

JOSH GREEN, M.D.
GOVERNOR



KEITH T. HAYASHI
SUPERINTENDENT

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

Date: 02/24/2025

Time: 10:00 AM

Location: 308 VIA VIDEOCONFERENCE

Committee: House Finance

Department: Education

Person Testifying: Keith T. Hayashi, Superintendent of Education

Bill Title: HB 1088, HD1 RELATING TO SCHOOL IMPACT FEES.

Purpose of Bill: Exempts housing developed by the Department of Hawaiian Home Lands from school impact fees. Effective 7/1/3000. (HD1)

Department's Position:

The Hawaii State Department of Education (Department) appreciates the opportunity to offer comments on HB 1088, HD 1.

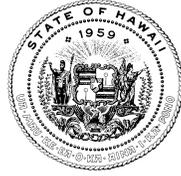
Hawaii's school impact fee law plays a vital role in the development of new school facilities in designated areas where the construction of new housing directly increases student enrollment. Other than direct appropriations from the Legislature, school impact fees are the only other source of funding to support the development of new school facilities. Hawaii Revised Statutes Section 302A-1603 (a)(3) specifies that anyone who develops new residences in a school impact fee district must pay impact fees and, in some cases, dedicate lands, "including all government housing projects". The practice of requiring developers of new residential units to dedicate land to mitigate impacts on student enrollment caused by new residential developments is consistent with state and county land use requirements for purposes of essential public facilities such as parks, fire and police stations.

Although the Department recognizes the importance and need of affordable, workforce housing for use by Department of Hawaiian Home Lands beneficiaries, the exemption proposed by this bill would limit funding resources and the dedication of land intended to address the impacts on school facilities generated by new residential developments. The Department would like to continue to engage with other departments and agencies to ensure that the Department is part of the solution in addressing the need for essential public facilities for their intended communities.

Thank you for this opportunity to provide comments on HB 1088, HD 1.

JOSH GREEN, M.D.
GOVERNOR
STATE OF HAWAII
*Ka Kia'āina o ka Moku'āina 'o
Hawaii*

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



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 Hawaii'i

P. O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF KALI WATSON, CHAIR
HAWAIIAN HOMES COMMISSION
BEFORE THE HOUSE COMMITTEE ON FINANCE
HEARING ON FEBRUARY 24, 2025 AT 10:00AM IN CR 308

HB 1088, HD 1, RELATING TO SCHOOL IMPACT FEES

February 23, 2025

Aloha Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee:

The Department of Hawaiian Home Lands (DHHL) **strongly supports** this bill which would exempt housing developed by DHHL from school impact fees. 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. This legislative proposal was approved by the Hawaiian Homes Commission and included in the Governor's Administrative Package.

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
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

Department of Hawaiian Home Lands
February 23, 2025

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

The exemption of housing developed by DHHL from school impact fees allows for more homes to be developed for beneficiaries. Below is a summary of key statistics:

DHHL Honolulu Projects: 1,220 units with estimated school impact fees totaling **\$4.94 million**.

DHHL Maui County Projects: 1,421 units with estimated school impact fees totaling **\$2.89 million**.

It is important to note that Hawai'i County and Kaua'i County do not have designated School Impact Fee Districts. The designated School Impact Fee Districts in Hawai'i, along with their respective fees, are as follows:

1. Kalihi-Ala Moana (O'ahu) – \$3,864 per unit
2. Leeward O'ahu – \$4,334 per unit
3. Makawao, Maui – \$2,451 per unit
4. Lahaina, Maui – \$2,055 per unit
5. Wailuku, Maui – \$2,371 per unit

For further details, please refer to the attached reference links on Hawai'i's School Impact Fees. Thank you for your consideration of our testimony.

