

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 768-8000 • FAX: (808) 768-6041
DEPT. WEB SITE: www.honolulu.gov/dpp • CITY WEB SITE: www.honolulu.gov

NOV 04 2016

KIRK CALDWELL
MAYOR



ARTHUR D. CHALLACOMBE
ACTING DIRECTOR

KATHY K. SOKUGAWA
ACTING DEPUTY DIRECTOR

November 1, 2016

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

Dear Chair 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.
 - Within the constraints of Chapter 302A, Hawaii Revised Statutes (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.
 - 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.)

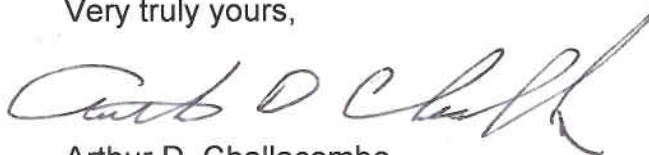
- o Please consider utilizing existing school property in an attempt to significantly reduce the fee amount. This approach would only require covering construction costs and not land. Chapter 302A of the HRS may need to be amended to allow for a higher percentage of the fee to be applied towards construction, 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.

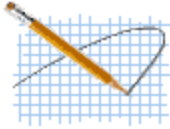
Should you have any questions, please call me at 768-8000.

Very truly yours,



Arthur D. Challacombe
Acting Director

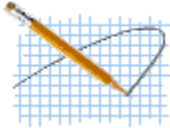
cc: Dann Carlson, DOE Assistant Superintendent
Kenneth Masden
Heidi Meeker



boe_hawaii@notes.k12.hi.us
11/14/2016 07:34 AM

To Testimony BOE/HIDOE@HIDOE
cc
Subject Fw: testimony related to increase in impact fees

----- Forwarded by BOE Hawaii on 11/14/2016 07:34 AM -----



Peggy Graybill <graybip@fastmail.com>
11/12/2016 07:08 PM

To boe_hawaii@notes.k12.hi.us
cc
Subject testimony related to increase in impact fees

My name is Peggy Graybill and I am a member of Faith Action for Community Equity and the Housing Now! coalition. I oppose raising impact fees along the HART corridor from Kalihi to Ala Moana. Raising the impact per unit to \$9,374 will discourage future development of low income affordable housing and the development of the rail, which is key to the working poor being able to live outside very expensive Honolulu and still be able to work in the city. I also oppose applying the impact fee to accessory dwelling units, who tenants will more than likely be individuals without children because to there small size.

Go faster alone, go farther together

Peggy Graybill

**

This email was scanned by the Cisco IronPort Email Security System contracted by the Hawaii Dept of Education. If you receive suspicious/phish email, forward a copy to spamreport@notes.k12.hi.us. This helps us monitor suspicious/phish email getting thru. You will not receive a response, but rest assured the information received will help to build additional protection. For more info about the filtering service, go to <http://help.k12.hi.us/spam/>

**



November 12, 2016

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

Re: Proposed Impact Fee Increase on TOD housing development from Kalihi to Ala Moana

Testimony in Opposition

Chair Mizumoto, and members to the Board of Education I'm here today on behalf of the Hawaii Habitat for Humanity Association and Honolulu Habitat for Humanity affiliate to testify in opposition to raising school impacts along the Kalihi to Ala Moana HART route.

I am sure that Board of Education is aware that our state is in the midst housing crisis. In Honolulu Governor Ige envisions building 10,000 new housing units by 2020. I answer to our housing crisis all Habitat affiliates across the state have begun to gear up housing construction. In Honolulu, we are gearing up to focus on affordable housing projects along the HART rail line, as is consistent with the Downtown Neighborhood Transit-Oriented Development (TOD) Plan released by the City & County of Honolulu.

Raising the school impact fee to \$9,374 per unit will have the consequence of decreasing the number of units that we can build. Unlike high-end luxury housing developers, such as Howard Hughes Corporation or Kobayashi Group who can pass along the impact fee to market rate buyers. Habitat's model uses volunteer and "sweet equity" by the family members who build the homes for affordability reasons. Habitat underwrites a no interest mortgage for the cost of construction to families earning 30-80% of the Area Median Income. This impact fee will increase the cost for the Habitat homeowner by as much as 6-10% of the full mortgage amount, will have a direct impact on affordability for the lowest income families that Habitat serves, which are also the most in need of a decent home.

