COUNTY OF HAWAI`I
INFRASTRUCTURE AND PUBLIC FACILITY NEEDS ASSESSMENT
FREQUENTLY ASKED QUESTIONS

A. Types of Fees

1. Question: What types of infrastructure costs are intended to be captured by the implementation of an impact fee ordinance?

Answer: The proposed impact fees would be used to construct County-owned roads, parks, fire, police, solid waste, and wastewater facilities.

2. Question*:* Why is water not included, isn't it a County infrastructure?

Answer: HRS 46-142(a)(1) specifically excludes "water supply or service." Only the Board of Water Supply can assess, impose, levy and collect impact fees for water. The County Department of Water already imposes a connection fee at the time of building permit, which functions as an impact fee.

3. Question*:* Can the County use impact fees to build a public facility and turn it over to a private entity to maintain?

Answer: Yes, however, the County would need to retain ownership, and the facility will have to be available for public use.

4. Question: Can County impact fees be spent on facilities owned and operated by the State of Hawai`i?

Yes. The Governor signed into law Act 197, which now gives all counties in Hawaii the ability to impse impact fees for State Highways only.

5. Question*:* Can impact fees be used to purchase private land to build a park?

Answer: Yes, as long as appropriate powers of eminent domain (condemnation) are used.

***6. Question:* Can impact fees be used to improve a private road?**

Answer: No, impact fees can only be used on publicly-owned facilities.

7. Question: Can the County use impact fees to acquire a private road and make improvements to it?

Answer: Yes, if the road is classified as an arterial or collector road on the County's functional classification.

8. Question*:* Can impact fees be used to retire a bond that was floated to build a park?

Answer: No, not if the park already exists and is serving existing development.

9. Question: Can impact fees be used for maintenance and operation costs?

Answer: No.

B. Treatment of Existing Lots

1. Question: What will happen to development of new homes on lots that already exist?

Answer: The fate of existing lots of record has not been determined. A variety of different options are being considered, including: (1) waiver of impact fees for the first dwelling developed on an existing lot of record; (2) creating a grace period, that would allow building one dwelling on an existing lot up to five years after the adoption date of an impact fee ordinance; (3) having the County pay the impact fee for the development of one dwelling on an existing lot; (4) incrementally phasing the amount of the impact fee assessed over a period of years (for all development); and (5) creating a separate assessment district and benefit district for the Ka`u judicial district, and do not assess any impact fees in this district for new development, which means that no funds from collected impact fees would be available for infrastructure improvements.

C. Time of Collection

1. Question: When would the impact fee be collected by the County?

Answer: The impact fee can be collected at any time during the development process (e.g., subdivision approval, building permit, certificate of occupancy). The most common point to collect Impact Fees is at the building permit.

D. Pre-Ordinance Credits

1. Question: What is the County's fair share contribution program?

Answer: Fair Share Contributions are a part of the County of Hawaii's informal policy of requiring developers applying for a change of zone to pay fees to mitigate the potential regional impacts of the property with respect to parks, fire, police, solid waste and roads. Developers are assessed these contributions at the Change of Zone level for rezoning of land to Agricultural-five acre (A-5a) and below in size, excluding commercial and industrial rezonings. The fair share contribution is payable prior to securing Final Subdivision Approval or Final Plan Approval. The fees are based on a 1990 Impact Fee Study and are adjusted annually beginning three years after the effective date of the ordinance, and based on the percentage change in the Honolulu Consumer Price Index (HCPI).

2. Question: What will happen to those projects that have been processed under the "fair-share" contribution program?

Answer: If developers have paid fair share contributions or made in-kind contributions for projects that have not been completed, impact fees should be reduced or eliminated for any remaining development in those projects, based on *the value of contributions already paid (adjusted for inflation) against the value of required impact fees.*

3. Question: Are there any other ways to have accrued credits against impact fees?

Answer: Yes, a portion of property taxes over the last five years can be credited against required impact fees. This would be determined on the basis of the percentage of property taxes that have been spent on facilities that are the subject of impact fees.

E. Post-Ordinance reimbursements

1. Question: What would happen if developers are required to or agree to dedicate land or make eligible improvements for impact fee facilities after the effective date of the ordinance?

Answer: They should be credited from collected impact fees for the value of those improvements.

F. Assessment Districts

1. Question: What is an assessment district, and how will they be divided up within the County?

Answer: An assessment district is a geographic area that is used to determine the value of impact fees to be assessed within that district. The impact fees are determined based on the existing level of service for those facilities within the district, and the value of new facilities necessary to meet the existing level of service for new development.

