



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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July 13, 2010

Ms. Kate Stanley, Chair
Legislative Federal Economic Stimulus Program Oversight Commission
Hawaii State Capitol
415 South Beretania Street, Room 206
Honolulu, Hawaii 96813

Ms. Stanley:

We appreciate the Commission's responsibilities for oversight of ARRA funds granted to Hawaii. DBEDT would like to reassure the Commission that it is on track in meeting federal requirements for the obligation and expenditure of these funds. Further, that DBEDT will exercise necessary contingencies should unforeseen events threaten to compromise or pose forfeiture of these funds.

The Department's response to the Commission's questions pertaining to energy and housing follow:

1. **An update on the status of the projects that were originally reported on December 15, 2009, including funds expended and encumbered, as well as expectations to meet current deadlines.**
 - a. **Funds expended (as of June 30, 2010):**
 01. **State Energy Program (SEP) ARRA Grant:** \$1,064,568
 02. **Energy Efficiency Community Block Grant (EECBG):** \$0 (due to application amended and approved May 30, 2010)
 03. **Efficient Appliance Rebate Program Grant:** Awaiting Invoices for \$1,236,000
 04. **Energy Assurance Grant:** \$1,394
 05. **HHFDC Tax Credit Assistance Program (TCAP) Grant:** \$0
 06. **HHFDC Section 1602 Tax Credit Exchange:** \$8,138,162

b. Funds encumbered:

01. **State Energy Program ARRA Grant:** \$22,214,060 of \$25,930,000 (85.67%)
02. **Energy Efficiency Community Block Grant:** by June 25 met 80% requirement.
03. **Efficient Appliance Rebate Program Grant:** \$1,236,000 (100%)
04. **Energy Assurance Grant:** \$9,535 of \$318,196 (3%)
05. **HHFDC Tax Credit Assistance Program Grant:** \$9,861,610 (100%)
06. **HHFDC 1602 Tax Credit Exchange:** \$47,831,149 (100%)

c. Expectations for meeting current deadlines:

01. **SEP ARRA Grant** - on track for 100% obligation prior to September 30, 2010.
02. **EECBG** – on-track to meet all deadlines.
03. **Efficient Appliance Rebate Program Grant** - all rebate applications issued, invoicing and final accounting in progress.
04. **Energy Assurance Grant** – total of 5 tasks of which 3 will be completed this August. Expect to complete the final 2 tasks by the August 14, 2012 deadline.
05. **HHFDC Tax Credit Assistance Program Grant** - On track to meet program deadlines - Met the 2/16/10 obligation deadline; on track to meet expenditure deadlines of 2/16/11 (75% of funds) and 2/16/12 (100% of funds).
06. **HHFDC 1602 Tax Credit Exchange** – On track to meet 12/31/10 expenditure deadline; 12/31/11 deadline for projects that have incurred 30% of the total adjusted basis in land and depreciable property.

d. Project Status:

01. Energy – See Attachment 1
02. Housing – See Attachment 2

2. **An outline of contingency plans, if any, the Department has considered and/or will be undertaking, as well as the reasons for the need to utilize such plan or plans.**
 - a. **Energy:** for "Energy" if contingency actions are necessary, funding will be directed to agreements already in place with other State agencies. DBEDT would exercise necessary contingencies should unforeseen events threaten to compromise or pose forfeiture of these funds.
 - b. **Housing:** none
3. **The timeline and plan for ensuring ARRA funds will not be compromised or forfeited by the Department; and**
 - a. **Energy:** if necessary, two (2) weeks prior to the federal obligation deadline of September 30, 2010, contingency plans will be implemented.
 - b. **Housing:** Not applicable
4. **Plans for sustaining projects and staffing beyond the time that ARRA funds are available.**
 - a. **Energy:** the State Energy Office plans to employ funds, as needed, from the Energy Security Special Fund (Act 73 (10)), to sustain the momentum and staffing requirements of ARRA initiatives.
 - b. **Housing:** TCAP and 1602 Tax Credit Exchange are for the development or acquisition/rehabilitation of affordable rental housing projects. Funds are intended to fill financing gaps created by deterioration in LIHTC equity markets. The rental housing projects are owned and managed by private, nonprofit entities. HHFDC does not provide ongoing operational support.