As you may know, housing conditions have a direct impact on the education of our children and young adults. When a family lives in substandard housing, not only does the family struggle with health care issues, but also struggles with receiving a decent education. Low income children deserve a good education and an environment that will help them receive it. The right to a decent home to live in is an excellent start to helping them break the cycle of poverty and improve their lives both at home and in their communities.

Habitat has also begun to market affordable ADU's and Ohana Units to help alleviate our housing crisis and home overcrowding. We believe that impact fee increase will effectively discourage many middle income families pursuing an ADU building option.

In closing we would like to note, that we fully concur with the testimony submitted by the City & County of Honolulu, Department of Planning and Permitting that the impact fee being proposed needs to be refined, and that current fee impact proposal before the Board if passed, will inhibit the building of truly affordable ownership housing within downtown TOD zones.

Respectfully,

A handwritten signature in dark ink, appearing to read 'G. Massengale', written in a cursive style.

George S. Massengale
Director for Community Engagement



**Patrick
Zukemura
Statewide
President**

**Napua Amina
Maui President**

**Kathleen Jaycox
Oahu President**

**Keith Webster
Statewide
Treasurer**

**Rev. Piula
Ala'ilima
Oahu
Representative**

**Karen Ginoza
Oahu
Representative**

**Kehaulani
Filimoe'atu
Maui
Representative**

**Rev. Elvis Osonis
Maui
Representative**

**Thelma Akita-
Kealoha
Maui
Representative**

**Rev. Stan Bain
Transition
Coordinator**

**Rev. Tasha
Kama
Maui Lead
Organizer**

November 14, 2016

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

Dear Mr. Mizumoto and Board Members

As a leader of Faith Action for Community Equity (FACE) I respectfully submit this testimony in opposition to the proposed increase in impact fees along the HART corridor from Kalihi to Ala Moana. I am a strong believer and advocate for the public school system; both of my children graduated from Kauai High School well prepared for college.

FACE is an inter-faith, faith based Community Organization committed to making life more affordable for disenfranchised and working class families and individuals. Currently a major emphasis of FACE is to increase access to affordable rental units by lower-income residents. Our vehicle for this campaign is via the **HOUSING NOW COALITION** of which FACE is the sponsor and primary leader. From the outset FACE has supported the construction of Honolulu Area Rapid Transit because it would create opportunities to construct more affordable housing for working class people to live closer to their job sites.

The State of Hawai'i and the City and County of Honolulu have made concessions to make land more available and to reduce fees in order to reduce construction costs, thus leading to reduced rental fees. Please do not enact a policy which would reverse the progress which has been made in order that our people may have a place to call HOME.

The proposed impact fee of \$9,374.00 per unit will make it virtually impossible for developers to build more dwellings at affordable rental rates for lower income and working class families. Therefore I urge you to seek alternative ways of providing quality public school facilities without penalizing those who can least afford it and jeopardizing opportunities to construct more affordable dwelling units – including accessory dwelling units (ADU's).

Yours truly,

A handwritten signature in black ink that reads "Stanley Bain". The signature is written in a cursive, flowing style.

Rev. Stanley Bain
808-282-6734



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

**TESTIMONY FOR AGENDA ITEM V, A, 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, November 15, 2016, 11:00 AM

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-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, 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, too, perhaps more than their affluent peers. 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 Kalihi 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 Kalihi 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

841 Bishop St., Suite 301
Honolulu, Hawaii 96813



Telephone: 808 926-1530
Contact@HEECoalition.org

November 15, 2016

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 testimony in support for School Impact Fees for the Kalihi to Ala Moana 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 support the impact fees for this district. We understand that potentially up to 39,000 multi-family units and approximately 10,000 public school students would be impacted in the district due to residential development associated with Honolulu’s Rapid Transit, which translates to 6 elementary schools and 1.5 middle and high schools. State General Funds are insufficient to accommodate even repair and maintenance of our schools (2016 backlog of roughly \$300 million) let alone the building of new schools. The Hawaii State Legislature passed Act 237 in 2016 which allows the school impact fees to be used to purchase completed construction, construct new school facilities, improve or renovate existing structures for school use, or lease land or facilities for school use. Our aging schools are not able to accommodate well the educational needs of our students, and so we believe that additional revenue streams are needed to support schools.

