

FEE ANALYSIS FOR THE KALIHI TO ALA MOANA SCHOOL IMPACT FEE DISTRICT



The Kalihi to Ala Moana District with Schools Serving the Area and the 1/2 mile Radius Around Each Rail Station

The Purpose of the Fee Analysis

The law establishing school impact fees, Chapter 302A-1601 to 1612, Hawaii Revised Statutes (HRS) has only one specific requirement for the content of the Fee Analysis defined in Section 1605, HRS. The requirement is a discussion of the “advantages and disadvantages of statewide school site areas and design enrollment standards that may be appropriate for application in the particular school impact fee district.”

The Hawaii State Department of Education (HIDOE) proposed a Kalihi to Ala Moana (KAM) School Impact Fee District through the release of the *Draft Analysis of the Kalihi to Ala Moana School Impact District, January 21, 2016* (2016 Analysis). The analysis met the requirements of a written analysis set in Chapter 302A-1604, HRS. A copy of that analysis is available on the HIDOE website, www.hawaiipublicschools.org, by searching the topic “School Impact Fees.”

Nine months following the May 23, 2017 Board of Education (BOE) designation of a KAM school impact fee district, the BOE adopted new Urban Area Guidelines (UAG) for new school campus sizes and enrollment on February 15, 2018.

The new guidelines effectively eliminated the need for further discussion of school site areas or design enrollments as they are the standards that will be followed in the KAM District. A brief review of prior considerations is included on page 7.

The New Policy on Urban Area Guidelines

In February 2018, the BOE approved an amendment to its policy guidelines on school size, Policy 301-2 Creating Communities of Learners, to include new guidelines for new schools in existing urban areas.

All discussion of advantages and disadvantages of the standards took place in the consideration of the new urban policy, which the BOE has adopted. The new guidelines provide the foundation for calculating school impact fees for urban areas.

The UAG set a range of new school area acreages of:

1. 2.5 to 3 usable acres for elementary schools (from pre-kindergarten through grade 5);
2. 5 to 6 usable acres for middle schools (from grade 5 through grade 8); and
3. 8 to 10 usable acres for high schools (from grade 9 through grade 12).

The UAG also provided design enrollments for new urban schools. Design enrollment is defined in the impact fee law as “the maximum number of students, or student capacity, a permanent school facility is designed to accommodate.”

The UAG uses the same range of student enrollments as the existing Policy 301-2 although the elementary school enrollments were expanded to include pre-kindergarten students.

The range of student enrollment for new schools in urban areas is:

1. 400 to 750 students for elementary school (from pre-kindergarten through grade 5);
2. 500 to 1,000 students for middle school (from grade 5 through grade 8); and
3. 800 to 1600 students for high school (from grade 9 through grade 12).

An Introduction to the School Impact Fee Formula

School impact fees consist of a construction fee and a land fee. The land fee is paid in the form of future school land, dedicated by a residential developer, or a fee-in-lieu of land. The fee amounts are based on any residential project's proportionate share of the need to build additional public school facilities. Each new residential unit in a district pays the same fee. The number of units each developer builds determines the total amount of fees paid per project.

For the KAM district, the HIDOE is relying on the flexibility provided in the school impact fee law for "non-traditional facilities" in existing urban areas to modify the impact fee formula. This is discussed on page 8.

The Land Fee

The amount of school land required from developers is based on the following three variables as described in the Impact Fee law:

1. Projected number of new students generated within a proposed impact district;
2. The number of dwelling units in the development; and
3. The average acreage per student provided in recent new schools statewide.

The third variable has now been replaced by the average acreage per student stated in the new UAG. In the 2016 Analysis, there was a discussion about calculations based on the average acres of new schools statewide, and the average acres of existing schools within the boundaries of the proposed KAM district.

The projected number of new students is determined by multiplying the school impact fee district's Student Generation Rate (SGR) by the amount of proposed new units. (The SGR for the KAM school impact fee district is listed in Table 2 and Table 5.) The SGR is multiplied by the average acres per student to arrive at the total school land requirement for a particular development. (The SGR is the same as in the 2016 Analysis.)

Range Within the Guidelines

Based on the recently adopted BOE policy on UAG for new schools, the school acreage per student figures are shown in Table 1. The new guidelines (described on page 1) provide a range of campus acreages for urban area schools, a minimum and maximum size of a new school site. The guidelines also provide a minimum and maximum range of students. The HIDOE has determined, that for the purposes of calculating impact fee amounts, the minimum acreage and the maximum student count will be used.

**Table 1
Acres per Student Based On BOE Urban Area Guidelines**

BOE Urban Area Guidelines	Minimum Acres	Maximum Number of Students	Acres Provided to Each Student
Elementary Schools	2.5	750	0.00333
Middle Schools	5.0	1,000	0.00500
High Schools	8.0	1,600	0.00500

School Land Formula

To calculate the land dedication requirement for an individual project, the acres per student required for elementary, middle and high school is each multiplied by the total number of units in the project. The results are then added together for the total acreage required from each unit in the project. This is shown in Table 2.

