May 23, 2017

TO: The Honorable Grant Chun
Chairperson, Finance and Infrastructure Committee

FROM: Kathryn S. Matayoshi
Superintendent

SUBJECT: Committee Action to Designate the Kalihi to Ala Moana School Impact Fee District

1. RECOMMENDATION

   It is recommended that the Finance and Infrastructure Committee (FIC) recommend to the Board of Education (BOE) that:

   A designation is made to establish the Kalihi to Ala Moana School Impact Fee District. The District would be comprised of the school service areas of the following elementary schools within the Farrington and McKinley Complex Areas: Fern, Kaahumanu, Kalihi-Kai, Kalihi Waena, Kauluwela, Likelike, Puuhale and Royal Elementary Schools.

   Any designation is made in accordance with Chapter 302A-1604, Hawaii Revised Statutes (HRS). A map with the boundaries of the proposed district are attached in Exhibit A.

2. RECOMMENDED EFFECTIVE DATE

   Upon approval of the BOE.

3. RECOMMENDED COMPLIANCE DATE (if different from the effective date)

   Not applicable.
DISCUSSION

a. Conditions leading to the recommendation:

The Department of Education (DOE) anticipates an enrollment growth in the schools closest to the Honolulu Area Rapid Transit's nine rail stations from Middle Street to the rail terminal at Ala Moana. Enrollment growth will be generated by new residential towers and other developments around the rail stations, encouraged by the City and County of Honolulu (City) and referred to as transit oriented development (TOD).

The rail path will cross the service areas of nine elementary schools, two middle schools and two high schools. The schools are organized by complex areas, each named by the high school that serves the area. From Kalihi to Ala Moana, that includes the Farrington Complex and the McKinley Complex.

b. Previous action of the Board on the same or similar matter:

The BOE approved going to public hearing on the proposed Kalihi to Ala Moana Impact Fee District on April 19, 2016.

The November 15, 2016 memo to the FIC contained a copy of the analysis and maps of a proposed Kalihi to Ala Moana District. The memo included a description of the comments received from the public including testimony received during two public hearings. Testimony is included in the attached Exhibit B.

The recommendation was to designate a district. The FIC moved to defer action for three months.

January 10, 2016, the FIC received a status update of the designation of the district.

The FIC again considered a motion to designate a Kalihi to Ala Moana district on February 21, 2017. The recommendation to the FIC was that the committee recommend to the BOE the designation of the same Kalihi to Ala Moana district but with two options for fee amounts. The FIC voted to defer action.

On March 21, 2017 the FIC met in executive session on legal matters relating to the Kalihi to Ala Moana district.

c. Other policies affected:

None.
d. Arguments in support of the recommendation:

The total number of potential new residential units along the rail is close to 39,000, with slightly more than three-fourths (3/4) of the potential units, 29,702, in the McKinley Complex and slightly less than one-fourth (1/4) of the units, 9,022, in the Farrington Complex.

The unit count has been adjusted slightly since the January 2016 draft impact fee analysis due to updated information from the City, the Hawaii Community Development Corporation (HCDA), and newspaper accounts of new developments.

The estimated number of students generated by the new units in the district has also changed due to a change in the application of student generation rates (SGR). There has been clarification that the net increase in new units proposed by the Hawaii Public Housing Authority (HPHA) will not be public housing units.

All net new units are expected to be affordable or market priced, but not public housing rentals. So DOE is no longer applying a public housing rental student generation rate of 1.5 to the HPHA units. Instead DOE is using the same SGR of .12 applied to all other proposed new housing in the district.