We also feel that there is urgency to this initiative since much development in Kaka’ako has already started without school impact fees. Impact fees were implemented for the Leeward Coast, West and Central Maui and West Hawaii, where high population growth required the establishment of new schools or the expansion of existing schools to accommodate new students. Impact fees for the area from Kalihi to Ala Moana District is consistent with this rationale because of the demographic changes projected.

If the school impact fees should be approved, we suggest that 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 (July 2016)

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

*Hawa'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

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.*



P.O. Box 235950
Honolulu, HI 96823

stanbain@facehawaii.org
catgraham48@gmail.com
www.facehawaii.org

Oahu Officers

Kathy Jaycox, President
Rev. Liz Leavett, Vice President,
Clergy
Jon Davidann, Treasurer
Peggy Graybill, Secretary

Maui Officers

Napua Amina, President
Kehau Filimoeatu, Treasurer
Rev. Elvis Killion Osonis, Clergy
Caucus Chair

Staff

Rev. Stanley Bain, Acting Director
Rev. Tasha Kama, Maui Organizer

November 14, 2016

Board of Education

Testimony Opposing Impact Fees on Affordable Housing Development

Dear Members of the Board of Education,

I understand that the building of our rail system offers exciting opportunities for the rejuvenation of Honolulu along the line. More housing means more people, more people mean more children. More children mean a need for new schools. I get it.

But we at FACE advocate for those without a voice. Those who cannot afford high rents and certainly can't afford to buy. But they too need a home. **We have staunchly supported the rail project because of its promise of affordable housing near public transportation so our low income folks won't need a car to get to their urban jobs.**

Assessing the impact fee on the affordable housing developments will kill the whole idea of affordable housing – plain and simple. When we say "affordable", we mean 30 to 80% of the area median income, a level at which developers just squeak by with a low profit. **Please do not kill affordable housing in the TOD area.**

Warmest aloha,
Catherine Graham
FACE Investment Drive Coordinator



KAMEHAMEHA SCHOOLS®

Date: November 15, 2016
Meeting: Hawai‘i State Board of Education General Meeting
Location: Queen Lili‘uokalani Building
Re: Transit-Oriented Development School Impact Fee Zone Proposal

Kamehameha Schools appreciates and supports the BOE’s efforts to find the appropriate resources required to make quality education available to all of Hawai‘i’s children, and we support a process by which those requirements are met as fairly, efficiently and effectively as possible.

We believe that consideration of existing schools and facilities for reach and impact before new schools are constructed, as currently practiced by the BOE and the Department of Education, is an example of prudent resource stewardship. We hope that the presence and capacity of public charter schools in each area are also considered.

As a perpetual Native Hawaiian Trust and landowner with a desire to ensure affordable housing opportunities are available for Hawai‘i’s families on our lands, we have great interest in learning more about the probable impact these additional fees will have on the affordability of housing in the urban core – an issue the community is grappling with, statewide.

These are difficult and important issues, and we believe that a larger analysis, relating to the effects of these fees on the community, could help in ensuring Hawai‘i’s most vulnerable families are least affected by the outcomes of decisions made today.

We highly encourage input from stakeholders, families and the general public and believe that the feedback received will help guide an equitable decision-making process that can advance both education and affordable housing in Hawai‘i.

Mahalo.



1200 Ala Kapuna Street ♦ Honolulu, Hawaii 96819
Tel: (808) 833-2711 ♦ Fax: (808) 839-7106 ♦ Web: www.hsta.org

Corey Rosenlee
President
Justin Hughey
Vice President
Amy Perruso
Secretary-Treasurer
Wilbert Holck
Executive Director

TESTIMONY BEFORE THE BOARD OF EDUCATION
FINANCE AND INFRASTRUCTURE COMMITTEE

RE: AGENDA ITEAM V, A, KALIHI TO ALA MOANA SCHOOL IMPACT FEE DISTRICT.

