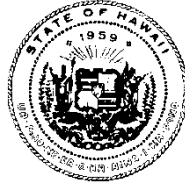


JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

STATE OF HAWAII
KA MOKU'ĀINA O HAWAI'I
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
POST OFFICE BOX 17907
HONOLULU, HAWAII 96817

IN REPLY PLEASE REFER TO:

25:OED

Statement of
Hakim Ouansafi, Executive Director
Hawaii Public Housing Authority

Before the
SENATE COMMITTEE ON HOUSING

Tuesday, March 18, 2025
1:10 PM – Room 225, Hawaii State Capitol

In consideration of
HB 422, HD1
RELATING TO SCHOOL IMPACT FEES

Honorable Chair Chang, and members of the Senate Committee on Housing, thank you for the opportunity to provide testimony in support of House Bill (HB) 422, HD1, which would repeal school impact fees and transfers unencumbered balances of the school impact fee subaccounts to the School Facilities Special Fund.

Given the extensive waiting lists for public housing, the Hawaii Public Housing Authority (HPHA) recognizes the urgent need to expand affordable housing options statewide. All of HPHA's planned redevelopment projects incorporate affordable rental units, which rely on gap financing from the Legislature to move forward.

While we recognize the importance of school impact fees, we are concerned that school impact fees increase the cost of developing State-owned affordable housing projects. These additional costs directly impact project feasibility by raising development expenses, which in turn can lead to higher developer fees. Moreover, many of these projects require gap financing that will ultimately be sought from the Legislature, creating a situation where State funds must be reallocated between two State agencies rather than being deployed efficiently for housing development.

By repealing school impact fees, HB 422, HD1 would help reduce barriers to affordable housing production, making critical projects more financially viable and accelerating the State's efforts to address the housing crisis.



HPHA appreciates the opportunity to provide testimony in support of this measure and thanks the Committee for its commitment to expanding affordable housing opportunities for Hawaii's residents.

Mahalo for your time and consideration.

JOSH GREEN, M.D.
GOVERNOR

RIKI FUJITANI
EXECUTIVE DIRECTOR



STATE OF HAWAII
SCHOOL FACILITIES AUTHORITY
2759 S. KING STREET, ROOM H201
HONOLULU, HAWAII 96826

Senate Committee on Housing

Tuesday, March 18, 2025
1:10 p.m.
Hawaii State Capitol, Room 225

House Bill 422, HD1, Relating to School Impact Fees

Dear Chair Chang, Vice Chair Hashimoto, and Members of the Committee:

The School Facilities Authority (SFA) offers **comments** on House Bill 422, HD1, which would repeal school impact fees.

The SFA acknowledges the findings within Auditor Report No. 19-13 referenced in the measure's preamble. Since the SFA has taken over management of the school impact fee program, we have recognized areas in need of improvement and have witnessed instances in which school impact fees have impeded the creation of much needed housing.

The SFA also recognizes, however, that the school impact fee program provides an important mechanism to receive land to be dedicated for future school sites in a fair and predictable manner. Should the committee find that the costs for housing outweigh the benefits for education with respect to the school impact fee program, we recommend ensuring some other mechanism is in place that allows the public education system to obtain the land it needs.

Thank you for this opportunity to testify.

Sincerely,

Riki Fujitani
Executive Director



STATE OF HAWAII
DEPARTMENT OF EDUCATION
KA 'OIHANA HO'ONA'AUAO
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 03/18/2025

Time: 01:10 PM

Location: CR 225 & Videoconference

Committee: Senate Housing

Department: Education

Person Testifying: Keith T. Hayashi, Superintendent of Education

Bill Title: HB 0422, HD1 RELATING TO SCHOOL IMPACT FEES.

Purpose of Bill: Repeals school impact fees. Abolishes and transfers unencumbered balances of the school impact fee subaccounts and certain fair share contribution accounts to School Facilities Special Fund. Effective 7/1/3000. (HD1)

Department's Position:

The Hawaii State Department of Education (Department) appreciates the opportunity to offer testimony in opposition to HB 422, HD 1.

This bill proposes to abolish and transfer unencumbered balances of the school impact fee sub-accounts and certain fair share contribution accounts to School Facilities Special Fund.

Hawaii's school impact fee law, Sections 302A-1601 to 302A-1612, Hawaii Revised Statutes, plays a vital role in the development of new school facilities in designated areas where the construction of new housing increases and impacts student enrollment. Under this statute, residential developers of designated high growth areas are required to dedicate land for purposes of public schools as a requirement of their land use entitlements and/or pay school impact fees. This practice is consistent with state and county land use requirements for purposes of essential public facilities such as public parks, fire and police stations that are required to be able to support the master planning of additional residential communities.

Satisfaction of school impact requirements is made up of two components: cash contribution for school construction that increases student capacity and land dedication. The land dedication component is a land-use mechanism that the Department cannot afford to lose. Prior to school impact fees, it was a long-standing practice of the State Land Use Commission (LUC) and County Planning Departments to require the dedication of land for schools and for other types of public facilities such as parks, fire and police stations, community centers, and bus stops provided by

developers of residential developments as a condition of the land entitlements during their master planning development and approvals. Under this practice, the Department would have to petition the LUC or County to request the dedication of land it needed to develop new schools and is documented in decision and orders and unilateral agreements issued by all respective counties within the State of Hawaii.