With this revision, the net increase in new students combined across the impact area would necessitate three new elementary schools, one new middle schools, and slightly more than half a high school. The number of new schools would decline if excess capacity were built at some schools in the district and if projected excess student space in adjacent schools is utilized.

e. Arguments against the recommendation:

None.

f. Other agencies or departments of the State of Hawaii involved in the action:

None.

g. Possible reaction of the public, professional organizations, unions, DOE staff and/or others to the recommendation:

The Legislature supports the collection of school impact fees. The 2017 Legislature did not pass any of a number of bills to exempt affordable housing from paying school impact fees. The 2016 Legislature passed two bills providing flexibility in how the fees are spent in the “Kalihi to Ala Moana School Impact District” and in any other transit-oriented zoning districts.
The Hawaii State Teachers Association has testified in support of school impact fees and the proposed Kalihi to Ala Moana District at the Legislature and before the Board of Education.

The Land Use Research Foundation (LURF) objected to the proposed district on numerous points centering on the lack of urban standards to determine SGR and classroom need. LURF and advocates and developers of affordable housing objected to the application of impact fees on affordable housing units.

A more detailed description of public comments was included in the November 15, 2016, and February 21, 2017 memos to the FIC.

h. Educational implications:

Adoption of the Kalihi to Ala Moana School Impact Fee District will require area residential developers to meet with DOE and pay fees or provide land for schools to mitigate their development’s enrollment impact on DOE schools.

The fees would be used for school expansion or new schools that would reduce enrollment pressure on existing schools in the area. It will also add flexibility to the type of school sites provided, including facilities in high rise buildings, remodeling of structures, and redevelopment of school sites.

i. Personnel implications:

None.

j. Facilities implications:

See (h.) above.

k. Financial implications:

The Legislature designed the impact fee law to collect 10 percent of estimated school construction costs and 100 percent of school land costs from each new residential development planned within a school impact fee district. The amount of fees are on a per new residential unit basis.

The Legislature would still need to provide 90 percent of the anticipated school facility construction cost. Chapter 302-A was amended during the 2016 legislative session to add flexibility to how fees in lieu of land can be spent. The DOE is now able to use land impact fees with greater flexibility.
5. OTHER SUPPLEMENTARY RECOMMENDATIONS

None.

KSM:jmb
Attachments

c: Office of School Facilities and Support Services
   Facilities Development Branch
Exhibit A
Committee Action to Designate the Kalihi to Ala Moana School Impact Fee District

Establishment of School Impact Fee District For Kalihi to Ala Moana

Finance and Infrastructure Committee
May 23, 2017

Background

HRS 302A-1604
• Board Designation of Impact Fee District
  – Map describing the boundaries of the proposed school impact district area
  – Need to construct new or expand existing school facilities within next 25 years to accommodate projected growth
  – Student Generation Rate based on full build-out of development @ steady state (i.e. maturity)
  – Current statewide level of service
Need to Construct - Kalihi to Ala Moana
– estimated new residential units 38,724

Student Generation Rate
– 1.2 students for every 10 units

Level of Service
– “the percentage of classrooms that are located in permanent structures” (302A-162, Definitions)

School Enrollment Areas Impacted by Transit Oriented Development
School Impact Fee District
Kalihi to Ala Moana

Timeline Review

- April 2016 – Board approves hearings
- Nov. 2016 – HIDOE holds public hearings
  - Provides FIC with analysis
  - FIC deferred action
- Jan. 2017 – FIC update
- Feb. 2017 – FIC deferred action
- Mar. 2017 – FIC Executive Session
Next Steps

• Implement School Impact Fee District as proposed and approved for public hearing

• Continue to engage stakeholders

• Establish Impact Fees

Mahalo
November 3, 2016

Heidi Meeker, Planner
Department of Education
1390 Miller Street
Honolulu, Hawaii 96813

Dear Ms. Meeker:

Thank you for the opportunity to submit written testimony on the Department of Education’s proposed School Impact District from Kalihi to Ala Moana.

I welcome Department of Education’s evaluation of projected growth within the school impact district in order to identify the level of school facilities needed and the best means of financing them. With the State of Hawaii’s interest in developing affordable, senior, and permanent supportive housing on its properties in transit-oriented development (TOD) neighborhoods spanning Kalihi, Downtown and Ala Moana, a public discussion of how best to meet projected growth requirements for educational facilities is especially timely.

