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TESTIMONY BEFORE THE BOARD OF EDUCATION  
FINANCE AND INFRASTRUCTURE COMMITTEE

RE: AGENDA ITEM V, B, COMMITTEE ACTION TO DESIGNATE THE  
KALIHI TO ALA MOANA SCHOOL IMPACT FEE DISTRICT

TUESDAY, MAY 23, 2017

COREY ROSENLEE, PRESIDENT  
HAWAII STATE TEACHERS ASSOCIATION

Chair Chun and Members of the Committee:

The Hawaii State Teachers Association **strongly supports** enactment of the Kalihi to Ala Moana school impact fee district. As you know, our state's public school buildings are approximately 65-years-old on average. Floor are damaged, restrooms and water foundations are in disrepair, classroom windows are broken, and supporting structures are crumbling. At the same time, school capacity problems plague developing communities, like the 'Ewa Plain, which will welcome 28,000 more buildings by the year 2021, and Kaka'ako, in which 39,000 new multi-family units are projected to be built within an approximately half-mile radius of rail transit stations, according to the Honolulu Community Development Authority.

Building new school facilities takes time. In South Maui, community members began advocating for a new Kihei High School in the early 1990s, hoping to ease capacity concerns at nearby Maui High School and Baldwin High School. While the State Legislature approved funding for the project in 2013 at Gov. Ige's urging, funds were later withheld due to administrative challenges and restructured, requiring a phased development approach. Groundbreaking for the school didn't occur until 2016, with lawmakers only approving the majority of the school's capital improvement funding during this year's legislative session.

A similar situation is unfolding on the 'Ewa Plain, where calls for a new middle and high school have long gone unheeded. This year, legislators approved \$77 million for

a new East Kapolei Middle School, as well as \$27 million to complete a modern classroom building at Campbell High School. Yet, Campbell's enrollment currently exceeds 3,000 students, far more than a single building can accommodate. East Kapolei Middle, in turn, was also first imagined in the 1990s and has been in planning since 2013. Construction was originally scheduled to be completed in 2015, but fiscal concerns pushed back the project's launch, with funding finally approved this year. Though these projects were included in this year's state budget, it should be noted that funds must still be released by the governor for construction to commence. Otherwise, overcrowded classrooms will see no relief.

We must act now to address the swelling student population in the Kalihi to Ala Moana area. Given the length of time needed to build new school facilities, the continuous collection of impact fees over time will make ongoing construction more manageable. As an estimated \$365 million in revenue accrues, projects that can take up to a decade to finish, from planning to opening, can be design-built in phases, with new facilities added as demographic conditions change. During the 2016 legislative session, lawmakers passed Act 130 and Act 237, allowing fee-in-lieu funds collected in Honolulu's urban core—which the bills specifically defined as the Kalihi to Ala Moana school impact fee district—to be spent on purchasing completed construction, leasing land or facilities, and improving or renovating existing structures for school use, further advancing the department's flexibility in spending impact fees in a creative manner.

Impact fees are the best solution for school capacity problems in Honolulu's interior. Since vacant land isn't readily available in the urban core, the cash amount paid by developers will be higher in the Kalihi to Ala Moana impact district than previously established districts, where developers offered land in lieu of direct revenue. Furthermore, constructing new facilities on buildable space at existing schools may overburden personnel. Unless more teachers, administrators, and staff are hired to meet the needs of rising student populations, adding facilities to existing campuses will only increase the workload of hardworking educators, while making urban schools more congested. Thus, impact fees are the only reasonable option to mitigate ballooning enrollments.

A quality education is priceless. To prevent facilities degradation from worsening in high-growth areas, the Hawaii State Teachers Association asks the board to establish the Kalihi to Ala Moana School Impact Fee District and allow the department to begin collecting fees as soon as possible.



46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Executive Director

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**TESTIMONY FOR AGENGA ITEM V, B, COMMITTEE ACTION TO DESIGNATE  
THE KALIHI TO ALA MOANA SCHOOL IMPACT FEE DISTRICT**

**Finance and Infrastructure Committee**

**Hon. Grant Chun, Chair**

**Hon. Kenneth Uemura, Vice Chair**

**Tuesday, May 23, 2017, 1:00 PM**

**Queen Liliuokalani Building, Room 404**

Honorable Chair Chun and committee members:

I am Kris Coffield, representing the IMU Alliance, a nonpartisan political advocacy organization that currently boasts over 350 local members. 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, Hawai'i 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 Hawai'i 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-1604, the Board of Education is empowered to establish districts that "**may range from one school to one or more high school complexes**" 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 demand 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.