The Department understands the concern from other state agencies of the impact of school impact fees on the cost of developing state-owned affordable housing projects. Moreover, many of these state-owned affordable housing projects require gap financing that will ultimately be sought from the Legislature, creating a situation where state funds must be reallocated between two state agencies rather than being deployed efficiently for housing development. The Department is open to having the conversation on removing school impact fees on other state agencies.

While we appreciate the current urgency for affordable housing, the waivers imposed by the Governor's Emergency Proclamation related to Affordable Housing, already provide for certain relief. School impact fees helped streamline the process in providing the Department with the dedication of land to ensure that schools would be available for new residential developments.

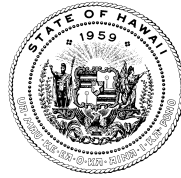
On a final note, when the Hawaii School Facilities Authority was created by Act 72 (2020), it only transferred management and day to day responsibilities of the School Impact Fee Program. The School Fair Share Program is operated under a separate set of rules and under different circumstances. Any attempt to abolish the fair share and school impact fee program could put the State of Hawaii at risk of not only losing construction fees already collected and lands committed, but also risk losing the future commitments on the dedication of lands which is a vital mechanism in the development of new schools in new or growing communities.

This will leave large residential developments such as Koa Ridge and Hoopili on Oahu, and Central and West Maui without dedicated lands to construct any new public schools to support the proposed communities that homeowners are likely to consider when deciding on investing into the area.

Thank you for this opportunity to provide testimony in opposition to this measure.

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
*Ke Kia 'āina o ka Moku 'āina 'o
Hawai'i*

SYLVIA J. LUKE
LT. GOVERNOR
STATE OF HAWAII
*Ka Hope Kia 'āina o ka Moku 'āina
'o Hawai'i*



KALI WATSON
CHAIRPERSON, HHC
Ka Luna Ho'okele

KATIE L. LAMBERT
DEPUTY TO THE CHAIR
Ka Hope Luna Ho'okele

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
Ka 'Oihana 'Āina Ho'opulapula Hawai'i

P. O. BOX 1879
HONOLULU, HAWAII 96805

LATE

TESTIMONY OF KALI WATSON, CHAIR
HAWAIIAN HOMES COMMISSION
BEFORE THE SENATE COMMITTEE ON HOUSING
HEARING ON MARCH 18, 2025 AT 1:10PM IN CR 225

HB 422, HD 1, RELATING TO SCHOOL IMPACT FEES

March 17, 2025

Aloha Chair Chang, Vice Chair Hashimoto, and Members of the Committee:

The Department of Hawaiian Home Lands (DHHL) **supports with comments** this bill which 1) repeals school impact fees and 2) abolishes and transfers unencumbered balances of the school impact fee subaccounts and certain fair share contribution accounts to School Facilities Special Fund.

DHHL understands that school impact fees add to the cost of residential housing development, potentially adding thousands of dollars to each new unit of housing constructed in affected districts. DHHL also recognizes the necessity of ensuring adequate funds and resources for schools and safe communities, specifically the school impact fee subaccounts and certain fair share contribution accounts to the School Facilities Special Fund.

DHHL currently benefits from Governor's 11th Emergency Proclamation relating to Affordable Housing. Specifically, the exemption from School Impact Fees for DHHL noted on page 8 of the attachment, citing Sections 302A-1601 to 1612, HRS.

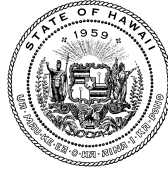
Lastly, DHHL currently leases educational facilities for public schools, public charter schools, early learning facilities, and other similar facilities at minimal to no cost as reflected in the table below. The exemption of housing developed by DHHL from school impact fees allows for more homes to be developed for beneficiaries.

Type	Island	Location	Use	Name	Term	Dates	Acre	Annual Lease Rent
GL 251	Hawaii	Waimea	Education	Kamehameha Schools	65 yrs	12/28/2000 – 6/30/2065	2	\$0.00
GL 250	Maui	Paukukalo	Education	Kamehameha Schools	63.5 yrs	1/1/2002 – 6/30/2065	2	\$0.00

