A BILL FOR AN ACT
RELATING TO SCHOOL IMPACT FEES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that school impact fees are a method of financing new, or expanding existing, public school facilities in partnership with developers of new residential projects. In turn, state law requires developers to contribute toward the construction of new, or the expansion of existing, public schools that serve the surrounding communities. Costs borne by developers and property purchasers are consistent with proportionate fair-share principles that require residential developments within designated school impact districts to pay construction costs proportionate to their impact.

The legislature further finds that, despite shifting developmental and population patterns, school impact fees have not been fully effectuated in Hawaii since their enactment in 2007. In high-growth areas like Kakaako, housing projects bring new families into the area which increases the demand for public school facilities. According to the Hawaii community
development authority, approximately five thousand new
condominium units are scheduled to be built in Kakaako by 2018,
with the population of the district expected to double and reach
thirty thousand people in the next fifteen years. Existing
school facilities cannot accommodate the projected growth in
student population.

The legislature additionally finds that school overcrowding
is a problem throughout Hawaii's public school system.
Innovative financial instruments are needed to finance new
school construction, as well as to provide funds to repair,
maintain, and upgrade existing school facilities.

Accordingly, the purpose of this Act is to expand the use
of funds collected from school impact fees to include:

(1) Leasing, purchasing, or constructing new school
facilities;

(2) Leasing or purchasing completed construction for
school use; and

(3) Improving or renovating existing school structures.

SECTION 2. Section 302A-1608, Hawaii Revised Statutes, is
amended to read as follows:
§302A-1608 Accounting and expenditure requirements. (a)

Each designated school impact district shall be a separate benefit district. Fees collected within each school impact district shall be spent only within the same school impact district for the purposes collected.

(b) Land dedicated by the developer shall be used only as a site for the construction of one or more new schools or for the expansion of existing school facilities. If the land is never used for the school facility, it shall be returned to the developer, or the developer's successor in interest. Once used, the land may be sold, with the proceeds used to acquire land for school facilities in the same school impact district.

(c) If the land is not used for a school facility within twenty years of its dedication, it shall be returned to the developer, or the developer's successor in interest.

(d) Once used for school facilities, all or part of the land may be later sold. Proceeds from the sale shall be used to acquire land for school facilities in the same school impact district.

(e) Fee in lieu funds may be used for [school]:
School site land acquisition and related expenses, including surveying, appraisals, and legal fees; (2) Leasing or purchasing completed construction for school use; (3) Constructing new school facilities at new or existing school sites; (4) Leasing land or facilities for school use; and (5) Improving or renovating existing school structures for school use.

[With the exception of urban Honolulu, fee] Fee in lieu funds shall not be used [for the maintenance or operation of existing schools in the district; construction costs, including architectural, permitting, or financing costs; or] for administrative expenses.

[(f)]—Notwithstanding any other law to the contrary, fee in lieu funds from projects within a county-designated transit oriented-development zone may also be used to purchase completed construction, construct new school facilities in new or existing school sites, improve or renovate existing structures for school use, or lease land or facilities for school use within a county-designated transit-oriented development zone.
{(g)} Notwithstanding subsection (c), in urban Honolulu, fee-in-lieu funds may 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.

{(h)} Construction cost component impact fees shall be used only for the costs of new school facilities that expand the student capacity of existing schools or add student capacity in new schools. Construction cost component impact fees may not be used to replace an existing school located within the same school impact district, either on the same site or on a different site.

{(i)} Eligible construction costs include planning, engineering, architectural, permitting, financing, and administrative expenses, and any other capital equipment expenses pertaining to educational facilities.

{(j)} Construction cost component impact fees shall not be expended for:

1. The maintenance or operation of existing schools in the district; or
2. Portable or temporary facilities.
If a closure, demolition, or conversion of an existing permanent department facility within a school impact district that has the effect of reducing student capacity occurs, an amount of new student capacity in permanent buildings equivalent to the lost capacity shall not be funded with school impact fees.

Fees in lieu, proceeds from the sale of all or part of an existing school site that has been dedicated by a developer pursuant to the requirements of this subpart, and construction cost component impact fees shall be expended or encumbered within twenty years of the date of collection. Fees shall be considered spent or encumbered on a first-in, first-out basis. An expenditure plan for all collected impact fees shall be incorporated into the annual budget process of the department and subject to legislative approval of the budget.

As used in this section, "urban Honolulu" means the Kalihi to Ala Moana school impact district."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.
SECTION 4. This Act shall take effect upon its approval.

INTRODUCED BY: 

[Signatures]
Report Title:
School Impact Fees; Expenditure Requirements; Expansion

Description:
Expands the authorized uses of funds collected from school impact fees to include spending on new school facilities, purchase of completed construction for school use, and improvement of existing school structures.

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