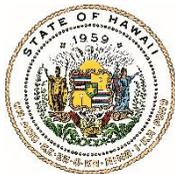
Kaka’ako, an area covered by this proposal, is set to be filled with freshly designed high-rise projects. Nearly 39,000 new multi-family units are scheduled to be built in the Kalihi to Ala Moana corridor, with the population of the Kaka’ako portion of the district expected to double to 30,000 people in the next fifteen years, according to the Hawai’i Community Development Authority. Those 39,000 unites are expected to bring 10,000 additional students into the area’s schools, of which current facilities can only accommodate 1,500. 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, as previously stated, only exacerbates school capacity problems, as transit hubs incentivize residential and commercial development.

Therefore, we continue to support the codification of the Kalihi to Ala Moana school impact fee district to address capacity concerns, 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 Kalihi to Ala Moana district under consideration, was expanded by the legislature in 2016, under Act 130 and Act 237, with the department now being allowed to use revenue generated by the fee-in-lieu funds 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 fee-in-lieu funds are not allowed to improve existing school structures in other impact districts. We ask you to work with public school advocates, in future years, to convince lawmakers to extend these permissions to all impact districts, thereby maximizing the department's ability to prevent capacity and facilities problems before they become an education emergency.

Concerns raised previous board hearings about the unintended consequences of designating the impact fee in question are understandable, but unfounded. Department officials **estimate revenue generated from the Kalihi to Ala Moana impact fee district to be \$365,586,000** if imposed at the \$9,374 amount, \$22,736,872 in \$584-per-unit construction cost component impact fees and the equivalent of 63.5 acres of land, with a fee-in-lieu impact fee amount of \$8,790 per unit. With regard to the fee's impact on affordable housing, at public hearings on the impact fee, affordable housing advocates stated a possible need for an additional appropriation from the rental housing revolving fund to complete already-approved affordable housing projects, if the fee is implemented. We believe that the revolving fund amounts requested—merely hundreds of thousands per developer, at most—in return for \$365 million is an investment our children cannot afford to miss. HCDA is also currently considering regulation changes to incentivize affordable housing in and around Kaka'ako, like lowering the area median income thresholds for what makes a project truly affordable. Relatedly, it's unfair to compare cash amounts generated in other impact fee districts with figures for the Kalihi to Ala Moana District, since, in other districts, developers donated land to the department, rather than a “fee-in-lieu” cash equivalent, because there was much more open land to give than there is in the urban core.

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 ask you to make impact fees part of our state's solution to providing first-rate facilities for our students.

Sincerely,  
Kris Coffield  
*Executive Director*  
IMUAlliance



## HOUSE OF REPRESENTATIVES

STATE OF HAWAII  
STATE CAPITOL  
HONOLULU, HAWAII 96813

TESTIMONY OF REPRESENTATIVE MATTHEW S. LOPRESTI, PH.D.  
HOUSE DISTRICT 41

BEFORE THE BOARD OF EDUCATION  
FINANCE AND INFRASTRUCTURE COMMITTEE

MAY 23, 2017  
1:00 P.M.  
QUEEN LILIUOKALANI BUILDING  
1390 MILLER STREET, ROOM 404  
HONOLULU, HAWAII 96813

ITEM V. B.  
COMMITTEE ACTION TO DESIGNATE THE KALIHI TO ALA MOANA SCHOOL IMPACT FEE DISTRICT

Chairperson Chun and Members of the Committee:

I **support** the recommendation for committee action to designate the Kalihi to Ala Moana school impact fee district. In February, the Board of Education's Finance and Infrastructure Committee (FIC) again tabled this proposal that would allow the Department of Education to assess a fee on future real estate development along Honolulu's rail line. This fee would be used to offset costs associated with building and maintaining new public school facilities expected to be needed as families move into the new homes. This item has stalled in the FIC for over half a year.

As a legislator, it is required of me to ask for rulings of potential conflicts of interest I may have each time we take action on a measure for consideration. The same practice should be followed in this instance by the BOE members who are making these important decisions regarding our children, but who also have major ties to the real estate development industry in Hawaii.

With the fact in mind that a School Impact Fee would directly affect the bottom line of potential profits made by real estate development along the rail line, your backgrounds should be considered in determining whether there is a potential conflict of interest.

- The Chair of the BOE at Large and a member of the FIC is an executive vice president and commercial real estate division manager at a major Hawaii commercial bank.
- The Chair of the FIC is vice president of a major Hawaii real estate development company.

**STATE REPRESENTATIVE MATTHEW LOPRESTI, Ph.D.**  
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- The Vice-Chair of the same committee was an executive vice president of finance at a major real estate management and development company.
- A member of the same committee is a partner with a major Hawaii law firm and specializes in business and real estate law among other specialties.
- The final member of the same committee is a principal at a law firm with principal areas of practice in commercial/business and real estate among other areas.