TUESDAY, NOVEMBER 15, 2016

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.

On Nov. 23, 2012, a 40-foot section of Farrington High School's auditorium roof collapsed during a brief, but heavy downpour. Thankfully, no one was injured. It took \$11.9 million and four years to repair the damage, however, with the newly renovated auditorium opening just this week. While not directly tied to school capacity, Farrington's misfortune exemplifies a problem our schools face across the state: aging, dilapidated infrastructure.

Hawaii's public school buildings are approximately 65-years-old on average. Though Department of Education officials have steadily lessened the state's repair and maintenance backlog, the cost of projects waiting to be performed continues to run into the hundreds of millions of dollars. Infrastructure and capacity problems are particularly painful for developing communities, like the 'Ewa Plain, which has seen rapid residential growth over the past two decades and will welcome 28,000 more buildings by the year 2021. Yet, Campbell High School, 'Ewa Beach's flagship secondary school, has a student population of over 3,000, approximately 1,300 students more than its corridors were built to withstand. As Hawaii News Now reported in May, Campbell's enrollment has swelled so much that lunch must be served from multiple buildings *besides* the cafeteria and the school's 44 portables have seized a neighboring elementary school's playground.

Implementing school impact fees can prevent Honolulu's urban core from experiencing Campbell-like overcrowding. School impact fees are a method of financing new or expanding existing Department of Education facilities, in partnership with developers of new residential areas. Residential developments create demand for public school facilities. To meet the academic needs of communities undergoing new construction, the Board of Education may designate school impact districts and require developers to contribute toward the cost of increasing school capacity. Costs borne by developers—and, in turn, property purchasers—are consistent with proportionate fair-share principles, meaning that residential developments within designated school impact districts pay construction costs that are proportionate to their impact.

Kaka'ako, part of the proposed impact fee district under consideration, is rife with high-rise projects and housing proposals that will bring families into the area and students into public schools. Roughly 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. Creating mixed use schools that encompass grades K-12 and filling empty space at schools operating below capacity are demographically unsustainable solutions. What is needed, instead, is funding to subsidize school construction, renovation, and property acquisition.

All options for generating revenue must be on the table, including expanding school impact fees. During the 2016 legislative session, lawmakers approved measures allowing impact fees collected in Honolulu's urban core to be spent on purchasing completed construction, leasing land or facilities, and improving or renovating existing structures for school use. Ideally, we would like to see impact fees expanded to the entire state, with the same uses permitted in the urban core extended to all impact districts. While we support the collection of impact fees in the proposed Kalihi to Ala Moana impact fee district, we urge the board and the department to consider designating all places in which impact fees are not currently assessed as an individual or separate impact districts, thereby maximizing revenue generation and ensuring that future developers, residential investors, and home purchasers pay their fair share in educating our keiki.

A quality education is priceless. To provide more equitable public school funding, the Hawaii State Teachers Association asks the board to **support** this proposal.



Via E-Mail and Hand-Delivery

November 15, 2016

Grant Chun, Chairperson
Kenneth Uemura, Vice Chairperson,
and Members of the Finance and Infrastructure Committee
State of Hawaii Board of Education
P.O. Box 2360
Honolulu, Hawaii 96813

**Testimony in Opposition to Proposed Designation of Impact Fee
District from Kalihi to Ala Moana**

**Tuesday, November 15, 2016, at 11:00 a.m., at Queen Liliuokalani
Building, 1390 Miller Street, Room 404, Honolulu, Hawaii 96813**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

For consideration before this Committee, is the proposal by the State Department of Education (DOE) to designate a School Impact Fee District from Kalihi to Ala Moana, pursuant to authority afforded the DOE by Hawaii Revised Statutes (HRS), Chapter 302A, Sections 1601–1612, to collect school impact fees within defined impact fee districts approved by the Board of Education (BOE).

The DOE has acknowledged that the school impact fee law, Act 245 (2007) was largely the initiative of LURF. Thus, LURF fully supports reasonable and equitable school impact fees and understands the need of the DOE to fund justified development, expansion, or remodeling of State schools to meet projected growth in enrollment, however, it also believes that due to the

significant negative consequences and economic implications which may potentially arise from the proposed designation, any resulting districting and impact fees must be reasonably based on accurate and credible facts and analysis, and must involve participation of, and collaboration with, all stakeholders affected by such designation.