Through the Hawaii Inter-agency Council for Transit-Oriented Development, state and county policymakers can pursue stronger coordination/planning between state-county agencies, community stakeholders, property owners and business development interests within the transit route and TOD neighborhoods. Improved coordination is critical for key areas like public infrastructure (e.g., sewer, water, drainage, roads and related county upgrades) and for improvements in educational, employment/social services and public recreational amenities that enhance the quality of life in Kalihi to Ala Moana TOD communities.

For example, the City Council adopted Ordinance 16-26 (2016), which offers state or county housing projects density/development bonuses that are similar to those involving catalytic, market-rate projects under the City’s Interim Planned Development-Transit law (Ordinance 14-10).

This approach helps to fast-track “public housing projects” (or residential or mixed-use developments housing projects with a significant affordable housing component undertaken by the Housing Finance Development Corporation, Hawaii Public Housing Authority, city housing agency, or their designated developer pursuant to a partnership or development agreement) so that planning/coordination for public
infrastructure and other educational, social services and recreational amenities can be included as part of the community enhancements developed for that community.

As city and state policymakers refine the ranges of affordable housing sought for TOD neighborhoods, I hope our efforts will also help the Department of Education in quantifying the educational facility needs for the Kalihi to Ala Moana School Impact District.

Mahalo for this opportunity to submit comments on the Department’s impact fee proposal.

Sincerely,

Councilmember Carol Fukunaga
District 6 (Makiki/Punchbowl, Papakōlea, Downtown, Chinatown, Kakaako, Pauoa, Nu‘uanu, Liliha, Alewa, Kamehameha Heights, Kalihi Valley, Alea, and Moanalua)
November 1, 2016

Mr. Lance A. Mizumoto  
Chair and Boardmembers  
Hawaii Board of Education  
P.O. Box 2360  
Honolulu, Hawaii 96813  

Dear Mr. Mizumoto and Boardmembers:

Subject: Testimony on proposed School Impact District from Kalihi to Ala Moana

The Department of Planning and Permitting (DPP) opposes the proposed School Impact District from Kalihi to Ala Moana. However, the DPP welcomes the opportunity to work with the Department of Education (DOE) to refine the proposed district and impact fee to something we could support.

Over the past decade, the DPP and the State of Hawaii have been planning for transit-oriented development (TOD) around the future rail stations to concentrate development in the urban core and to offer housing and transportation choices for Oahu residents. Several State agencies are planning TOD projects on State lands around the stations.

Based on our understanding of the proposed School Impact District and the objectives of TOD, we offer the following comments:

- The boundaries of the District extend past what is generally considered for TOD (1/2 mile). The inclusion of this additional area is not necessarily consistent with the stated rationale for establishing the District.

- Creating one district covering multiple neighborhoods and school complexes poses equity concerns that should be considered. The collection of fees in one school complex area (e.g., a high-growth neighborhood) are not required to be spent in the same complex where the rationale for the fee exists.
• Impact fees are levied to mitigate a specific need generated by new development. However, the DOE report fails to specify particular projects that will be connected to the fee. Consequently, there is no guarantee that the fees will actually be used for their intended purpose.

• The proposed Kalihi-Ala Moana District fee of $9,374 per unit will be more than twice as much (even with the urban exemption to use the actual, versus statewide, acreage per student in the formula) as the Leeward Oahu District fee of $4,334. The calculation/collection of the fee per residential unit, instead of by residential square footage, disincentivizes the production of smaller, more affordable housing. Additionally, the higher fee encourages sprawl development by making urban Honolulu (where land costs are generally higher) even more costly when compared to Leeward Oahu (where land costs are generally lower). This structure is directly contrary to the City’s established growth policies.

  o Within the constraints of Chapter 302A, Hawaii Revised Statues (HRS), please consider an alternative approach: establishing a district (or districts) with an averaged fee across the Primary Urban Center, Central Oahu, and Ewa Development Plan regions, which are designated by the City for future growth on Oahu. The Development Plans’ urban growth boundaries could serve as the boundaries for the School Impact District(s).