In April 2016, the BOE approved going to public hearing on the proposed Kalihi to Ala Moana Impact Fee District. More than a year has passed while permits continue to be issued to build developments in the district. At the last hearing, Assistant Superintendent Dann Carlson said: “Every month that we delay this, more people are getting building permits and we’re missing out on the opportunity to be able to collect these fees.”

According to the FIC, reasons for the deferments included further consideration of exemptions for affordable housing as well as legal feasibility. However, the job of the BOE is *not* to get involved in affordable housing policy or speculate about the legal muster of Hawaii statutes that the Legislature passed and the Governor signed into law. What is more, the repeated suggestion that getting rid of impact fees will help reduce the cost of affordable housing for Hawaii's families is simply not true – and I submit that those in the real estate industry, like so many of you on the board, know that this is not true. The fact is that when affordable housing is built, say for example at 80% AMI, because of the subsidies they likely receive, they must stay at 80% AMI for consumers. Therefore the only benefit of doing away with impact fees is to the direct profits of the developer and their affiliated partners in the industry, and this increased profit is at the direct expense of Hawaii's school children.

If in fact the industry ties of members are not affecting decisions, there still seems to be at least the appearance of impropriety to a reasonable observer. In my opinion, it is reasonable to ask and expect that members fully disclose potential conflicts of interest and/or recuse themselves from decision-making on this item so that, at the very least, the appearance of propriety is restored. Our keiki deserve better and I am one public school parent demanding better from our BOE.

Thank you for the opportunity to present testimony on this item.



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February 21, 2017

Hawaii Board of Education  
Finance and Infrastructure Committee Meeting  
Grant Chun, Chair  
Kenneth Uemura, Vice Chair

Aloha Chair Chun, Vice Chair Uemura and Members of the Committee,

We would like to provide comment for **Agenda Item V. A. Committee Action to designate the Kalihi to Ala Moana School Impact Fee District.**

Hui for Excellence in Education, or “HE’E,” is a statewide coalition of diverse stakeholders committed to working collaboratively to identify opportunities to improve public education in Hawai‘i. HE’E seeks to be the focal point for community and parent engagement while serving as a public resource for educational policy.

We submitted testimony in support for the school impact fees for the Kalihi to Ala Moana district at the November 15, 2016 Finance and Infrastructure Committee meeting and we continue to stand by our testimony in support. We reiterate that the state’s general funds alone cannot support the construction of new schools and the maintenance our aging schools so we believe that additional revenue streams are needed to support schools. We appreciate the Department’s adjustment to lower the fee to \$5858 per unit from \$9374 per unit.

If the impact fees should be approved, we also still recommend the Department create an effective communication strategy to inform the public about the fees. The issue is not easy to understand without clear explanation so we hope that communication will be a priority. We would be happy to work with the Department as a community focus group to help craft the message.

Thank you for the opportunity to testify. Our support represents a 75% consensus or more of our voting membership.

Sincerely,

Cheri Nakamura  
HE’E Coalition Director

HE'E Member List

Academy 21

After-School All-Stars Hawaii

Alliance for Place Based Learning

\*Castle Complex Community Council

\*Castle-Kahuku Principal and CAS

Coalition for Children with Special Needs

\*Faith Action for Community Equity

Fresh Leadership LLC

Girl Scouts Hawaii

Harold K.L. Castle Foundation

\*Hawai'i Afterschool Alliance

\*Hawai'i Appleseed Center for Law and Economic Justice

\*Hawai'i Association of School Psychologists

Hawai'i Athletic League of Scholars

\*Hawai'i Charter School Network

\*Hawai'i Children's Action Network

Hawai'i Nutrition and Physical Activity Coalition

\* Hawai'i State PTSA

Hawai'i State Student Council

Hawai'i State Teachers Association

Hawai'i P-20

Hawai'i 3Rs

Head Start Collaboration Office

It's All About Kids

\*INPEACE

Joint Venture Education Forum

Junior Achievement of Hawaii

Kamehameha Schools

Kanu Hawai'i

\*Kaua'i Ho'okele Council

Keiki to Career Kaua'i

Kupu A'e

\*Leaders for the Next Generation

Learning First

McREL's Pacific Center for Changing the Odds

\*Native Hawaiian Education Council Our Public School

\*Pacific Resources for Education and Learning

\*Parents and Children Together

\*Parents for Public Schools Hawai'i

Punahou School PUEO Program

Teach for America

The Learning Coalition

US PACOM

University of Hawai'i College of Education

YMCA of Honolulu

*Voting Members (\*) Voting member organizations vote on action items while individual and non-voting participants may collaborate on all efforts within the coalition.*