OFFICE OF THE SUPERINTENDENT

November 30, 2010

The Honorable Charmaine Tavares
Mayor, County of Maui
200 South High Street
Wailuku, HI 96793

Dear Mayor Tavares:

The Department of Education (DOE) is ready to begin collecting school impact fees for new residential units located in West Maui and Central Maui areas currently being served by DOE schools in the Lahainaluna, Baldwin, and Maui High School complexes. We held two public hearings on Maui at the end of October and the Board of Education approved the designation of the West and Central Maui school impact districts on November 18, 2010.

The DOE is prepared to implement the collection of fees in the West Maui, Central Maui, and West Maui school impact districts starting on January 1, 2011. To facilitate this, our DOE staff would like to meet with the directors of your Public Works and Planning Departments. I would appreciate your assistance in scheduling these meetings as soon as possible and will follow up with a call to your office.

DOE staff has prepared forms for impact fee payments and a flowchart to identify when homebuilders in the impact districts need to contact the DOE to determine when and how the fees will be paid. We think that through discussion with your directors we will be able to best fit our process with current County practices.

For general background, enclosed is the Maui school impact fee schedules and a question and answer information sheet. If you have any questions, please call Heidi Meeker in our Facilities Development Branch at (808) 377-8301.

Very truly yours,

Kathryn S. Miyashiro
Superintendent

KSM:ck

HOUNAU'ULA EXHIBIT 7

Enclosures

c: Mr. Bruce Anderson, Complex Area Superintendent
Mr. Lindsay Ball, Complex Area Superintendent
Office of School Facilities and Support Services
Maui School Impact Fee Districts
Questions and Answers

How is a school impact district identified?
The 2007 impact fee law (Act 245, 2007) requires the Board of Education to designate as school
impact districts areas that 1) are experiencing overall enrollment growth; 2) are expected to
experience enough residential development within the next ten years to require additional school
facilities and 3) have limited additional student capacity in their existing school facilities.

Why does this impact fee need to be paid by new development, and not by all residences?
The Legislature determined that new residential developments within identified school impact districts
create additional demand for public school facilities. Therefore, developers of new housing (including
an owner who is building a house on an individually-owned vacant lot) are required to pay a portion of
the cost of providing new or enlarged public schools to serve the additional students who will be living
in the new housing.

How much will this impact fee add to my home price?
Impact fees for the West Maui and Central Maui school impact districts are listed on the attached fee
schedule. Residential projects that are not providing land (e.g., individual homes or projects with a
small number of units) will pay a fee-in-lieu of land that is based on the value of school land within the
school impact district.

If a developer chooses to pay the land requirement through a fee-in-lieu, along with the
construction cost requirement, where would the future school land come from?
The Department of Education (DOE) negotiates with developers about whether there will be a school
located in their project, or not. Developers are not able to choose between paying a fee-in-lieu and
providing land.

How do you determine fee amounts when housing projects aren't all built at the same time?
Impact fees will change over time as the variables in the impact fee formula change, such as: actual
school construction and school land costs, or, if the ratio of permanent to portable classrooms
changes.

What if I tear down my old house and build a new one, on my own, and not part of a big
development? What about enlarging my house?
If you are replacing a residential unit and there is no net increase in the number of units, no impact
fees will be charged. There is no fee for increasing the size of a unit.

What if I don't have kids? Do I still need to pay the fee?
The initial owner of a new home may not have children but the next owner might. Projects that
permanently prohibit children, such as senior housing, do not pay impact fees.

How is the student generation rate determined?
The student generation rate, or the average number of public school students expected to reside in
each residential unit within an impact district, is based on reviewing the actual numbers of public
school students living in a mixture of residential projects resembling the mixture in the proposed
district. The total number of students in an area and the total number of existing units are also
considered.

How do you determine how many units will be built in a given area over the next 25 years?
The DOE collects development information from a wide variety of sources including residential
developers. The data only provides an estimate of an area’s growth. School needs are based on the
actual number of units built, which is within a shorter time frame.

11/29/2010, page 1
Newspapers report that overall school enrollment is declining, even if there are more homes being built. How do you justify this impact fee?
Enrollment has declined statewide, but has grown in the schools serving the Maui school impact districts. Schools serving Central Maui grew by 536 students from 2000 to 2009 and are expected to grow by an additional 1,115 students by 2015. West Maui schools grew by 170 students from 2000 to 2009 and are expected to grow by an additional 231 students by 2015.