• Applying the fee to accessory dwelling units (ADU), affordable housing, and public housing will increase their production costs and, therefore, be counterproductive to their intended purpose. (In fact, the proposed fee is roughly equal to the ADU fees that the City recently waived to incentivize the production of affordable rental housing.) Conversely, treating luxury apartments differently also runs contrary to fostering an affordable environment by putting more burden on the remainder of development projects.

  o Within the constraints of the Chapter 302A, HRS, please consider at least reducing the student generation rates (SGR) for ADUs because it can be assumed that inhabitants of these units do not generally have many children living in these small units. In addition, please consider increasing the SGR for luxury apartments to match middle- and lower-income housing units.

• The DOE report assessed the general need for new school facilities based on current classroom capacity, but it failed to analyze the existing school facilities' ability for vertical expansion or horizontal expansion where space is available, as allowed under Chapter 302A, HRS. (Appendix C mentions amending Act 245 to allow for purchase of vertical square feet, which could potentially be in a non-DOE building. However, if the intent is to apply this to DOE properties, we point
that the DOE already owns the air rights over its properties, so in essence, the
DOE would be repurchasing its own property.)

- Please consider utilizing existing school property in an attempt to
  significantly reduce the fee amount. This approach would only require
covering construction costs and not land. Chapter 302A of the HRS may
need to be amended to allow for a higher percentage of the fee to be
applied towards construction, including its use for rehabilitation of existing
facilities. Regardless, this application seems more equitable given the
circumstances.

In consideration of TOD, development will realistically occur incrementally over
decades and is not anticipated to result in an overwhelming buildout of the
neighborhoods in the near term. Larger developments that add significant numbers of
residential units will require approval by the City Council or the DPP Director and,
therefore, provide the opportunity to impose special conditions of approval that can
address school facilities at that time.

We understand that the DOE must fund its schools, but the current proposal runs
contrary to the objectives of TOD, and it will serve to inhibit affordable developments in
the urban core. We look forward to working with the DOE to develop a revised proposal
that fits with the City’s growth policies.

Should you have any questions, please call me at 768-8000.

Very truly yours,

Arthur D. Challacombe
Acting Director

cc: Dann Carlson, DOE Assistant Superintendent
    Kenneth Masden
    Heidi Meeker
TESTIMONY IN OPPOSITION

Chair Mizumoto and members of the Board:

Thank you for this opportunity to submit testimony in Strong Opposition to the proposed School District Impact Fee of $9,370 per housing unit in the four-mile area along the eastern most path of Honolulu Area Rapid Transit in urban Honolulu.

I am Kevin Carney, Vice President of EAH Housing. EAH is a 48 year old non-profit public benefit corporation whose mission is to develop, manage and promote affordable rental housing. We are one of the largest non-profit affordable rental housing developers in the western United States. We have developed over 95 affordable rental properties, manage over 100 rental properties and we serve over 20,000 residents in communities in Northern California and Hawaii. The people we serve are primarily those with incomes at or below 60% of the area median income (AMI).

As we understand it the fee would be applicable to housing developments of 50 units or more with the only exception applied to senior housing developments that prohibit children. We also understand that the fee is applicable to for-sale and rental housing with no regard to type of market being served.

