUDY 2020, available at <https://dhhl.hawaii.gov/wp-content/uploads/2021/01/G-3-For-Information-Only-2020-DHHL-Beneficiary-Study-Survey-Results.pdf>.

DAVID Y. IGE
GOVERNOR
STATE OF HAWAII

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WILLIAM J. AILA, JR.
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TYLER I. GOMES
DEPUTY TO THE CHAIRMAN

**STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS**

P. O. BOX 1879
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TESTIMONY OF WILLIAM J. AILA, JR, CHAIRMAN
HAWAIIAN HOMES COMMISSION
BEFORE THE HOUSE COMMITTEE ON FINANCE
HEARING ON MARCH 2, 2021 AT 12:00PM VIA VIDEOCONFERENCE

HB 753, HD1, RELATING TO SCHOOL IMPACT FEES

March 2, 2021

Aloha Chair Luke, Vice Chair Cullen, and members of the Committee:

The Department of Hawaiian Home Lands (DHHL) strongly supports this bill that excludes housing developed by DHHL from school impact fees. This bill is similar to a measure that was approved by the Hawaiian Homes Commission and included in the Governor's administrative package by request of our department.

Since the enactment of the Hawaiian Homes Commission Act, 1920, as amended, lands set aside for use as Hawaiian Home Lands have been withdrawn for other purposes, including public schools. In addition, development on Hawaiian Home Lands often account for the educational facilities that may be needed to support the community with the siting of public schools, public charter schools, early learning facilities, and other similar facilities on or near Hawaiian Home Lands. Excluding housing developed by DHHL from school impact fees could result in more homes developed. For example, DHHL's sufficient sums 2021-23 biennium budget requests \$6 million for design and construction of 161 lots for the Pu'unani Homestead. The school impact fee of \$5373 per lot for 161 houses is \$865,053 in fees for one subdivision on the island of Maui. These fees could instead be used to develop more lots.

Thank you for your consideration of our testimony.



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

Date: 03/02/2021

Time: 12:00 PM

Location: 308 Via Videoconference

Committee: House Finance

Department: Education

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

Title of Bill: HB 0753, HD1 RELATING TO SCHOOL IMPACT FEES.

Purpose of Bill: Excludes housing developed by the department of Hawaiian home lands from school impact fees. Effective 1/1/2050. (HD1)

Department's Position:

The Department of Education (Department) offers comments on HB 753, HD 1.

Hawaii's school impact fee law, Hawaii Revised Statute (HRS) Sections 1601-1612, plays a vital role in the development of new school facilities in designated areas where the construction of new housing directly increases student enrollment. Other than direct appropriations from the legislature, school impact fees are the only other source of funding to support the development of new school facilities for the Department.

The Legislature created school impact fees in 2007, with amendments in 2010 and 2016. HRS Section 302A-1603 (a)(3) specifies that anyone who develops new residences in a school impact fee district must pay impact fees "including all government housing projects." Adding additional exemptions would limit the Department's potential for funding sources.

Thank you for this opportunity to provide testimony on HB 753, HD 1.

The Hawai'i State Department of Education is committed to delivering on our promises to students, providing an equitable, excellent, and innovative learning environment in every school to engage and elevate our communities. 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.

TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, School Impact Fee Exemption for DHHL Housing

BILL NUMBER: HB 753, HD1

INTRODUCED BY: House Committee on Water & Land

EXECUTIVE SUMMARY: Excludes housing developed by the department of Hawaiian home lands from school impact fees. Effective 1/1/2050.

SYNOPSIS: Amends HRS section 302A-1603 to add an exemption for any form of housing developed by the Department of Hawaiian Home Lands for use by beneficiaries of the Hawaiian Homes Commission Act of 1920, as amended.

EFFECTIVE DATE: 1/1/2050.

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. The formulas in sections 302A-1606 and -1607 for calculating the fee come up with a land value and dollar value for each new single-family unit and each multi-family unit. It makes sense to exempt construction where no new unit is being created, for it would be rational to presume that no additional living unit means that there would not be additional children to educate. By the same token, exempting additional living units even though they can house families and children does not seem to be in line with the philosophy of the tax

Re: HB 753, HD1
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and will, at a minimum, cause others to pay for the schools needed for the additional children in those units.

Digested 2/14/2021