In order that any consideration be given, or any action be taken whatsoever by this Committee relating to the proposed designation, the following concerns must necessarily be taken into consideration and included in the Committee's review and discussion of this significant matter.

LURF's Position. This matter should be deferred for 6 months to allow DOE to engage in further meetings with the LURF, the housing developers, State housing agencies, the City and County of Honolulu, and other parties most affected by DOE's school impact fee proposal. We hope that the deferral and meetings with DOE will address the reasonableness and accuracy of the DOE's assumptions and methodology relating to the DOE's proposed Ala Moana to Kalihi school impact fees designation and impact fees and possible further revisions.

LURF believes that this matter should be deferred for the following reasons:

1. **Lack of DOE outreach to stakeholders and parties most affected by the proposed designation.** Act 245 was largely the initiative of LURF, and in the past, DOE has requested face-to-face meetings with LURF and its members for feedback and comments on DOE's proposed changes to the impact fee law. LURF members, other private and non-profit housing developers, state housing agencies, as well as the City and County of Honolulu will be detrimentally affected by the proposed amount of DOE's school impact fees, however, DOE has not sought specific input or had any discussions with LURF and its members, or the private and government stakeholders.
2. **What's the plan? Lack of definition or explanation of an urban in-fill school.** The first problem appears to be that there is no definition of what an urban in-fill school will be, enrollment wise or anything else. This definition is necessary, because it will affect the proposed acreage and costs of construction of any new urban classrooms or schools.,
 - a. What is the typical elementary, middle and high school for urban in-fill?
 - b. Will it be vertical or multi-story? If so, how high?
 - c. Will there be other uses on the property? If so, what other uses?
 - d. What facilities will each school have at a minimum (i.e. cafeteria, playground, football/baseball fields, gym, parking lots, etc.)?

3. Unrealistic assumptions and flawed formula and justification for “new BOE policy” regarding acreages required for new urban in-fill schools.

The major flaw is that schools from Kalihi to Ala Moana (including Kakaako) areas should not be lumped together. These are two distinct areas, with different demographics, school site challenges and opportunities, so the proposed designation areas should be separated.

Another major flaw is that the impact fee designation area should be broadened to include consideration of the available school sites, classrooms, and impacts to the entire Honolulu district, particularly the Moanalua, Roosevelt and Kaimuki High School complexes.

The reality is that DOE will not be purchasing acres of land for new schools, it will probably be building vertical on existing school sites, adopting new standards for *21st Century Schools*, using available DOE or state lands, or at the most purchasing some lands or buildings in areas surrounding existing schools. However, it appears that instead of focusing on the reality - the DOE has used the 13 existing schools in urban Honolulu (including under-enrolled schools) to come up with what appears to be average acreages for public schools in the proposed impact fee district in urban Honolulu (*Table B-2 Average Acres per Student for Schools in the Proposed District, p.24 and Table B-9 BOE Policy on Number of Schools Required: Minimum, Maximum and Average Size Schools, p. 29*), and appears to have based their average acres per student for future needed schools or facilities, on the following averages:

- Elementary schools = 5.12 acres
- Middle Schools = 8.64 acres
- High Schools = 36.05 acres

Most of the schools in the Honolulu district are under-enrolled, or below capacity. DOE’s calculations would have been more accurate if its formula used the “*total enrollment capacity*” of the school sites and the “*Maximum Enrollment*” for the various schools, (p. 29), rather than the “*Total 15-16 enrollment of All Area Schools.*”

The following are our calculations based on the DOE’s Draft Analysis:

- **Elementary – 750 students** (current average for the nine Elementary schools in proposed district is **429 students**)
- **Middle – 1,000 students** (current average for the 2 Middle Schools in the proposed district is **693**)

- **High School – 1600 students** (current average for the two high schools McKinley and Farrington is **1,990**, however, the proposed district does not include Moanalua, Roosevelt and Kaimuki High Schools)

Also, by basing its formula on “*existing schools*,” it appears that DOE assumes that there will be no “vertical school” construction at existing or new school sites.