Department of Hawaiian Home Lands
March 17, 2025

GL 249	Oahu	Waimanalo	Education	Kamehameha Schools	65 yrs	1/7/2000 – 12/31/2064	1.683	\$0.00
GL 296	Oahu	Mali	Education	Kamehameha Schools	65 yrs	7/1/2014 – 6/30/2079	40.00	\$73,720
GL 300	Oahu	Nanakuli	Education	Kamehameha Schools	65 yrs	12/1/2018 – 11/30/2083	2.651	\$41,600
LI 848	Hawaii	Waimea	Education	Aha Punana Leo	10 yrs	6/1/2021 – 5/30/2031	0.42	\$0.00
LI 849	Hawaii	Keaukaha	Education	Kamehameha Schools	5 yrs + 5	6/1/2021 – 6/30/2026	0.16	\$35,568
LI 833	Hawaii	Keaukaha	Education	Ke Ana La'ahana PCS	5 yrs	4/1/2018 – 3/31/2023 Pending Extension	0.024	\$1,200
LI 854	Kauai	Anahola	Education	Kanuikapono Charter Sch	30 yrs	4/23/2002-4/22/2037	10.5	\$1,560
LI 554	Kauai	Anahola	Education	Anahola Ancient Culture Exch	25 yrs	2/1/2003 – 1/31/2028	9.222	\$600
LI 744	Molokai	Kamiloloa	Education	Ka Honua Momona Intl	35 yrs	6/30/2010 – 6/29/2045	56.99	\$0.00
LI 780	Molokai	Hoolehua	Education	Aha Punana Leo	10 yrs	2/28/2017 – 2/28/2027	0.071	\$10,560
LI 373	Oahu	Nanakuli	Education	Kamehameha Schools	65 yrs	5/25/1995 – 5/24/2060	1.217	\$0.00
LI 611	Oahu	Nanakuli	Education	Ka Waihona O Ka Naauao	35 yrs	9/1/2004 – 8/31/2039	0.342	\$0.00
LI 619	Oahu	Nanakuli	Education	Kamehameha Schools	35 yrs	10/1/2004 – 9/30/2039	0.586	\$27,552
LI 730	Oahu	Haiku Valley	Education	Kai Loa, Inc.	52 yrs	6/1/2009 – 8/31/2060	20.00	\$0.00
LI 795	Oahu	Nanakuli	Education	Aha Punana Leo	20 yrs	8/31/2024 – 8/31/2044	0.05	\$0.00
LI 808	Oahu	Nanakuli	Education	HCAP	20 yrs	8/31/2019 – 8/31/2044		\$0.00

Thank you for your consideration of our testimony.



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

Senate Committee on Housing

Tuesday, March 18, 2025

1:10 p.m.

Hawaii State Capitol, Room 225

Measure: House Bill 422 H.D. 1, Relating to School Impact Fees

Purpose of Measure:

Repeals school impact fees. Abolishes and transfers unencumbered balances of the school impact fee subaccounts and certain fair share contribution accounts to School Facilities Special Fund. Effective 7/1/3000.

Aloha Chair Chang, Vice Chair Hashimoto, and Members of the Committee:

The Board of Education (Board) respectfully offers comments on House Bill 422 HD1, and shares the strong concerns of the Department of Education.

The repeal of school impact fees and certain fair share contribution accounts would hinder the ability to create the school facilities needed for our children in areas with growing populations resulting from development.

We note that without school impact fees, several schools that are currently at capacity would never have been built.

The State would stand to lose out on the dedicated resources needed to support development of these facilities. The Board defers to the Department on the fiscal and operational aspects of the school impact fee program.

Mahalo for this opportunity to testify on behalf of the Board.

OFFICE OF HOUSING
KE KE'ENA HO'OLĀLĀ KŪKULA HALE
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 306 • HONOLULU, HAWAII 96813
PHONE: (808) 768-4675 • FAX: (808) 768-4242 • WEBSITE: www.honolulu.gov/housing

RICK BLANGIARDI
MAYOR
MEIA



KEVIN AUGER
EXECUTIVE DIRECTOR
PO'O HO'OKO

March 13, 2025

2025-HOU-037

The Honorable Stanley Chang, Chair
The Honorable Troy N. Hashimoto, Vice Chair
and Members of the Senate Committee on Housing
Hawaii'i State Capitol
415 South Beretania Street
Honolulu, Hawaii'i 96813

Dear Chair Chang, Vice Chair Hashimoto, and Committee Members:

SUBJECT: Testimony in Support of HB422, HD1 on School Impact Fees
Hearing: Tues., Mar. 18, 2025, 1:10 p.m. at the State Capitol, #225

The Office of Housing **supports** HB422, HD1, that would repeal school impact fees. School impact fees add thousands of dollars to the cost of developing residential housing units. These fees are ultimately passed on to renters and buyers of these units, which in turn lead to higher rents, sales prices, and in some cases, can render affordable housing projects financially infeasible. As these fees adversely affect the delivery of urgently needed affordable housing for our community, we urge your committee to pass HB422, HD1.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin D. Auger", is written over a horizontal line.

Kevin D. Auger
Executive Director

APPROVED:

A handwritten signature in black ink, appearing to read "Michael D. Formby", is written over a horizontal line.

Michael D. Formby, Managing Director
Office of the Managing Director

Testimony of EAH Housing | Hawai'i Region
RELATING TO HB 422 HD1

Tuesday March 18, 2025
Written Testimony Only

Committee on Housing

Chair Stanley Chang, Vice Chair Troy Hashimoto
Members Henry Aquino, Dru Kanuha, and Kurt Fevella

As an affordable housing developer, we appreciate the opportunity to provide testimony in strong support of HB 422 HD1, which includes exemptions from school impact fees for income-restricted housing and accessory dwelling units (ADUs).

Hawai'i is facing a severe affordable housing crisis, and every added cost makes it more difficult to build the homes that local families desperately need. Given the State Auditor's report showing that these fees have not been effectively used for school construction, it is clear they do more to impede housing production than support education.