We are opposed to this fee because of the additional cost it places on already very difficult to develop low-income rental housing. We trust that you are aware of the housing crisis that is impacting all our islands. Studies show that the greatest need for housing is at or below the 80% level of AMI. At that level of income we are typically referring to rental housing although there are a few non-profits that produce for-sale housing at the 80% level but not on a large scale. In order to make our 60% AMI rental projects financially feasible we need free land and large subsidies. Our rents are fixed by the Department of Housing and Urban Development (HUD). Our largest source of equity is the Low Income Housing Tax Credit Program which is detailed in IRS Code 42. This equity source is typically supplemented by the State’s Rental Housing Revolving Fund, HOME Program Funds, Community Development Block Grant Funds and other non-recourse funds that may be available at the county level. In order to pay the DOE proposed impact fee we would have to rely on these types of sources which are limited and in most cases competitive.

Of immediate concern to us is the potential disastrous impact this fee could have on projects we currently have in the pipeline. Depending on when the fee is implemented it could kill or seriously delay the development of 186 affordable rental units in the Kakaako area.

We understand that the DOE is restricted by law and has no flexibility in negotiating a fee that might be more applicable to the type of housing that we provide. At the very least we would like the fee to be deferred to take effect after the next state legislative session. This would give us and other housing advocates an opportunity to approach the legislative about either a waiver for low-income rental housing or a reduced fee.
Thank you for hearing our concerns.

Sincerely,

Kevin R. Carney, RB-16444
(PB), NAHP-E
Vice President, Hawaii
EAH Housing, RB-16985
November 1, 2016

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

Dear Ms. Meeker:

Re: Proposed School Impact District from Kalihi to Ala Moana

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

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

1. The impact fees for new developments should be based on square feet and not unit count only. Studies have shown that impact fees that do not take into account unit size and are simply based on unit count are regressive. An impact fee based on units is a flat fee system and brings issues of equity. That is, with the currently proposed system, a small dwelling unit of 600 square feet will pay the same amount as a luxury unit of 8,000 square feet. Over the long-run the larger units will underpay and the smaller units will overpay.

2. The impact fees should also be varied based on unit types. The proposed analysis assumes that most of the upcoming residential developments to be built within the impact district will be multifamily dwellings; and therefore; it proposes that the multifamily fee amount applies whether a unit is a single family or a multifamily dwelling unit. Even though the assumption is correct as this impact district is in the urban core, there are some lots that will have single family dwellings. If unit types are taken into account when calculating the impact fees the fees tend to be more fair and proportional to the impacts.

3. The proposed impact district map should be reviewed. It seems that some of the parcels outside the boundary area are served by the same schools as those within the boundary.
4. There is much need to develop affordable housing within the urban core in Honolulu and any additional cost to development of adorable housing makes it that much more challenging. We suggest that the Department of Education consider a graduated impact fee scale for affordable housing projects that try to reach the lower levels of affordability.

5. We suggest that the land value be based on neighborhoods instead of averaging of land costs from Kalihi to Ala Moana as it will be more equitable and a fair representation of market conditions.

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

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

Sincerely,

[Signature]
Aedward Los Banos
Interim Executive Director

ALB/DN/SB:
TESTIMONY FOR HAWAII STATE DEPARTMENT OF EDUCATION,
KALIHI TO ALA MOANA SCHOOL IMPACT FEE DISTRICT

Thursday, November 3, 2016, 5:00 PM
McKinley High School

I am Kris Coffield, representing IMUAlliance, a nonpartisan political advocacy organization devoted to advancing education, socioeconomic equality, and human rights. On behalf of our members, we offer this testimony in strong support of establishing the Kalihi to Ala Moana school impact fee district.

In comparison to school districts of similar size and demographic composition, Hawaii ranks 227th in per-pupil funding before adjusting for cost of living, according to a Ballotpedia analysis of public school spending, at $11,823 per child. Washington D.C., New York City, Boston, Pittsburgh, and Cincinnati school districts, for example, spend nearly twice as much as Hawaii per pupil, at well over $22,000 to over $26,000 per student. Similarly, local private schools, discounting Catholic institutions, spend nearly $19,173 dollars per student, with Punahou President Jim Scott revealing in 2014, "The real cost of our education per student is $26,000," owing to the school’s then-total endowment of $235 million and fundraising operations of $12-$15 million annually.