DOE’s analysis of residential development over the next 25 years indicates there could be close to 29,000 new residential units in the Central and West Maui Districts. That number of units would be expected to eventually generate 11,000 additional students in West and Central Maui schools.

If one high school is overcrowded, and a neighboring high school is not crowded, is there a way to reconcile that so that each school is being utilized as efficiently as possible?
The DOE can adjust school service boundaries to relieve an overcrowded school. However, high schools tend to be located a considerable distance from each other. The DOE has to weigh the costs to schools and the community of having students transported long distances. Bussing students over long distances and for long periods of time is not popular with parents and students, and it impacts a student’s ability to participate in extracurricular activities.

How do you plan to avoid situations where in older neighborhoods, schools that were once filled with students are now half empty?
The DOE bases its student generation rate on the average number of students expected to live in a development once the development has reached maturity. The demographic patterns of where students live and for how long are not always constant. The DOE does consider the consolidation and closing of schools when enrollment declines, if there is sufficient capacity in neighboring schools, and when there is no likelihood of a future population surge.

Why can’t the DOE use state land for needed schools, instead of seeking land from developers?
DOE has previously used state land for schools and DOE expects to continue to seek state lands, particularly within state-sponsored housing developments. However, the primary consideration in determining where to locate a new public school is convenience to public school students. State land isn’t always situated in an ideal location, close to development. Also, State land often has no infrastructure, while land provided by developers must be ready to build. The DOE also has competition from other state agencies interested in using state-owned lands.

When a school impact district is adopted, is its boundaries flexible, or set in stone?
There is no specific language in the school impact fee law addressing adjustment of district boundaries. In the future, it is possible the Board of Education will be asked to add or withdraw areas in an existing impact district.

How does this impact fee affect charter schools?
While the impact fee law is silent as to whether impact fees can or cannot be used for charter schools, the intent of the impact fee is to provide school facilities for the students generated by the development paying the impact fees. Therefore, school impact fees could be used for charter schools, provided that school serves a sufficient amount of students generated from the development.
Central Maui Impact District Fee Schedule - Wailuku Cost District

Range of Possible Fees: Total payment includes the construction requirement and either a land or fee-in-lieu requirement


<table>
<thead>
<tr>
<th>No. and Type of Units</th>
<th>Est. No. Students, all grade levels</th>
<th>Construction Fee Per Unit</th>
<th>Total</th>
<th>Land Amount Acres per unit</th>
<th>Total Acres Fee-in-lieu of Land</th>
<th>Construction and Fee-in-lieu</th>
</tr>
</thead>
<tbody>
<tr>
<td>single family</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>0.49</td>
<td>$2,153</td>
<td>$2,153</td>
<td>0.009386</td>
<td>0.009**</td>
<td>$3,220</td>
</tr>
<tr>
<td>100</td>
<td>49</td>
<td>$215,300</td>
<td></td>
<td>0.939</td>
<td>$322,000</td>
<td>$557,300</td>
</tr>
<tr>
<td>1000</td>
<td>490</td>
<td>$2,153,000</td>
<td></td>
<td>9.388</td>
<td>$3,220,000</td>
<td>$5,573,000</td>
</tr>
<tr>
<td>multi-family</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>0.22</td>
<td>$913</td>
<td>$913</td>
<td>0.003988</td>
<td>0.004**</td>
<td>$1,458</td>
</tr>
<tr>
<td>100</td>
<td>22</td>
<td>$91,300</td>
<td></td>
<td>0.400</td>
<td>$145,600</td>
<td>$237,100</td>
</tr>
<tr>
<td>1000</td>
<td>220</td>
<td>$913,000</td>
<td></td>
<td>3.998</td>
<td>$1,458,000</td>
<td>$2,371,000</td>
</tr>
</tbody>
</table>

* 499 sq ft
** 174 sq ft

Central Maui Impact District Fee Schedule - Makawao Cost District

Range of Possible Fees: Total payment includes the construction requirement and either a land or fee-in-lieu requirement