For affordable housing developments, cost efficiency is critical. We rely on complex financing layers - including Low-Income Housing Tax Credits (LIHTC), Rental Housing Revolving Fund (RHRF) loans, and other public subsidies - to make projects viable. When pointless impact fees are imposed, they increase per-unit costs, delay projects, and, in some cases, can prevent them from moving forward altogether.

To accelerate affordable housing production, the state must focus on removing financial barriers and streamlining approvals. Reducing school impact fees for affordable housing is a practical step toward ensuring more homes are built for Hawai'i's families.

For these reasons, we strongly urge the committee to pass HB 422 HD1.



Karen Seddon
Regional Vice President

HB-422-HD-1

Submitted on: 3/13/2025 7:02:56 AM

Testimony for HOU on 3/18/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Kevin Carney	Testifying for Affordable Housing Connections LLC	Support	Written Testimony Only

Comments:

Affordable Housing Connections LLC is in full support of eliminating school impact fees, one of the many barriers to the production of affordable housing. Please give this measure your committee's unanimous support.

Mahalor,

Kevin R. Carney

President & Principal Broker

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS; Repeals School Impact Fees and Fair Share Contribution Accounts; School Facilities Special Fund

BILL NUMBER: HB 422 HD 1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Repeals school impact fees. Abolishes and transfers unencumbered balances of the school impact fee subaccounts and certain fair share contribution accounts to School Facilities Special Fund.

SYNOPSIS: Repeals part VI-B of Chapter 302A, HRS, that provides for the imposition of school impact fees.

Makes conforming amendments to section 302A-1706, HRS, and repeals section 46-142.5, HRS.

Abolishes the subaccount into which impact fees used to be deposited. Lapses the school impact fees collected to the school facilities special fund, provided that the funds shall be:

- (1) Used within the school impact district for which it was collected; or
- (2) Refunded to the developer if collected as a fee in lieu or a construction cost component impact fee after twenty years of the date of collection.

Repeals section 46-142.5, HRS, which required counties to withhold building permits until the school impact fee requirements have been satisfied.

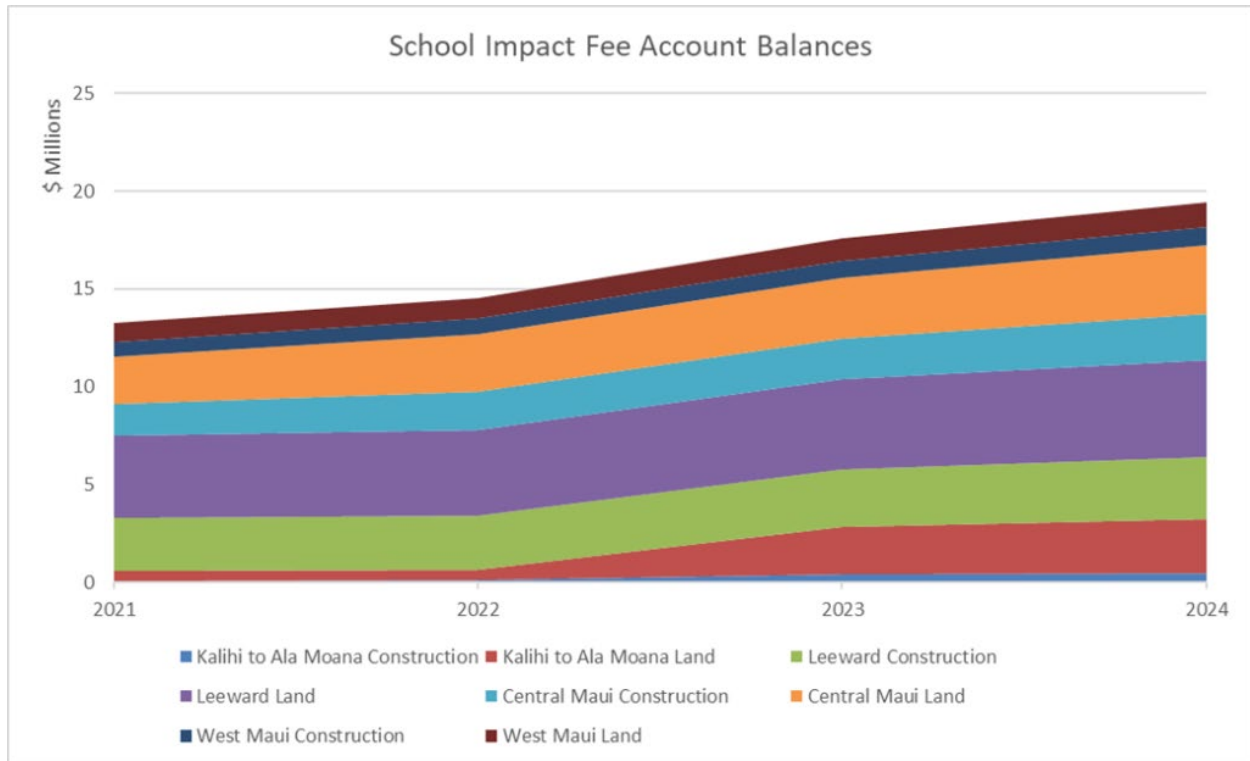
Makes additional conforming amendments to section 302A-1706, HRS.