More importantly, it is highly unlikely that the DOE will be purchasing such acreages for school sites in urban Honolulu. More realistic planning, updated information and analysis should be done.

Finally, there is a danger that by adopting the present version of DOE’s impact fee formulas and proposal, that the BOE will also be adopting a “new policy” requiring 36 acres for new high schools in the urban district.

4. **Different values per acre depending on the type of school.** DOE’s proposal also appears to use different values per acre depending on the type of school (*Table B-4 Fee-in-Lieu of Land*, p. 25). There is no explanation regarding how DOE came up with the difference in land values based on the type of school. The values of the school sites should be based on location, not type of school.
5. **Questionable estimates of construction costs.** The other area of concern is that there should be a better explanation of how DOE determined its construction cost assumptions (*Construction Fee Formula for Each Unit*, p. 27). There is a concern that the DOE’s assumptions may be from Act 247 (2007), greenfield projects that do not usually include and emphasize on *vertical construction* and are not similar to the urban in-fill schools (*Footnote 3*, p. 27). It is generally known that vertical construction costs are higher. Careful analysis may result in higher construction costs, but little or no land acquisition costs (see above).
6. **DOE’s written analysis does not comply with the legal requirements of the impact fee law, because it fails to include sufficient information and analysis of surrounding school districts around the proposed school impact district.** The DOE School Impact Fee law requires that prior to the designation of a school impact fee district, DOE must prepare a written analysis (“Analysis”) containing maps and legends describing *surrounding districts* and school enrollments at existing school facilities in and *around* the school impact district. Hawaii Revised Statutes (HRS) 302A-1604 (b) (1). The Analysis must also include the advantages and disadvantages of making more

efficient use of existing or *underused assets* in the school impact district through school *redistricting*. HRS 302A-1604 (b) (1).

However, the current DOE analysis does not consider any information relating to the surrounding districts (Moanalua, Roosevelt and Kaimuki High Schools). Since Analysis must consider surrounding school districts, underused assets and redistricting, LURF respectfully requests that DOE identify and provide information relating to all DOE facilities and assets owned or operated by DOE over the past ten (10) years, including, without limitation, the name and location of such facilities; the historical data of student enrollments and/or use of such facilities and/or assets over the past ten (10) years; redistricting information; and requests that the DOE's Analysis be revised to include such information and analysis.

7. **DOE's Analysis is flawed, because its "Student generation rates" are not based on historical information relating to the number of units built and the change in school enrollments for the proposed impact fee area and surrounding areas over the past ten (10) years.** Our recollection is that for the Kona DOE impact fees, Ho'okuleana (Peter Young) did the research, and they and LURF successfully challenged the use of a DOE demand formula based on demand created by housing built in the suburban communities of Kapolei and Mililani. Instead, Ho'okuleana presented evidence of the number of residential building permits issues for the past 10 years, and compared it with DOE school enrollment in the Kona area. Since Kona is a vacation community, and many of the school-aged children living in Kona attend private or charter schools; the findings were that over the immediately preceding 10 years, the building permits INCREASED, yet the DOE enrollment DECREASED! Thus, we were able to successfully argue the DOE's Analysis and proposed fee calculations were excessive and not based on accurate and objective evidence. We are not sure if DOE did such an analysis for this proposal, but if not, a similar analysis should be done in this case.
8. **The DOE's Analysis should address the 21st Century Schools program.** LURF would argue that DOE must reconsider its land and classroom requirements for new schools, which would include, among other things, a smaller footprint and multi-story classrooms.
9. **The DOE's Analysis lacks comprehensive and serious consideration of alternatives.** Such alternatives include:
 - a. **"re-drawing district boundaries"** to increase enrollment at underutilized schools;

- b. **"Expanding existing schools"** instead of building brand new schools; and
- c. **"Re-opening closed schools."** Over the years, DOE has "closed" at least three elementary schools in the Honolulu District (Pohukaina School in Kakaako, Liliuokalani School in Kaimuki and Wailupe School in Aina Haina), so the DOE study must consider reopening those existing school properties, before building new ones.