Sincerely,



Theodore E. Liu
Director

Attachment 1
STATUS OF ENERGY PROJECTS
(as of 6/30/10)

1. PV for State Buildings

- a. Project Description: This project will be a PV demonstration to reduce energy consumption within public buildings.
- b. Project Amount: \$3M
- c. Project Status: Funds are 100% obligated. Contract is in place; work will begin at the end of July, 2010.

2. Homestead Energy Program

- a. Project Description: This project will conduct home energy audits and assessments; deliver energy efficiency and conservation education/training; and retrofit/install homes with solar water heating systems/energy-efficient lighting.
- b. Project Amount: \$2.9M
- c. Project Status: Funds are 100% obligated. Contracts are in place; work has begun.

3. Government & Residential Efficiency Program

- a. Project Description: Upgrade through retrofits energy efficiency measures in State, County, and residential buildings.
- b. Project Amount: \$6.2M
- c. Project Status: Contract signed 5/31/10

4. WAP Supplemental

- a. Project Description: Increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total residential expenditures, and improve their health and safety. The WAP priority population is persons who are particularly vulnerable such as the elderly, persons with disabilities, families with children, high residential energy users, and households with high-energy burdens.
- b. Project Amount: \$500,000
- c. Project Status: Funds for (4) DLIR contracts being encumbered

5. Subject Matter Expert

- a. Project Description: The SME will help draft the RFP for the cable system, provide technical expertise, and will help develop the financial plan for the cable project.
- b. Project Amount: \$500,000
- c. Project Status: DAGS issued Professional Services notice

6. Transportation Energy Diversification Program

- a. Project Description: Develop a plan for rapid transformation of the energy demands of Hawaii's transportation sector. Grants for early adoption of commercially available technologies, vehicles, and infrastructure per Act 156 (2009).
- b. Project Amount: \$4.02M
- c. Project Status: MOA signed

7. On-line Permitting System

- a. Project Description: Develop a permitting portal for renewable energy projects to provide an automated process for permit selection and coordination.
- b. Project Amount: \$375,000
- c. Project Status: MOA executed 5/27/10

8. Alternative Fuel Vehicles & Infrastructure

- a. Project Description: Deployment of electric vehicles in State fleets and installation of charging stations in State owned facilities.
- b. Project Amount: \$475,000
- c. Project Status: MOA agreement imminent

9. Request for Information for the Interisland Cable

- a. Project Description: Enable DBEDT and the Hawaiian Electric Company (HECO) to collect information on the financing and development of the interisland cable via a cable developers' conference. The results of the RFI will be used in the Request for Proposal for the interisland cable.
- b. Project Amount: \$50,000
- c. Project Status: project funds encumbered

10. Special Deputy AG for Interisland Cable

- a. Project Description: Aid in the development of the interisland cable by advising DBEDT on legal, regulatory, business, financing, and strategic decisions.
- b. Project Amount: \$200,000
- c. Project Status: encumbering project funds

11. Undersea Ocean Floor Surveys

- a. Project Description: survey potential cable routes.
- b. Project Amount: \$315,000
- c. Project Status: project funds encumbered

12. Interisland Cable EIS

- a. Project Description: Perform required environmental, cultural, and biological studies for the interisland cable EIS and required grid upgrades on Oahu; support drafting of environmental assessment components; host stakeholder meetings on Molokai, Lanai, Maui, and Oahu.
- b. Project Amount: \$2.99M
- c. Project Status: Contractor selected / Project initiated

13. Energy Conference Services

- a. Project Description: provide technical assistance, training, and public education activities to encourage the use of energy-efficient and renewable energy technologies.
- b. Project Amount: \$160,000
- c. Project Status: Funds for this project are 100% obligated; contract signed on June 15, 2010.

14. Permitting Guidebooks & On-line Information

- a. Project Description: complete the Hawaii-specific renewable energy permitting guidebooks for each of the main renewable energy technologies and for each of the Counties.
- b. Project Amount: \$150,000
- c. Project Status: solicitation for this contract is being finalized. Work is scheduled to begin September, 2010.

15. Technical Assistance for Cable Interconnection

- a. Project Description: enable interisland cable interconnection through technical assistance support.
- b. Project Amount: \$500,000
- c. Project Status: funds are expected to be obligated in August.

16. Bio-energy Implementation

- a. Project Description: collaborative bio-energy, integrated agricultural and energy analysis, and food-and-fuel development.
- b. Project Amount: \$60,000
- c. Project Status: Funds for this project are 100% obligated.