Our state must consider all possible ways to plug our education funding deficit, including the expansion of school impact fees, which could finance new or existing public school facilities as demand for such facilities increases, including through new residential properties spurred by transit oriented development (TOD). Pursuant to HRS §302A-1601 through HRS §302A-1612, the Board of Education may establish districts in which impact fees are to be applied, with new developers of residential properties in those districts then required to contribute to constructing school facilities that serve the ensuing influx of families and students. There are two types of fees established in state law: construction cost component impact fees and land component impact fees. Put simply, the former are fees paid for the construction of new school facilities, while the latter involve fees paid in lieu of or actual acreage given to the Department of Education to offset the cost of vacant land suitable for a school site. Since new residential developments within designated impact fee districts
create additional need for public school facilities, developers are required to contribute toward the creation of new school space through both of the aforementioned means.

Both the land and construction requirements are based on a proportionate share of the need to provide additional public school facilities, consistent with fair-share principles. New residential developments are not charged for higher levels of service than existing developments demand, which is borne out by the DOE imposing fees based on averages taken from recently built and comparable developments. Notably, construction cost component impact fees, per state law, involve ten percent of the share of the construction cost for a required new school or expansion of existing school facilities—or both—that is attributable to a specific new residential development, with the cost per student meaning the average of actual school construction costs divided by the respective design enrollments (maximum number of students a school facility is designed to accommodate) for schools constructed within approximately the last ten years. Using data from 1997-2007, state law further codifies the construction cost component impact fee averages for different school types as follows:

(1) Elementary schools: $35,357 per student;

(2) Middle and intermediate schools: $36,097 per student; and

(3) High schools: $64,780 per student.

Ergo, the average contribution per student to a developer varies, depending on the type of school(s) being built to accommodate relocating families. In the Kalihi to Ala Moana impact fee district, the total all-cash fee would be $9,374 per unit, obtained through $584 for construction and $8,790 in fees in lieu of land (if charged).

Kaka‘ako, an area covered by this proposal, is set to be filled with freshly designed high-rise projects. Nearly 5,000 new condominium units are scheduled to be built by 2018 in Kaka‘ako, with the population of the district expected to double to 30,000 people in the next fifteen years, according to the Honolulu Community Development Authority. DOE officials are considering all possible answers to school capacity questions posed by new developments, including mixed use schools that cater to grades K-12 and rededicating unused space at schools operating below their design enrollment—McKinley High School’s maximum capacity is 2,100 students, for example, but enrollment is just over 1,600, leaving room for an additional 500 students. These strategies are not demographically sustainable, however, raising the urgency of creating alternative financial instruments to subsidize new schools. TOD.

Kris Coffield (808) 679-7454 imuaalliance@gmail.com
as previously stated, only exacerbates school capacity problems, as transit hubs incentivize residential and commercial development to accompany the high-traffic, convenient, and readily accessible rail line.

Affordable housing advocates maintain that the impact fee in question may impede forthcoming housing projects. Yet, with regard to affordable housing, it’s important to remember that poor people deserve quality schools, perhaps more than their wealthy peers from a social justice perspective. Our state should be willing to provide additional financial assistance through housing-related special and revolving funds, if necessary, to ease developers’ concerns about project cost escalations and overruns, so that low socioeconomic status families may send their students to 21st century schools—especially since numerous studies show that socioeconomic status is the biggest determinant of student success.