<table>
<thead>
<tr>
<th>No. and Type of Units</th>
<th>Est. No. Students, all grade levels</th>
<th>Construction Fee Per Unit</th>
<th>Total</th>
<th>Land Amount Acres per unit</th>
<th>Total Acres Fee-in-lieu of Land</th>
<th>Construction and Fee-in-lieu</th>
</tr>
</thead>
<tbody>
<tr>
<td>single family</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>0.49</td>
<td>$2,340</td>
<td>$2,340</td>
<td>0.009386</td>
<td>0.009**</td>
<td>$3,220</td>
</tr>
<tr>
<td>100</td>
<td>49</td>
<td>$234,000</td>
<td></td>
<td>0.938</td>
<td>$322,000</td>
<td>$556,000</td>
</tr>
<tr>
<td>1000</td>
<td>490</td>
<td>$2,340,000</td>
<td></td>
<td>9.388</td>
<td>$3,220,000</td>
<td>$5,560,000</td>
</tr>
<tr>
<td>multi-family</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>0.22</td>
<td>$993</td>
<td>$993</td>
<td>0.003988</td>
<td>0.004**</td>
<td>$1,458</td>
</tr>
<tr>
<td>100</td>
<td>22</td>
<td>$99,300</td>
<td></td>
<td>0.4</td>
<td>$145,600</td>
<td>$245,100</td>
</tr>
<tr>
<td>1000</td>
<td>220</td>
<td>$993,000</td>
<td></td>
<td>3.998</td>
<td>$1,458,000</td>
<td>$2,451,000</td>
</tr>
</tbody>
</table>

* 499 sq ft
** 174 sq ft

West Maui Impact District Fee Schedule - Lahaina Cost District

Range of Possible Fees: Total payment includes the construction requirement and either a land or fee-in-lieu requirement


<table>
<thead>
<tr>
<th>No. and Type of Units</th>
<th>Est. No. Students, all grade levels</th>
<th>Construction Fee Per Unit</th>
<th>Total</th>
<th>Land Amount Acres per unit</th>
<th>Total Acres Fee-in-lieu of Land</th>
<th>Construction and Fee-in-lieu</th>
</tr>
</thead>
<tbody>
<tr>
<td>single family</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>0.5</td>
<td>$2,508</td>
<td>$2,508</td>
<td>0.00965</td>
<td>0.01**</td>
<td>$3,270</td>
</tr>
<tr>
<td>100</td>
<td>50</td>
<td>$250,800</td>
<td></td>
<td>0.965</td>
<td>$327,000</td>
<td>$577,800</td>
</tr>
<tr>
<td>1000</td>
<td>500</td>
<td>$2,508,000</td>
<td></td>
<td>9.65</td>
<td>$3,270,000</td>
<td>$5,778,000</td>
</tr>
<tr>
<td>multi-family</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>0.18</td>
<td>$877</td>
<td>$877</td>
<td>0.003397</td>
<td>0.003**</td>
<td>$1,078</td>
</tr>
<tr>
<td>100</td>
<td>18</td>
<td>$87,700</td>
<td></td>
<td>0.337</td>
<td>$107,600</td>
<td>$195,500</td>
</tr>
<tr>
<td>1000</td>
<td>180</td>
<td>$877,000</td>
<td></td>
<td>3.37</td>
<td>$1,078,000</td>
<td>$1,955,000</td>
</tr>
</tbody>
</table>

* 460 sq ft
** 147 sq ft
# Comparison of Proposed School Impact Fees: Central Maui-Wailuku, Central Maui-Makawao & West Maui

<table>
<thead>
<tr>
<th>No. and Type of Units</th>
<th>Est. No. Students, all grade levels*</th>
<th>Construction fee per unit based on # of students</th>
<th>Construction Cost Factor</th>
<th>Construction Cost Component</th>
<th>Land Cost Component</th>
<th>Fee-in-lieu of Land</th>
<th>Construction and Fee-in-lieu</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per Unit</td>
<td>Total</td>
<td>Acres Per Unit</td>
<td>Total Acres</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Maui-Wailuku Construction Cost District</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>single family</td>
<td>1 0.49</td>
<td>$1,872</td>
<td>1.15</td>
<td>$2,153</td>
<td>$2,153</td>
<td>0.009388 *</td>
<td>0.009</td>
</tr>
<tr>
<td></td>
<td>1000 490</td>
<td>&quot;</td>
<td>&quot;</td>
<td>$2,153,000</td>
<td>&quot;</td>
<td>9.388</td>
<td>$3,220,000</td>
</tr>
<tr>
<td>multi-family</td>
<td>1 0.22</td>
<td>$794</td>
<td>1.15</td>
<td>$913</td>
<td>$913</td>
<td>0.003998 **</td>
<td>0.004</td>
</tr>
<tr>
<td></td>
<td>1000 220</td>
<td>&quot;</td>
<td>&quot;</td>
<td>$913,000</td>
<td>&quot;</td>
<td>3.998</td>
<td>$1,458,000</td>
</tr>
</tbody>
</table>