According to the urban exception to the land formula described above, the amount of school land required to accommodate new students in the KAM school impact fee district is 0.050 acres for every 100 dwelling units.

**Table 2
Calculating the Land Cost Component of the School Impact Fees**

School Type	(1) Kalihi-Ala Moana SGR	(2) Number of Units per Project	(3) Avg. Acres per Student	Land fee in Acres for 1 Unit	Land fee in Acres for 100 Units
Elementary	0.06	1	0.00333	0.000200	0.020
Middle	0.03	1	0.00500	0.000150	0.015
High	0.03	1	0.00500	0.000150	0.015
Acreage for Kalihi to Ala Moana Proposed Units				0.000500	0.050

Fee-in-Lieu of Land

If the HIDOE determines it does not need land, it will notify a developer of a need for a fee-in-lieu of land.

The dollar amount of the fee-in-lieu of land is determined using the following formula: the total school land requirement multiplied by the value per acre of potential future school sites. The value per acre is based on the appraised fair market value of improved land that allows residential development, with all necessary infrastructure improvements. The HIDOE had appraisals conducted for the value per acre of land within the impact fee district's areas,

including land located in Ala Moana and Kalihi. These appraised values were adjusted for the average size of each type of school in the district. The fee-in-lieu values are shown in Table 3.

**Table 3
Fee-in-Lieu of Land**

School Type	Value Per Acre From Appraisal	Land Fee Per Unit (Acres)	Fee-in-Lieu Per Unit
Elementary	\$7,987,508	0.00020	\$1,597
Middle	\$5,743,452	0.00015	\$862
High	\$5,473,286	0.00015	\$821
Total Fee-in-Lieu of Land per Unit			\$3,280

School Construction Component

Developers are required to provide 10 percent of all new school construction costs needed to house students generated by their project.

The construction cost impact fee is based on the following five variables:

1. SGR for the KAM School Impact Fee District;
2. Recent statewide public school construction costs per student;
3. The statewide percentages of students in permanent school facilities;
4. The Department of Accounting and General Services' (DAGS) construction cost factor for each of Hawaii's 26 geographically defined cost districts; and
5. The number of units in the development.

SGRs were discussed earlier in this document. Recent public school construction costs per student are from the 2007 *Hawaii School Impact Fee Working Group Report*, with the addition of four schools built between 2007 and 2013. Public school construction costs have been escalated from 2006 to December 2013 using the Engineering News Record Construction Cost Index and adjusted for geographic construction cost differentials as specified by DAGS. The construction cost factor is 1.0 for urban Honolulu. The calculation of the construction component is discussed in detail in the 2016 Analysis.

Level of Service: Permanent and Portable Classrooms

The statewide percentage of permanent classrooms to all classrooms is below. Act 245 (2007) defines “level of service” as the percentage of classrooms that are in permanent structures, as opposed to portable buildings. Table 4 calculates the “level of service” used in the calculation of construction fees.

**Table 4
Statewide Permanent and Portable Classrooms**

	Permanent Classrooms	Portable Classrooms	Total Classrooms	Percentage of Classrooms that are Permanent
Elementary	4,894	988	5,882	83%
Middle	1,829	236	2,065	89%
High	2,483	443	2,926	85%
Total	9,206	1,667	10,873	85%

Source: HIDOE Data, ARTS Survey 2012-2013

Impact fees cannot be used to provide a higher level of service than is already being provided. Impact fees must be based on a level of service standard that according to impact fee legislation “shall apply equally to existing and new public facilities.”

The Construction Fee Formula for Each Unit

The formula is as follows:

Elementary SGR per unit multiplied by (x) elementary school cost per student (x) percentage of existing elementary students in permanent buildings (x) construction cost district factor;

plus (+)

Middle SGR per unit (x) middle school cost per student (x) statewide percentage of existing middle school students in permanent buildings (x) construction cost district factor;

plus (+)

High school SGR per unit (x) high school cost per student (x) statewide percentage of existing high school students in permanent buildings (x) construction cost district factor;

equals (=) school construction cost per unit.

The school construction cost per unit (x) 10 percent = construction fee amount.

The construction cost per unit for elementary, middle and high schools is added together and then multiplied by the number of residential units proposed.

Table 5 illustrates the formula as it applied to the KAM district. Total construction fee per unit is \$584.