Abolishes fair share contribution accounts and lapses any unencumbered balances to the school facilities special fund, provided that the lapsed contributions shall only be used within the same complex in which the contributions were originally collected.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: In a recent publication, we also complained that school impact fees and fair share contributions were collected but were not being used.

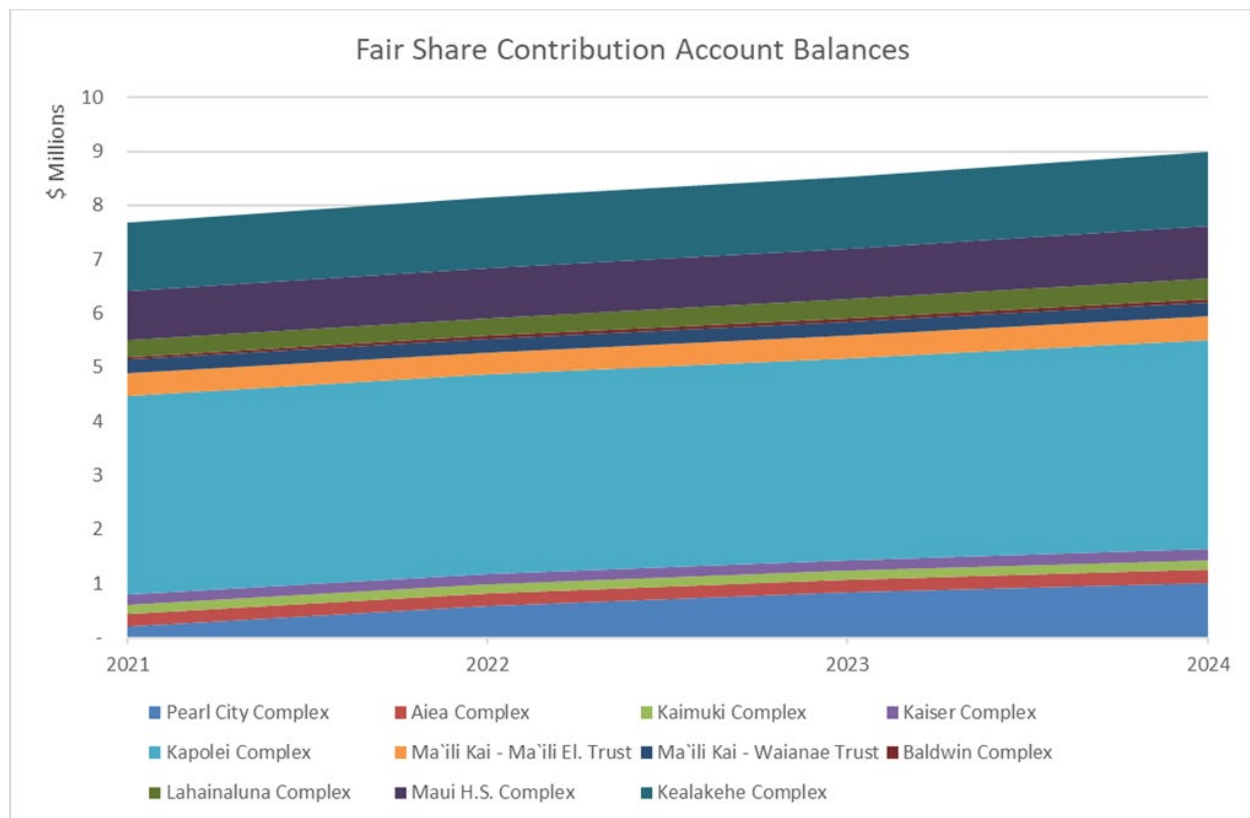
We tracked the balance of the DOE accounts holding these fees, and we complained that the fees were being taken but not used. The balances in the accounts just keep going up, as shown in this chart (updated with figures from the entire fiscal year 2024):



Source: Department of Education

As the chart shows, we now have a cumulative balance of a little less than \$20 million in the impact fee accounts.

Before the 2007 law created school impact fees, the DOE was able to shake down developers for fair share contributions, which were intended to serve much the same purpose as impact fees do today. It turns out that these accounts also have positive balances that have been steadily increasing over the past few years:



Source: Department of Education

The total of all these fair share accounts is close to \$9 million. This money, also, has been sitting around doing nothing. And most of it has been sitting around for *at least 17 years* because, as we mentioned, the fair share program was replaced by the impact fee program in 2007.

Apparently, there are technical problems with using the money, which is why it never has been spent. But the DOE tells us every single year that the schools desperately need money. We would prefer that the school system use this money up before they ask taxpayers to dig even deeper into their wallets.

This bill appears to be a step in the right direction.

Digested: 3/13/2025

March 18, 2025, 1:10 p.m.
Hawaii State Capitol
Conference Room 225 and Videoconference

To: Senate Committee on Housing
Sen. Stanley Chang, Chair
Sen. Troy Hashimoto, Vice-Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: HB422 HD1 — RELATING TO SCHOOL IMPACT FEES

Aloha Chair Chang, Vice-Chair Hashimoto and other members of the Committee,

The Grassroot Institute of Hawaii **supports** [HB422 HD1](#), which would abolish school impact fees and transfer all unencumbered monies the state has collected from these fees to the School Facilities Special Fund.