Central Maui-Makawao Construction Cost District

| single family         | 1 0.49  | $1,872 | 1.25 | $2,340 | $2,340 | 0.009388 * | 0.009 | $3,220 | $5,560 |
|                       | 1000 490 | " | " | $2,340,000 | " | 9.388 | $3,220,000 | $5,560,000 |
| multi-family          | 1 0.22  | $794  | 1.25 | $993   | $993   | 0.003998 **| 0.004 | $1,458 | $2,451 |
|                       | 1000 220 | " | " | $993,000 | " | 3.998 | $1,458,000 | $2,451,000 |

West Maui - Lahaina Construction Cost District

| single family         | 1 0.5   | $1,930 | 1.30 | $2,508 | $2,508 | 0.00965 *   | 0.01  | $3,270 | $5,778 |
|                       | 1000 500 | " | " | $2,508,000 | " | 9.65 | $3,270,000 | $5,778,000 |
| multi-family          | 1 0.18  | $675  | 1.30 | $877   | $877   | 0.00337 **| 0.003 | $1,078 | $1,955 |
|                       | 1000 180 | " | " | $877,000 | " | 3.37 | $1,078,000 | $1,955,000 |

* based on District Student Generation Rate

** 420 Sq. ft.
** 147 sq. ft.
School Impact Fee Flowchart: Planning Phase

- Residential project is for some project in Work Orders
  - School Impact Fee on project subdivision, amendment, or new site approval

- Is the residential project:
  1) for adults only,
  2) for short term vacation rentals, or
  3) already covered by a DOE agreement

- No

- Project has 50 units or more?
  - No

- Yes

  County informs developer to contact DOE and sends a copy of developer's application to DOE

- Does the developer agree to development plan?

  - Yes

    County sends subdivision, zone changes, or other approvals.
    See Permitting Flowchart to determine if County can issue building permits.
School Impact Fee Flowchart: Permitting Phase

Is the residential project:  
1) for adults only, or  
2) for short term vacation rentals?  

Yes

County Department of Public Works Clerk issues permit application with list of required agencies, including DOE  

Yes

Does the project have an executed agreement with DOE?  

Yes

County can issue building permit  

No

County can issue building permit  

No

County can issue building permit
Central Maui School Impact Fee Application - Wailuku Cost Area

Use this form if your project is within the Central Maui School Impact District and it is in the Wailuku Cost Area. This includes Waiehu, Wailuku, Kahului, and the portion of Kihei that is makai of Pillani Highway and North of Kilohana Drive.

I. Applicant Information

Name

Business Name (if applicable)

Phone Number

Mailing Address

City, State, ZIP

Email Address

II. Project Status

Is your property already covered by a DOE Educational Contribution Agreement? Please check one of the following three options and complete the remainder of this form as applicable.

☐ a) Yes. The agreement or project name is: ____________________________

STOP and submit this Application to the DOE Facilities Development Branch.

☐ b) No. Complete this application and submit fees to the DOE Facilities Development Branch.

☐ c) Unknown. Complete this application and submit to DOE Facilities Development Branch, who will confirm if the property is covered by a prior agreement.

III. Building Permit Information and Fee Calculation: Construction and Fee-in-Lieu of Land

If additional space is needed for more parcels, please attach a separate sheet of paper with the parcel information.

Location of Units (Street Address or Other Description) Name of Project TMK(s)

Please write in the number of units and, if needed, the total payment information.

A single family unit is a detached dwelling unit not connected to any other dwelling unit, or a detached building with two dwelling units (duplex). A multi-family unit is any dwelling unit other than a single family unit. This includes an ‘ohana, accessory or secondary unit that is allowed in addition to a primary dwelling unit.

<table>
<thead>
<tr>
<th>Number of Units</th>
<th>Housing Type</th>
<th>Impact Fee Per Unit</th>
<th>Total Impact Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>single family units</td>
<td>$5,373.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>multi-family units</td>
<td>$2,371.00</td>
<td></td>
</tr>
</tbody>
</table>

Total Payment Amount (Sum of right column’s top two numbers) ____________________________

The Application Form and payment for fees must be submitted together if b) was checked under Section II above. Fees must be paid by check made out to “State of Hawaii, Department of Education” and sent to:

DOE Facilities Development Branch
4680 Kalanianaole Highway, TB1A
Honolulu, HI 96821

If you have questions on the DOE’s impact fees, please call 808-377-8301 or email heidi_meeker@notes.k12.hi.us.
Central Maui School Impact Fee Application - Makawao Cost Area

Use this form if your project is within the Central Maui School Impact District and it is in the Makawao Cost Area. This includes the portion of Kihei that is either mauka of Pillani Highway or South of Kilohana Drive.