Location	R/A/P	Status	Developer	Total Cost	Lots/Dwelling Units	Lots with housing	School Impact Fees
Hawaii County						1684	\$ -
Laiopua Villages 1 and 2, 4 Residential Subdivision (Includes offsite Water Development Project)	R	Dev Agreement	Kalaniana'ole Development	\$67,000,000.00	580	580	\$-
Honomu Subsistence Agricultural Lots, Phase 2	A	Site Construction	n/a	\$6,000,000.00	40	0	\$-
Kaunama Residential Subdivision	R	Acquisition	n/a	\$2,000,000.00	168	168	\$-
Honokaa Land Acquisition	R	Dev Agreement	n/a	\$8,750,000.00	n/a	n/a	\$-
Honokaa Residential Subdivision (Includes offsite Water Development Project)	R	Dev Agreement	n/a	\$60,371,200.00	296	296	\$-
Palamanui Mixed Use Subdivision	R	Dev Agreement	ole Development	\$22,750,000.00	40	40	\$-
Panaewa Residential Lots - Elama Road	R	n/a	n/a	\$148,000,000.00	600	600	\$-

Location	R/A/P	Status	Developer	Total Cost	Lots/Dwelling Units	Lots with housing	School Impact Fees
Maui County						1421	\$ 2,888,763
Lanai Residence Lots	R	Dev Agreement	Ikaika Oha	\$2,000,000.00	75	75	\$ -
Hoolehua Scattered Agricultural Lots (Molokai)	A	Site Construction	n/a	\$3,500,000.00	20	0	\$ -
Naiwa Ag Agricultural Lots	A	Site Construction	n/a	\$6,000,000.00	16	0	\$ -
Pu'uuhona Acquisition (Includes offsite Water Development Project)	R	Acquisition / Off Site Construction	Dowling Development	\$5,509,000.00	161	n/a	\$ -
Pu'uuhona Residential Subdivision	R	Site Construction	Development	\$17,171,944.00		161	\$ 381,731.00
Honokowai Subsistence Agricultural Lots, Phase 1	A	Site Construction	n/a	\$5,000,000.00	50	0	\$ -
Leialii 1B Offsite Water Development	R	Site Construction	Dowling Development	\$15,000,000.00	181	n/a	
Leialii 1B - Residential Subdivision	R	Dev Agreement	Dowling Development	\$6,800,000.00		181	\$ 371,955.00
Wailuku Residential Subdivision (DDC2 LLC)	R	Acquisition/ Dev Agrmt	Development	\$45,038,800.00	207	176	\$ 417,296.00
Waiehu Mauka (DDC3 LLC)	R	Acquisition/ Dev Agrmt	Development	\$93,868,417.00	311	311	\$ 737,381.00
Kamalani Land Acquisition	R	Acquisition	Development	\$10,500,000.00	400	n/a	\$ -
Kamalani Residential Subdivision		Dev Agreement	Gentry Development	\$69,094,825.10		400	\$ 980,400.00

Makawao \$ 2,451
Lahaina \$ 2,055
Wailuku \$ 2,371

Location	R/A/P	Status	Dev	Total Cost	Lots/Dwelling Units	Lots with housing	School Impact Fees
City and County of Honolulu						1220	\$ 4,940,760
Kaupea Acquisition	R	Acquisition	Development	\$8,250,000.00			
Kaupea Residential Subdivision, Phase 2		Dev Agreement	Development	\$15,691,321.00	60	60	\$ 260,040
East Kapolei IIA Mixed-Use	R	Dev Agreement	n/a	\$1,000,000.00	n/a	n/a	\$ -
East Kapolei II Residential Subdivision IIC, IID, IIE, IIF	R	Dev Agreement	Gentry Development	\$204,546,080.00	700	700	\$ 3,033,800
Ewa Beach (former NOAA site)	R	Dev Agreement	n/a	\$53,000,000.00	380	380	\$ 1,646,920
Maunalua Land Acquisition & Multifamily Units	R	n/a	n/a	\$8,000,000.00	80	80	\$ -