Grassroot's new brief, "[Getting schooled: The case against school impact fees in Hawaii](#)," outlined why school impact fees no longer make sense for Hawaii. For starters, school impact fees increase housing costs — as evidenced by the fact that Gov. Josh Green suspended them via emergency proclamations for the rebuilding of Lahaina and for affordable housing projects covered under his housing orders.

In addition, Hawaii's school impact fee system is likely unconstitutional, the money generated by the fees has never been spent, and student enrollment in areas subject to the impact fees has been declining.

Regarding housing prices, the fact is that homebuilders quite naturally are going to incorporate the cost of their various fees into their sales prices, which means higher home prices and higher rents.

It is no coincidence that the first action taken, in 2024, by the Beyond Barriers Working Group established by the governor's emergency order on affordable housing was to waive the school impact fee for a 52-unit rental project in downtown Honolulu.

The school impact fee for projects in the downtown area is \$3,864 per unit, which would have added \$200,928 to the project's overall construction costs.¹

A couple of years before that, in 2022, Howard Hughes Holdings had to pay the DOE \$3,864 per unit in school impact fees to build its 565-unit Ward Village condo on Oahu — for a total of \$2.18 million. To recoup its costs, the company passed the fees along to its buyers in the form of closing costs.²

Regarding constitutional concerns, the Hawaii Office of the Auditor warned in a 2019 report that the DOE's school impact fees might violate the constitutional requirement that there be a "nexus" between proposed new units and the need for more classroom capacity.³

Meanwhile, the negative effect of school impact fees on housing growth has not been offset by a commensurate benefit to local schools. The state auditor's 2019 report noted that between 2007, when the fees were established, and 2018, the state Department of Education had collected \$5.34 million in impact fees,⁴ yet had not spent any of that amount on anything.

In December, Tax Foundation of Hawaii President Tom Yamachika wrote that "we now have a cumulative balance of a little less than \$20 million in the [school] impact fee accounts, [and] we continue to ask when this money is going to be used to do something at these schools."⁵

So ultimately, Hawaii's school impact fees are contributing to Hawaii's high housing costs, are likely unconstitutional, and are not being used in any way to benefit the schools they are intended to benefit.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

¹ Andrew Gomes, "[Housing panel makes first development decision](#)," Honolulu Star-Advertiser, Jan. 3, 2024.

² Andrew Gomes, "[Ward Village Builder Charges Buyers Separate Fee to Cover School Impact Assessment](#)," Honolulu Star-Advertiser, Oct. 2, 2022.

³ "[Audit of the Department of Education's Administration of School Impact Fees: A Report to the Governor and the Legislature of the State of Hawai'i](#)," Office of the Auditor, State of Hawaii, September 2019, p. 11.

⁴ "[Audit of the Department of Education's Administration of School Impact Fees](#)," p. 6.

⁵ Tom Yamachika, "[Hoarding More School Impact Fees](#)," Tax Foundation of Hawaii, Dec. 30, 2024.



Hawai'i YIMBY

Honolulu, HI 96814

hawaiiyimby.org

info@hawaiiyimby.org

March 18, 2025

Senate Committee on Housing

Hawai'i State Capitol

Honolulu, HI 96813

RE: SUPPORT for HB 422 HD1 - RELATING TO SCHOOL IMPACT FEES

Aloha Chair Chang, Vice Chair Hashimoto, and Members of the Committee,

On behalf of Hawai'i YIMBY, we are writing in **support of HB 422 HD1** which would repeal school impact fees assessed for new residential construction. Poorly targeted impact fees can unequally cost burden certain residents and be ineffective at addressing the intended impact on the community. The current system of school impact fee assessment is both, because it raises the cost of housing construction and does not raise enough funds to address a growing school population.

We believe in fixing incentives, which includes fixing well-intended fees that are ineffective or contribute to the rising cost of housing construction. It is very important that the impacts of a growing school population on existing public school infrastructure be planned for and funded. However, the current structure of the school impact fee program both raises insufficient funds to build a new school and increases the cost of new housing construction. Placing the requirement of a school impact fee solely on new residential construction puts an unfair burden on new residents because these fees often must get passed from homebuilders to the new residents. Fees are self-imposed barriers that we have placed on ourselves and that have contributed to the housing crisis.

Funding our public school infrastructure for future growth is still very important. We ask that the legislature consider a different way to continue to fund public school infrastructure that (1) raises adequate funds to build new schools for anticipated growth



Hawai'i YIMBY

Honolulu, HI 96814

hawaiiyimby.org

info@hawaiiyimby.org

and (2) is equitable in application and not solely derived from the building of new homes. Students of our public schools and their families do not only live in new residential construction.

Hawai'i YIMBY (*Yes In My Backyard*) is a volunteer-led grassroots advocacy organization dedicated to supporting bold and effective solutions for Hawai'i's devastating housing crisis. Our members are deeply concerned about Hawai'i's chronic and worsening housing shortage, which has caused home prices to rise much faster than incomes and pushes thousands of kama'āina out to the mainland or into homelessness every single year.

We ask your support for this bill. Thank you for the opportunity to testify.