Therefore, we support the codification of the Kalili to Ala Moana school impact fee district to address capacity concerns as TOD moves forward. To be frank, we would like to see impact fees established statewide, allowing the department to prevent school overcrowding and facilities dilapidation before it begins. It shouldn’t take a falling roof at Farrington High School or the 1,300-student overload at Campbell High School to spur us to act. Additionally, we note that the list of permissible uses for impact fees collected in the urban core, including the Kalili to Ala Moana district under consideration, was expanded by the legislature in 2016, with the department now being allowed to use revenue generated by the fees for completed construction, constructing new school facilities, leasing land or facilities, or improving or renovating existing structures for school use—a new opportunity for the DOE, as impact fees are not allowed to be used for existing school structures in other impact districts. We hope that in the near future, the Legislature extends these permissions for all impact districts to maximize the department’s ability to, again, prevent capacity and facilities problems before they become an education emergency.

Imagine a society in which our schools are the sign and signal of Hawai‘i’s highest standards of excellence. To realize that vision, we support this proposal.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance
November 2, 2016

Mr. Dann Carlson, Assistant Superintendent
Hawaii State Department of Education
Office of School Facilities and Support Services
c/o Heidi Meeker@hawaiidoe.org

RF: Draft Analysis of the Kalihi to Ala Moana School Impact District

Aloha Mr. Carlson,

Mahalo for allowing Mana‘olana Partners to comment on the Draft Analysis of the Kalihi to Ala Moana School Impact District. Mana‘olana Partners is currently developing Mana‘olana Place, a hotel and residential condominium project on the corner of Kapiolani Boulevard and Atkinson Drive.

Mana‘olana Place is located in the proposed Kalihi to Ala Moana School District Impact Fee Zone. According to the draft analysis, the per-unit Kalihi to Ala Moana school impact fee for each new residential unit in this zone should be $584 for construction and 0.16 acres of land. Alternatively, the in-lieu fee for the land is calculated as $8,790, which would allow for a total all-cash fee of $9,374.

This calculation is based on the formula provided in Act 245, S.L.H. 2007, which multiplies the required acreage of land by land value per acre. The required acreage of land is determined by the average area needed for school facilities “based on the recent school construction averages” and the land value per acre is based on the appraisal for the land identified for the new school. Of course, the value per acre for urban areas is much higher than the value per acre in less densely populated areas such as Ewa Beach or Hilo. Consequently, impact fees will be much higher in urban districts than in rural areas.

Although the school impact fees are needed due to the expected increase of school-age residents in the Kalihi to Ala Moana district, the unusually high fees will undoubtedly have a substantial negative impact on the cost of residential units in the TOD area. The negative impact will likely cause a chilling effect on development in the TOD areas, including affordable housing units, which controverts the City’s important growth plan for TOD areas. The impact fees assessed on residential units should be balanced with the City’s plan to increase the supply of residential units in these target areas. Thus, the fee proposed in the draft plan must be reduced.

These suggested revisions may assist the DOE in striking a fair balance between the importance of these impact fees and the need to foster growth in these areas:

1. Reduce the land requirement for urban areas. Modern designs such as multi-level school facilities are encouraged in urban TOD areas. These school designs have a greater vertical component, meaning less land is required per student than for traditional single or two story facilities built in other areas. Because the cost of land is the main factor in the total cost of construction, reducing the land requirement in urban areas would significantly reduce the school impact fees in the Kalihi to Ala Moana district.
2. Calculate the land cost based on island-wide averages. According to the draft analysis, the value per acre used to calculate the land requirement for in-lieu fees is based on the cost of the land identified for the new school facilities. This higher land cost for urban districts will almost always result in much higher land requirement fees in urban areas due to the higher cost of land. However, this places a disproportionate burden on residential unit purchasers in TOD areas (especially affordable unit purchasers), discourages developers from building in the City’s core areas and leads to gentrification as the higher impact fees in urban areas may price non-luxury unit purchasers out of the market.

However, if the value per acre was based on an island-wide average, residential unit owners would all share in a more reasonable fee and there would be a greater emphasis on building in strategic areas such as TOD. Further, an island-wide value per acre would reduce the likelihood of gentrification in the urban areas.