\$4,334 Per Unit

Location	R/A/P	Status	Developer	Total Cost	Lots/Dwelling Units	Lots with housing	School Impact Fees
Kauai County						1297	\$ -
Hanapepe Residential Subdivision, Phase 2	R	Site Construction	Mark Development	\$17,800,126.00	82	82	\$-

Anahola Agricultural Lots, Phase 1	A	Site Construction	n/a	\$5,000,000.00	115	0	\$-
Lihue Land Acquisition	R	Acquisition	n/a	\$22,684,160.00	1100	n/a	\$-
Lihue Residential Subdivision	R	Dev Agrmt	n/a	\$71,042,400.00		800	\$-

JOSH GREEN, M.D.
GOVERNOR



RIKI FUJITANI
EXECUTIVE DIRECTOR

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

House Committee on Finance

Monday, February 24, 2025
10:00 a.m.
Hawaii State Capitol, Room 308

House Bill 1088, House Draft 1, Relating to School Impact Fees

Dear Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee:

The School Facilities Authority (SFA) **supports** House Bill 1088, House Draft 1, which would exempt housing developed by the Department of Hawaiian Home Lands (DHHL) from school impact fees.

Act 197, Session Laws of Hawaii 2021, provided DHHL housing projects an exemption from school impact fees until July 1, 2024. Now that the exemption has expired, the SFA is exploring ways to work with DHHL to comply with the school impact fee law without detriment to DHHL's program.

We do not believe requiring another state program to contribute land and/or money is the intent of the school impact fee program. In essence, the State is still contributing to any new school capacity necessary from new housing developments resulting from DHHL's program but in a less straightforward and more administratively burdensome manner than a direct appropriation.

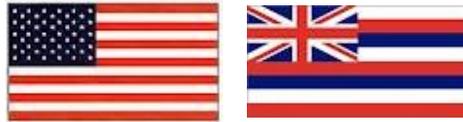
Thank you for this opportunity to testify.

Sincerely,

Riki Fujitani
Executive Director

Center for Hawaiian Sovereignty Studies
46-255 Kahuhipa St. Suite 1205
Kane'ohe, HI 96744
(808) 247-7942

Kenneth R. Conklin, Ph.D. Executive Director
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Unity, Equality, Aloha for all



To: HOUSE COMMITTEE ON FINANCE

For hearing Monday, February 24, 2025

Re: HB 1088, HD1 RELATING TO SCHOOL IMPACT FEES.
Exempts housing developed by the Department of Hawaiian Home
Lands from school impact fees. Effective 7/1/3000. (HD1)

TESTIMONY IN OPPOSITION

This bill is written in a way that, perhaps intentionally, disguises its true purpose. But the previous committee reports explained it in plain English: "The purpose of this measure is to exempt housing developed by the Department of Hawaiian Home Lands from school impact fees." Doing that "... will allow more affordable housing for native Hawaiian beneficiaries to be developed by the Department of Hawaiian Home Lands without facing additional fees that come from school impact fees."

But what was NOT mentioned is that the result would be to reduce the amount of money being sent to the Department of Education to pay

for the teachers, buildings, and supplies necessary to educate the children, even though the number of residents on DHHL lands will continue to increase and they will continue to produce even more children who will force an increase in the number of teachers, administrators, support staff, and supplies; and perhaps also an increase in the number of school buildings.

The report from the House Committee on Judiciary & Hawaiian Affairs, HSCR728, noted that there were 5 testimonies: 2 of them supported this bill, 1 opposed it. The remaining 2 testimonies from the Department of Education and the Tax Foundation of Hawaii were classified as comments only, as though they were neutral; BUT IN FACT THE POINTS THEY EXPRESSED WERE ENTIRELY NEGATIVE BECAUSE OF THE FINANCIAL IMPACTS ON THE DEPARTMENT OF EDUCATION.