10. **Opportunity and legal obligation for DOE to efficiently and economically utilize its properties.** A recent law allows pilot projects for DOE to utilize school sites for income for new schools and construction of new schools. LURF would argue, among other things, that there are a number of vacant or underutilized DOE school sites (Beretania St./Young St. Near art Museum, and old Kapiolani Community College adjacent to McKinley high School). DOE should already be implementing this law - thereby making income for DOE in the Honolulu District and reducing the amount of impact fees in the Honolulu area.

LURF hopes that the old Pohukaina School site, in the middle of Kakaako, is one of the projects being considered under this law – which will have a major impact on this current DOE analysis. Thus, it is critical for the DOE to identify and analyze the Pohukaina site, as well as others in the Ala Moana to Kalihi areas, and surrounding areas.

Based on the above, LURF respectfully urges this Committee to carefully consider all the facts and circumstances relating to the designation proposed to be made, and at the very least, defer taking any action until all issues and concerns relating to this very significant decision have been thoroughly reviewed and vetted.

Thank you for the opportunity to provide comments regarding this matter.

STANFORD CARR DEVELOPMENT, LLC

1100 Alakea Street, 27th Floor
Honolulu, HI 96813

November 14, 2016

State of Hawaii, Board of Education
Finance and Infrastructure Committee

RE: Proposed Kalihi to Ala Moana School Impact District

This letter shall serve as written testimony on behalf of Stanford Carr Development, LLC **in opposition** to the proposed Kalihi to Ala Moana School Impact District to address the anticipated growth in Department of Education (“DOE”) schools resulting from expected residential growth in the four-mile area along the eastern most path of the Honolulu Area Rapid Transit in urban Honolulu.

The proposal of this impact fee is ill-timed as Honolulu is nearing the peak of the development cycle for higher density residential development. Construction costs have increased dramatically in recent years. To further compound matters, land prices remain high as landowners continue to demand top dollar for land along the rail. Such market factors place upward pressure on sales prices resulting in the higher cost of ownership.

Per the Draft Analysis of the Kalihi to Ala Moana School Impact District, the DOE anticipates the new housing to be located almost exclusively in high density, high-rise buildings. The analysis has determined that the Kalihi to Ala Moana school impact fee would equate to approximately \$9,374 per new unit. However, the proposed impact fee fails to account for the cost of constructing the housing unit. On a square foot basis, the cost to build high density residential housing is nearly double the cost to construct a single family home. As such, this impact fee would render high density transit-oriented development infeasible. For example, in a new condominium project with a 20% reserved housing requirement similar to that imposed by the Hawaii Community Development Authority, the sales price of market units must absorb their respective unit fees as well as that of the subsidized units. As such, a developer would need to either pass the additional costs on to the buyer or negotiate a lower land price in order to maintain a profit margin sufficient to finance the project. In the current marketplace, a developer will likely opt not to proceed with development.

In addition, the proposed impact fee is uniformly applied to all residential development and fails to provide exemptions to developers of small projects, individual home builders, government housing, or other affordable housing projects. As such, the school impact fee stands to impede the development of affordable housing. For example, we are currently developing Hale Kewalo, an affordable rental housing project on the corner of Kona and Piikoi Streets along the rail guideway and next to the Ala Moana transit station. The project will provide 128 affordable rental apartments consisting of one, two and three bedroom units to families earning between 30 and 60 percent of the Area Mean Income (AMI). In addition to free land, Hale Kewalo utilizes both federal and state low-income housing tax credits, tax-exempt bonds, and monies from the state’s highly competitive Rental Housing Revolving Fund. The proposed impact fee would require an additional \$1.28M in capital that the project does not have. As such, the proposed impact fee will greatly jeopardize the development of affordable rental housing by increasing the cost of projects already fully leveraged with federal and state subsidies.

In closing, the proposed impact fee will result in increased prices for consumers, lower revenue for developers, depressed prices for undeveloped land and decrease the supply of new construction.

In closing, I hope that you take my comments into consideration and carefully weigh the proposed Kalihi to Ala Moana School Impact District against the need for more affordable housing in Honolulu.

Respectfully submitted,
STANFORD CARR DEVELOPMENT, LLC

A handwritten signature in black ink, appearing to read 'Stanford S. Carr', with a long horizontal line extending to the right.

Stanford S. Carr