There is precedent for this type of averaging as the cost of impact fees for other services is often averaged to offset the higher actual cost of construction in rural areas. For example, the cost of installation for sewer lines and other utilities on a per unit basis is higher in rural areas, but unit owners pay essentially the same costs anywhere on Oahu due to the averaging. The same policy can be applied for schools, especially since the Hawaii school district is not based on municipal boundaries.

3. Allow renovation/upgrades to existing facilities for increased size. Based upon Act 245, S.L.H. 2007, school impact fees cannot be used to upgrade or renovate existing facilities. Assumedly, the reason for this limitation is to focus impact fees on increasing capacity. However, this rule limits the possibilities for greatest use of school land. Schools in the Kalihi to Ala Moana district, including Farrington and McKinley High School sit on valuable urban land. The cost to purchase the same amount of land in the urban core at today’s value would be substantially greater. Conversely, using impact fees to upgrade these two schools to modern designs, including multi-level buildings, would significantly reduce the land cost and consequently the total cost of construction.

Mana’olana Partners is greatly concerned that DOE’s current calculations for the Kalihi to Ala Moana school impact zone will negatively impact development of residential, especially affordable, housing units in this area. Though there may be limitations in Act 245, S.L.H. 2007 that may need to be amended in order to implement the above revisions, we strongly encourage you to consider these suggestions and explore other potentially viable options for reducing the impact fees to a more reasonable amount.

Mahalo for your consideration,

James Rakovich
Mana’olana Partners
Aloha Ms. Meeker,

My name is Bob Fard and I represent the developer working in collaboration with HPHA on their 6.6 acre School St. site. As a non-profit, faith based, affordable housing developer nationwide, we face constant challenges in our efforts to provide safe, affordable communities for families and our elderly population who make less than Average Median Income (AMI) in their respective area. Due to the disparity of construction costs and statutorily mandated “affordable rents”, Hawaii poses one of the most challenging markets in the U.S. to deliver affordable housing—which may explain the current housing crisis underway in Hawaii.

Although senior housing is typically exempt from school fees, we respectfully request that any affordable housing project be exempt from school fees on our site. Ideally, we would want to see the HPHA School St project be exempt altogether from this proposed District. School fees would introduce yet another layer of costs which further inhibits our efforts and would probably result in reducing the number of affordable units being constructed. Unlike market rate developers who can generally pass costs on to their future tenants via higher rents, affordable housing has HUD statutory limits on the amount of rents we can charge residents which means any increase in costs/fees directly results in cutting unit counts, amenities, services or worse—abandoning the project altogether. We look forward to working with HIDOE, HPHA and the State of Hawaii in delivering much needed quality, affordable housing for the people of Hawaii.

Thank you for your time and consideration. I am available to discuss further at your convenience.

Sincerely,

Bob Fard

Director of Acquisitions

Retirement Housing Foundation
911 N. Studebaker Road
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<th>COMPANY / ORGANIZATION</th>
<th>PHONE</th>
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<td>Karen Dan</td>
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<td>Colleen Matsumoto</td>
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<td>Kerith Kamoa</td>
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<tr>
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<td>768-5007</td>
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<tr>
<td>Corey Rosenlee</td>
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<td>Laura Vines</td>
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<td>Myrna Pulmano</td>
<td>McKinley HS</td>
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<td>Kevin Cernery</td>
<td>EAH Housing</td>
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<td>Kris Colhoff</td>
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<td>Noelle Fujii</td>
<td>CIVI Bear</td>
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<td>Lloyd F. Char</td>
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<td>Mike Hamashu</td>
<td>Colliers</td>
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<tr>
<td>Tom Schnell</td>
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<td>Sery Berhanu</td>
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<td>Melissa Pavicic</td>
<td>HPDC</td>
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<tr>
<td>Dawn Kobayashi</td>
<td>Resident</td>
<td>348-0390</td>
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<td>Paul Nishizawa</td>
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**Testifying?**

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<tr>
<td>Harrison Rue</td>
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**Attended but did not sign**

C&C DPP