Table 5
Calculating the Construction Cost Component of the School Impact Fees:
Kalihi to Ala Moana

School Type	Kalihi to Ala Moana SGR	Recent School Construction Costs per Student	Discounted by the Percent of Statewide Classrooms in Permanent Structures	Construction Cost Factor for Honolulu	Number of Units in the Project	Construction Costs per Unit	10% of Cost = Fee Amount
Elementary	0.06	\$48,084	.83%	1.0	1	\$2,395	\$240
Middle	0.03	\$52,928	.89%	1.0	1	\$1,413	\$141
High	0.03	\$79,401	.85%	1.0	1	\$2,025	\$203
Total Construction Cost per Unit							\$584

An Estimated Total of Impact Fees for the District

Based on the foregoing analysis, in the proposed KAM school impact fee district, the construction cost component for school impact fees per unit would be \$584. The land component would be .0005 acres per unit, or .05 acres per 100 units, or .5 acres per 1,000 units. The fee in lieu of land would be \$3,280 per unit. Total all-cash fees, when no land is provided, is \$3,864 per units.

The impact of the maximum of 38,933 additional residential units would be 4,672 new public school students. If many years into the future, all 38,933 units are built, the maximum amount of school acres collected in the land component would be approximately 19.5 acres. The total maximum amount of construction impact fees would be \$22.7 million, with some increases due to increases in construction cost indexes.

Prior to the Adoption of the new Urban Area Guidelines

When Hawaii’s school impact fee law was adopted in 2007 and revised in 2010, the Legislature had already anticipated the need for “right sizing” impact fees in urban areas. The law requires consideration of urban areas in the Fee Analysis (Chapter 302A-1605, HRS). More specific language was added in 2016 pertaining to the KAM school impact fee district and county-designated transit oriented development (TOD) zones (Chapter 302A-1608, HRS).

Recent History

The BOE approved the designation of the KAM school impact fee district on May 23, 2017. The approval was based on the 2016 Analysis provided to the BOE in April 2016 and reviewed in public hearings in November 2016.

The 2016 Analysis was based on the anticipated residential growth to be encouraged near the rail stations of the east end of the Honolulu Area Rapid Transit line. The conclusion of the 2016

Analysis was that the maximum number of new residential units permitted in the KAM school impact fee district, directly related to TOD development along the rail stations, was approximately 39,000. The HIDOE's best estimate of the student impact of that level of growth was approximately 4,700 HIDOE students in 13 elementary through high schools in the Farrington and McKinley complexes.

The 2016 analysis was updated during the course of 2017 based on the categorization of future units being planned by the State's Hawaii Public Housing Authority and new HIDOE measurements of school capacity. The most current estimate of the maximum impact of the approximately 39,000 new units, less the available space in existing schools, is a need to create additional classroom space for approximately 3,600 students. Using current BOE school size policy guidelines, that number of new students would require 2-1/4 elementary schools, 3/4 of a middle school, and 3/4 of a high school.

Prior Considerations

The 2016 impact fee analysis stated in its introduction that the characteristics of the proposed KAM school impact fee district were unique and could not fit the prescribed formulas used to calculate fees in the two Maui school impact fee districts and the Leeward Oahu school impact fee district. The KAM district is much smaller and is comprised of the service areas of various elementary schools instead of whole school complexes such as in the Maui and Leeward Oahu school impact fee districts. It is also likely residential development would take the form of multi-family, high-rise towers on very small parcels of land.

This was not just a matter of advantage or disadvantage of using HIDOE site and enrollment guidelines; the developers of high density residential towers cannot provide land for new schools the way large, suburban developers of large tracts are willing and able to do.

A second, obvious consideration was that there were few parcels within the KAM district that could meet the historic school design guidelines stated in BOE Policy 301-2 of 8 to 15 usable acres for an elementary school; 15 to 20 acres for a middle school; and 45 to 55 acres for a high school.

Finally, the cost of land in the KAM school impact fee district is so much higher than in other districts that the impact fee's land component eliminated any sort of parity with the land component fees of other school impact districts. Appraisals of land suitable for new schools in KAM ranged from \$5.5 to \$7.9 million per acre, compared to appraisals for the Leeward Oahu districts which ranged from \$331,000 to \$412,000 per acre.

Prior Urban Area Exceptions

The HIDOE has already relied on the flexibility provided for impact fees in existing urban areas which included "nontraditional" school facilities. Urban area exceptions were described in the 2016 Analysis. The three exceptions cited in the analysis were:

1. Relying on actual acreage per student in the KAM school impact fee district, instead of the statewide average acreage of recent new schools. This was an acknowledgement that new urban schools would not be as big as new suburban schools, but they would be at least as large as current urban schools. Actual KAM acreage per student was used in the fee formula to calculate the land contribution fee amount.
2. This exception was replaced by the UAG change in school size policy adopted by the BOE in February 2018.
3. Requiring a change in the impact fee law so that fees collected in lieu of a land contribution could be spent on construction, renovation or lease rental. The change in the law was made in 2016 and applied to development in impact fees located in county-designated TOD zones or in urban Honolulu, which was defined as the KAM school impact fee district.
4. Assuming that almost all future residential development in the KAM school impact fee district would be multi-family, not single-family detached homes. So just one rate applies. If there are single-family developments, their impact of school enrollments will not be so significantly different as to require a different fee amount.