I. Applicant Information

<table>
<thead>
<tr>
<th>Name</th>
<th>Business Name (If applicable)</th>
<th>Phone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mailing Address  City, State, ZIP  Email Address

II. Project Status

Is your property already covered by a DOE Educational Contribution Agreement? Please check one of the following three options and complete the remainder of this form as applicable.

☐ a) Yes. The agreement or project name is: ____________________________________________

STOP and submit this Application to the DOE Facilities Development Branch.

☐ b) No. Complete this application and submit fees to the DOE Facilities Development Branch.

☐ c) Unknown. Complete this application and submit to DOE Facilities Development Branch, who will confirm if the property is covered by a prior agreement.

III. Building Permit Information and Fee Calculation: Construction and Fee-in-Lieu of Land

If additional space is needed for more parcels, please attach a separate sheet of paper with the parcel information.

Location of Units (Street Address or Other Description)  Name of Project  TMK(s)

Please write in the number of units and, if needed, the total payment information.

A single family unit is a detached dwelling unit not connected to any other dwelling unit, or a detached building with two dwelling units (duplex). A multi-family unit is any dwelling unit other than a single family unit. This includes an ohana, accessory or secondary unit that is allowed in addition to a primary dwelling unit.

<table>
<thead>
<tr>
<th>Number of Units</th>
<th>Housing Type</th>
<th>Impact Fee Per Unit</th>
<th>Total Impact Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>single family units</td>
<td>$5,560.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>multi-family units</td>
<td>$2,451.00</td>
<td></td>
</tr>
</tbody>
</table>

Total Payment Amount (Sum of right column's top two numbers)

The Application Form and payment for fees must be submitted together if b) was checked under Section II above. Fees must be paid by check made out to "State of Hawaii, Department of Education" and sent to:

DOE Facilities Development Branch
4680 Kalanianaole Highway, TB1A
Honolulu, HI 96821

If you have questions on the DOE's impact fees, please call 808-377-8301 or email heidi_meeke@notes.k12.hi.us.
West Maui School Impact Fee Application

I. Applicant Information

Name

Business Name (if applicable)

Phone Number

Mailing Address

City, State, ZIP

Email Address

II. Project Status

Is your property already covered by a DOE Educational Contribution Agreement? Please check one of the following three options and complete the remainder of this form as applicable.

☐ a) Yes. The agreement or project name is: ________________________________

STOP and submit this Application to the DOE Facilities Development Branch.

☐ b) No. Complete this application and submit fees to the DOE Facilities Development Branch.

☐ c) Unknown. Complete this application and submit to DOE Facilities Development Branch, who will confirm if the property is covered by a prior agreement.

III. Building Permit Information and Fee Calculation: Construction and Fee-in-Lieu of Land

If additional space is needed for more parcels, please attach a separate sheet of paper with the parcel information.

Location of Units (Street Address or Other Description)  Name of Project  TMK(s)

Please write in the number of units and, if needed, the total payment information.

A single family unit is a detached dwelling unit not connected to any other dwelling unit, or a detached building with two dwelling units (duplex). A multi-family unit is any dwelling unit other than a single family unit. This includes an "ohana, accessory or secondary unit that is allowed in addition to a primary dwelling unit.

<table>
<thead>
<tr>
<th>Number of Units</th>
<th>Housing Type</th>
<th>Impact Fee Per Unit</th>
<th>Total Impact Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>single family units</td>
<td>$ 5,778.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>multi-family units</td>
<td>$ 2,055.00</td>
<td></td>
</tr>
</tbody>
</table>

Total Payment Amount (Sum of right column’s top two numbers)

The Application Form and payment for fees must be submitted together if b) was checked under Section II above. Fees must be paid by check made out to "State of Hawaii, Department of Education" and sent to:

DOE Facilities Development Branch
4680 Kalanianaole Highway, TB1A
Honolulu, HI 96821

If you have questions on the DOE’s impact fees, please call 808-377-8301 or email heidi_meeker@notes.k12.hi.us.
School Impact Fee Flowchart: Planning Phase

[Diagram flowchart with decision points and actions]

- County informs developer to contact DOE and sends a copy of developer's application to DOE.
- DOE conducts feasibility study and preparation of impact analysis.
- County administrator approves impact analysis.

County issues subdivision, zone change, site plan approval.
See permitting flowchart to determine if county can issue building permits.