Sincerely,

Damien Waikoloa

Chapter Lead, Hawai'i YIMBY

Edgardo Díaz Vega

Chapter Lead, Hawai'i YIMBY





HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice

Comment on HB422 HD1 - Relating to School Impact Fees

Senate Committee on Housing

Tuesday, March 18, 2025 at 1:10PM Conf. Rm. 225 and via Videoconference

Aloha Chair Chang, Vice Chair Hashimoto, and members of the committee

Mahalo for the opportunity to testify in **strong support of HB422 HD1**, which would fully repeal school impact fees to reduce housing development costs.

While intended to fund new school construction in high-growth areas, these fees have instead accumulated in a special fund, failing to serve their purpose while adding to Hawai'i's already high housing costs¹. In today's economic climate—marked by rising interest rates and tighter loan conditions—every additional cost makes homeownership less attainable for working families and first-time buyers. Eliminating school impact fees would remove an unnecessary financial barrier, making housing more accessible and reducing risks for local residents.

With some of the highest development costs in the nation,² Hawai'i must focus on policies that lower, not increase, the cost of building homes. We urge the committee to pass HB422 and repeal these ineffective fees, which only add to the financial strain on homebuyers without meaningfully addressing school capacity needs.

Mahalo for the opportunity to testify

¹ <https://files.hawaii.gov/auditor/Reports/2019/19-13.pdf>

² https://uhero.hawaii.edu/wp-content/uploads/2024/02/WhyAreCondominiumsSoExpensiveInHawaii_Report.pdf

LATE

HB-422-HD-1

Submitted on: 3/17/2025 2:39:46 PM

Testimony for HOU on 3/18/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Nan Shin	Testifying for Nan, Inc.	Support	Written Testimony Only

Comments:

School impact fees add to the cost of residential housing development as these costs are passed on to buyers directly or indirectly, leading to higher prices. Additionally, in twelve years following the enactment of the school impact fee law, the department of education collected only \$5,342,886 in school impact fees. The auditor further found that this collection would not have been enough to build a single elementary school and to date, no funds have been spent.



As staunch advocates for individual freedoms and free markets, The Libertarian Party of Hawaii stands in firm **support** of House Bill No. 422 (H.D. 1) in Hawaii. This bill's focus on eliminating school impact fees is a good step towards reducing government intervention in the housing market and allowing individuals to make their own economic decisions.

By cutting these excessive fees that artificially inflate housing costs, we can have a more competitive and efficient housing market driven by consumer needs rather than government mandates. This bill aims to uphold property rights and promote a more level playing field for all Hawaii homebuyers.

I urge our lawmakers to **pass this bill swiftly**. Reducing government imposed barriers like school impact fees will benefit aspiring homeowners and renters. Let us embrace this opportunity to enhance economic freedom and housing choices for all residents of Hawaii.

Abbra Green

Secretary, Hawaii Libertarian Party

HB-422-HD-1

Submitted on: 3/12/2025 4:32:55 PM

Testimony for HOU on 3/18/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Kathleen Fleming	Individual	Support	Written Testimony Only

Comments:

To: State of Hawaii Legislature

re: HB422

I am in support of this bill, which would eliminate school impact fees imposed on new construction. I was a teacher for 27 years, and ordinarily would be in favor of new school construction or renovations at existing schools. But the facts are that Hawaii's population of school age children have been falling for some time. There is a large amount of funds built up in this account, and yet they have not been spent, so it is foolish to contribute to making housing unaffordable when there is no need for these fees.

Thank you,

Kathy Fleming

HB-422-HD-1

Submitted on: 3/12/2025 6:25:11 PM

Testimony for HOU on 3/18/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Seth Kamemoto	Individual	Oppose	Written Testimony Only

Comments:

This proposed change relies on a few somewhat-conflicting ideas: (1) projects are not built because this fee is too much, (2) projects that are built somehow overburden buyers, and (3) yet even after this huge burden, the fund hasn't collected enough money in over a decade to build a single school.

Let's just get (2) out of the way upfront: the market price of a unit will be the maximum price that a buyer will pay; having fees doesn't make it more expensive. This idea that Hawaii's real estate prices can ever be cost+fee-based is ridiculous, due to (essentially infinite) external demand forces. And if (1) were true, then how can (3) also be true? We build about 5,000 homes per year, so according to the bill's text: "the auditor also found that in twelve years following the enactment of the school impact fee law, the department of education collected only \$5,342,886 in school impact fees", this would average about \$85/unit. Nowhere close to "potentially adding thousands of dollars to each new unit" as also stated in the bill.

So what's really going on here? I suspect the "potentially adding thousands of dollars to each new unit" has more to do with the "cost" of the land dedication requirements, and not solely a monetary fee that is passed directly down to buyers and used to pad an impact fee account that is never spent.

But someone needs to pony up the land to support actual schools, especially in the larger new development proposals where no current schools exist. Please don't repeal this mechanism until there's a concrete process in place to fund this required infrastructure (including the land acquisition costs); we cannot just punt this need off into the future without allocating the requisite resources.

Now let's discuss the "some cases [where] high impact fees can result in a project becoming financially untenable and the units are never built"; what type of project is this, exactly?