THIS COMMITTEE ON FINANCE IS OBLIGATED TO GIVE PRIMARY CONSIDERATION TO THESE FINANCIAL IMPACTS RATHER THAN TO ALLEGED ISSUES OF "SOCIAL JUSTICE" OR "EQUITY" FOR A FAVORED RACIAL GROUP.

Keith T. Hayashi, Superintendent of Education testified politely but firmly "The practice of requiring developers of new residential units to dedicate land to mitigate impacts on student enrollment caused by new residential developments is consistent with state and county land use requirements for purposes of essential public facilities such as parks, fire and police stations. Although the Department recognizes the importance and need of affordable, workforce, and housing for use by Department of Hawaiian Home Lands beneficiaries, the exemption proposed by this bill would limit funding resources and the dedication of land intended to address the impacts on school facilities generated by new residential developments.

The Tax Foundation of Hawaii testified that "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. ... 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 AND WILL, AT A MINIMUM, CAUSE OTHERS TO PAY FOR THE SCHOOLS NEEDED FOR THE ADDITIONAL CHILDREN IN THOSE UNITS." [emphasis added]

Exempting housing developed by the Department of Hawaiian Home Lands from school impact fees while allowing the residents of DHHL lands to flood the schools with more children would reduce the number of dollars per pupil overall, thereby presumably lowering the quality of education and the productivity and earnings of the adults who emerge from our public schools. It would also be logically correct, although politically incorrect, to note that the children residing on DHHL lands are Native Hawaiian while most of the children in our public schools are not Native Hawaiian; therefore this bill could be viewed as racist because it forces non-Native Hawaiians to suffer reduction in quality of education for the purpose of paying for the education of Native Hawaiian children.

It would be reasonable to exempt assessments of school impact fees for housing developments where there will be no school-age children living there, such as any form of housing permanently excluding school-aged children, with the necessary covenants or declarations of restrictions recorded on the property. It would be reasonable to exempt assessments of school impact fees for housing developments where the developers actually build schools on their own land with sufficient capacity to handle the children who will be living there, such

as any development with an executed education contribution agreement or other like document with the authority or the department for the contribution of school sites or payment of fees for school land or school construction. But the reasonable exemptions described in this paragraph do not seem applicable to DHHL lands intended for residential use and not set aside for leasing for factories, shopping centers, pastures, or crop production.

Wouldn't it be a wonderful idea to exempt all housing development from general excise tax? That would provide a real incentive to help solve the housing shortage blamed for homelessness and high prices.

But this bill singles out one racial group to enjoy such an exemption, while everyone else must pay the tax. That is an example of what is known as "systemic racism" -- setting up an entire system in a way that benefits or harms people because of their race. Whatever happened to diversity, equity, and inclusiveness?

Should DHHL developments be exempted from school impact fees? Do ethnic Hawaiians not make babies and have children? If DHHL builds its own schools to educate children who live in their own redlined racially-gated ghettos, and if the children on DHHL lands are not allowed to attend public schools outside DHHL's gates, then of course they should not have to pay school impact fees to the general public schools that serve both ethnic Hawaiians and non-ethnic-Hawaiians. Read my book "Hawaiian Apartheid: Racial Separatism and Ethnic Nationalism in the Aloha State."

<http://tinyurl.com/2a9fqa>

The attitude projected in this sort of legislation exemplifies what I wrote about.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS; Exempt DHHL Development from School Impact Fees

BILL NUMBER: HB 1088 HD 1

INTRODUCED BY: House Committee on Education

EXECUTIVE SUMMARY: Exempts housing developed by the Department of Hawaiian Home Lands from school impact fees.

SYNOPSIS: Amends section 302A-1603(b)(6) to exempt any form of housing developed by the department of Hawaiian home lands for use by beneficiaries of the Hawaiian Homes Commission Act, 1920, amended.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: This is an Administration bill sponsored by the Department of Hawaiian Home Lands and designated HHL-05 (25).

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

Digested: 2/7/2025