For ease of administration, it is being recommended that the entire County be considered a single assessment district, which would mean that impact fees would be consistent throughout the County.

G. Benefit Districts

1. Question: What are benefit districts and why are they important?

Answer: Benefit districts are established to help determine how collected impact fees are supposed to be spent. Impact fees collected in a specific benefit district must be spent within that benefit district, so that the people who contribute the fees will actually benefit from the construction of eligible facilities. Benefit districts are not easy to establish, because they should not be too small so that not enough monies are collected, and they should not be too large so that the community is unable to see benefit.

G. Present Financing of New County Infrastructure and Public Facilities

1. Question: What are the present sources for funding and building new County of Hawaii infrastructure and public facilities?

Answer: Infrastructure and public facilities are funded through a variety of sources. County road construction and improvements are primarily financed through fuel tax and federal highway grants. They may also be funded with general obligation (GO) bonds. GO bonds are a low interest method of borrowing available to government entities wherein the full faith and credit of the entity is pledged to guaranty the repayment of the bonds. Sewer lines and facilities are commonly financed through the State's Revolving Fund, which is a pool of money dedicated to wastewater treatment projects, from which loans are made and repaid with interest. Other public facilities are normally funded by issuing GO bonds. For instance, the recently completed Kawananakoa Hall in Keaukaha was primarily funded with bonds. Borrowing through revolving funds or bonds is the most common way to finance construction of non-road infrastructure and facilities that will benefit the County for many years. The debt and interest are repaid from general fund revenues over the life of the debt, usually twenty years. The largest contributor to general fund revenues is real property tax. Fair share contributions (fees paid by developers) and private contributions may also be used to fund public facilities.

The County's capital improvement program (CIP) is budgeted for in the Capital Projects Fund. Most projects for infrastructure and public facilities are budgeted within this fund. The funding sources mentioned above provide the cash to complete the budgeted projects.

2. What are Real Property Taxes used for?

Real property taxes help to pay for an array of services, including police and fire protection, civil defense, parks and recreation, elderly activities, solid waste program, mass transit, economic development, flood control, animal control, including government employees retirement and health.

Note: Roads, highways, and traffic signals/lights are funded primarily by your fuel taxes, state/federal grants-in aid, and private developers. In addition, water development and services are funded primarily by rate payers and private developers.

H. Affordable Housing Projects

1. Question: With regard to the payment of impact fees, how will projects be treated that include dwelling units that meet affordable housing requirements?

Answer: If a dwelling unit is constructed as part of an affordable housing project, impact fees must still be paid. This is because if the fees are not paid, it will draw the legality of the impact fee ordinance into question. At present, the recommendation is that the County will pay the required impact fees out of the general fund, not out of funds collected from assessment of other individuals' impact fees.

I. Progressive Residential Fees

1. Question: Will all single-family development pay the same fee?

Answer: Not necessarily, fees can be based on the size of the dwelling unit which would be established by a progressive rate. Smaller dwellings could pay less impact fees, based on a pre-determined schedule that will become part of the impact fee ordinance or a standard fee could be applied across the board.

J. Cost Recovery

1. Question: What does cost recovery mean, and how will it be applied to the collection of impact fees?

Answer: The study that is underway for the County Planning Department will determine the maximum fee that can be charged for the various categories of infrastructure that will be included in the impact fee program. The County could then adopt impact fees up to 100% of the determined maximum fees, or any percentage lower than 100%. Preliminary analysis indicates that the total maximum impact fees will exceed the current value being used for the existing fair share contribution program.

K. Phase-In Period

1. Question: When will the impact fee program begin to operate?

Answer: Because it will take some time for the County to prepare to administer the impact fee program, there should be at a minimum, a one-year phase-in period between the date the ordinance is adopted and the date the ordinance takes effect. During this one-year phase-in period, the fair share assessments would continue to be in effect.

L. Application of Impact Fees

1. Question: Will facilities in my subdivision be upgraded with the expenditure of collected impact fees?

Answer: No. Impact fees can only be spent on facilities that have regional impact, such as collector roads, solid waste transfer stations, fire stations, etc., and cannot be used to improve private infrastructure and facilities that are internal to individual subdivisions.

M. Administration of Impact Fees

1. Question: Will impact fees be put into the General Fund?

Answer: No. Impact fees will be collected and put into funds set up for the specific type of fee collected (road, police, fire, parks, solid waste, wastewater), and can only be spent on those facilities.