For affordable housing projects, 201H can already exempt this fee if needed to make the development possible. So no 201H project will not go through due to this fee, currently.

For smaller developments, and conversions, where surrounding infrastructure already exists, there is a mechanism for the existing process to determine the actual fees, based on demand and need. If additional schools are not needed, the development won't be burdened.

So this leaves the larger proposed developments on large (currently-undeveloped) tracts. From DoE testimony: “residential developers of designated high growth areas are required to dedicate land for purposes of public schools as a requirement of their land use entitlements and/or pay school impact fees.” Maybe instead of repealing the entire statute, make it more specific that the School Impact process would be solely used to procure the land required to build future schools (as opposed to adding monetary fees).

Thank you for your consideration,
Seth Kamemoto

HB-422-HD-1

Submitted on: 3/17/2025 1:16:30 PM

Testimony for HOU on 3/18/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Michael	Individual	Support	Written Testimony Only

Comments:

I support this bill

LATE

HB-422-HD-1

Submitted on: 3/17/2025 2:44:17 PM

Testimony for HOU on 3/18/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Cheryl Rzonca	Individual	Support	Written Testimony Only

Comments:

I support HB 422. Please stop the school impact fees.

HB-422-HD-1

Submitted on: 3/17/2025 3:52:55 PM

Testimony for HOU on 3/18/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Jake Fergus	Individual	Support	Written Testimony Only

Comments:

Thank you for the opportunity to testify in support of House Bill 422, which seeks to repeal school impact fees and transfer unencumbered balances to the School Facilities Special Fund. School impact fees add thousands of dollars per unit to the cost of developing affordable housing—at a time when increasing supply is critical. Hawaii’s high cost of living and rising construction expenses have already made many affordable housing projects unfeasible. To ensure our next generation of workers and leaders choose to stay in Hawaii, we must create an environment that supports housing growth.

LATE

HB-422-HD-1

Submitted on: 3/17/2025 4:22:37 PM

Testimony for HOU on 3/18/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Candace Vizcarra	Individual	Support	Written Testimony Only

Comments:

I support this bill that would eliminate school impact fees that increase costs for homebuyers while not actually being used to fix or build schools.

GOD KNOWS AND SEES ALL!!

HB-422-HD-1

Submitted on: 3/17/2025 8:12:18 PM

Testimony for HOU on 3/18/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Nicholas Zehr	Individual	Support	Written Testimony Only

Comments:

Honorable Chair, Vice Chair, and Members of the Committee:

I strongly support HB422, which seeks to eliminate school impact fees, reduce housing costs, and promote a more efficient housing market in Hawai‘i. This bill reduces unnecessary government intervention while addressing the state's housing affordability crisis.

School impact fees increase housing costs and contribute to higher rent and sale prices, often making projects financially unfeasible. Eliminating these fees will foster a freer market where developers and consumers can make decisions without unnecessary government interference.

School impact fees place a financial burden on property developers, limiting their ability to freely develop housing. **By removing these fees, HB422 restores property rights and reduces government overreach, allowing developers to create more housing.**

The auditor's report reveals that school impact fees are inconsistently applied and **often not used for their intended purpose**, such as funding new schools. HB422 addresses this inefficiency by eliminating the fees and encouraging more direct and transparent infrastructure funding.

While eliminating fees, it’s important to ensure new developments still contribute to infrastructure needs, like schools. The bill allows for **alternative solutions, such as public-private partnerships**, to ensure that infrastructure keeps pace with growth without relying on inefficient fees.

School impact fees are not the only factor in Hawai‘i’s housing crisis. Zoning, land-use restrictions, and labor shortages also contribute to high costs. Broader regulatory reform, such as simplifying zoning laws and streamlining approval processes, is needed alongside this bill to address the housing shortage.

To address concerns about funding schools, HB422 is part of a broader reform effort. Developers and communities can play a direct role in supporting infrastructure development, ensuring balanced growth for both housing and schools.

HB422 will reduce government intervention, lower housing costs, and support a more efficient housing market. It is an important step toward addressing Hawai'i's housing crisis and ensuring that housing and infrastructure grow together in a balanced way.

I respectfully urge the committee to pass HB422.

Thank you for your time and consideration,

Nicholas Zehr

LATE

HB-422-HD-1

Submitted on: 3/18/2025 1:26:15 AM

Testimony for HOU on 3/18/2025 1:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Kelly Nishimura	Individual	Oppose	Written Testimony Only

Comments:

Dear Chair Chang, Vice-Chair Hashimoto, and members of the Housing Committee,

I strongly oppose HB422, HD1. Developers should pay their fair share for the impact their developments will have on the public school population. The claim that the DOE does not need the funds is false. Just look at Ewa Elementary School. New housing developments have increased their population so now the school is overcrowded with 25 kindergarteners per classroom. Any knowledgeable educator will tell you that a 25:1 student-to-teacher ratio in kindergarten is unacceptable. The DOE must alleviate the overcrowding and build a new school in that district. If you abolish school-impact fees, how will the DOE raise enough money to purchase decent land (that is not in a flood zone) and build the school? Are you going to raise taxes, rob from Peter to pay Paul, or make developers pay their fair share, so public school students can get the quality education they deserve?

Mahalo for the opportunity to testify.