17. Seawater Air Conditioning

- a. Project Description: Startup project to expedite implementation, attract financing, and document data on high efficiency/renewable energy application of sea water air conditioning for Waikiki hotels, the Hawaii Convention Center, and other nearby appropriate facilities.
- b. Project Amount: \$200,000
- c. Project Status: contract to UH for signature

18. Technical Assistance for Energy Star Hotels

- a. Project Description: Conduct Energy Star benchmarking and verification for Hospitality Sector Energy Efficiency Program statewide.
- b. Project Amount: \$119,000
- c. Project Status: RFP issued / award posted

19. Kauai Energy Efficiency Programs

- a. Project Description: Energy efficiency rebate program for the County of Kauai government and residential electric utility customers.
- b. Project Amount: \$500,000
- c. Project Status: Notice to proceed issued.

20. Technical Assistance for Energy Efficient Buildings

- a. Project Description: technical assistance and training to building owners, developers, design professionals, and county building code officials to ensure that new and renovated buildings are designed and built with high efficiency.
- b. Project Amount: \$367,000
- c. Project Status: Award posted

21. Technical Assistance for Green Buildings

- a. Project Description: accelerate adoption of LEED green building standards.
- b. Project Amount: \$300,000
- c. Project Status: Award posted

22. Renewable Energy Tipping Point (Battery Energy Storage)

- a. Project Description: Demonstrate energy storage on the electrical grid to enhance grid stability and "tip" intermittent energy projects from concept into matter-of-fact by enabling technical solutions to interconnection concerns.
- b. Project Amount: \$1.8M
- c. Project Status: funds to be fully obligated by the end of July.

23. HCEI Outreach

- a. Project Description: Public relations, website support, community meetings, and other outreach efforts across the State for HCEI and the interisland cable.
- b. Project Amount: \$500,000
- c. Project Status: 7/22/10 estimated contract award

24. Energy Assurance

- a. Project Description: *Address energy supply disruption risks and vulnerabilities* to assist Hawaii develop a standardized energy assurance and resiliency plan that it can rely on during energy emergencies and supply disruptions.
- b. Project Amount: \$230,000
- c. Project Status: RFP Notice at ATG for review

25. ARRA Evaluation Consultant

- a. Project Description: independent program evaluator to assist the State in planning and conducting evaluations of all ARRA funded energy projects managed by the State Energy Office.
- b. Project Amount: \$200,000
- c. Project Status: Professional Services Notice drafted/pending ATG review

26. Innovative Clean Energy Financing

- a. Project Description: apply innovative clean energy financing initiatives to support public adoption of energy technologies by overcoming up-front economic costs and risks.
- b. Project Amount: \$2.9M
- c. Project Status: notice at ATG for review

Attachment 2
STATUS OF HHFDC PROJECTS
(as of 6/30/10)

1. Hale Wai Vista I, Waianae (84 family units)

Construction completed. Disbursement of \$1.78M in TCAP funds (which replace higher cost project debt incurred due to declines in LIHTC pricing) is pending execution/recordation of TCAP documents and submittal of due diligence items.

2. Ainakea Senior Residences, Hilo (30 elderly units)

Construction completed. Disbursement of \$3.3M in TCAP funds (which replace higher cost project debt incurred due to declines in LIHTC pricing) is pending submittal of due diligence items and recordation of TCAP documents.

3. Kukui Gardens, Honolulu (389 family units)

Pending execution/recordation of TCAP documents. Disbursement of \$4,781,610 in TCAP funds for rehabilitation work is anticipated to begin in August 2010.

4. Hale Ohana Apts., Koloa (48 family units)

Disbursed \$328,803.98 of \$3,723,552.50 Section 1602 award for acquisition/rehab.

5. Honokowai Villa Apts., Honokowai (56 family units)

Disbursed \$1,859,357.99 of \$5,563,250.00 Section 1602 award for acquisition/rehab.

6. Hale Wai Vista II, Waianae (132 family units)

\$16,712,887.00 awarded for new construction. Disbursement is pending execution/recordation of Section 1602 documents.

7. The Villas at Malu'ohai, Kapolei (72 family units)

Awarded \$15,881,459.50 in Section 1602 funds for new construction. Disbursement is pending execution/recordation of 1602 documents. Project construction is estimated to commence by September 30, 2010.

8. Hale Mahaolu Ehiku, Ph. II, Kihei (60 elderly units)

Disbursed total Section 1602 award of \$5,950,000.00 for new construction. Project completion is estimated by September 30, 2010.