HOUSE OF REPRESENTATIVES TWENTY-EIGHTH LEGISLATURE, 2015 STATE OF HAWAII

H.B. NO. (991

A BILL FOR AN ACT

RELATING TO NEW MARKET TAX CREDITS.

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

SECTION 1. The legislature finds that the business community, nonprofit organizations, and other entrepreneurs require a functional, service-oriented agency that is readily available to provide business counseling, financial backing, and general support to foster real community-based economic development for the various products and services demonstrating and embracing Hawaii's diversified economy.

8 The Hawaii community-based economic development technical 9 and financial assistance program in the department of business, 10 economic development, and tourism, was established for this 11 purpose. The program was established by the legislature in Act 12 111, Session Laws of Hawaii 1990, and codified as chapter 210D, 13 Hawaii Revised Statutes, to provide financial assistance to 14 community-based businesses and enterprises through low-interest 15 loans and grants to gualifying applicants.

16 There are various programs provided by the federal 17 government, nonprofits, and foundations, and there are



Page 2



1 opportunities provided by public-private partnerships that 2 further these goals. These programs and partnerships can be 3 used to provide a portion of the funding needed by economic development projects. The project funding provided by Hawaii 4 5 will be made more efficient and more effective if it is provided 6 in the form most compatible with such programs and in the manner 7 most suitable to optimize all sources of funding. To achieve 8 this, some modifications are necessary to the types of financial 9 products offered by the community-based economic development 10 program and the manner in which those products are provided 11 along with an increase in the total amount that may be provided 12 for an individual project and borrower.

13 The purpose of this Act is to:

14 (1) Add the definition of "community development entity"
15 to allow financing to be provided by Hawaii through a
16 structure that facilitates the use of federal new
17 market tax credits;

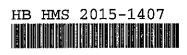
18 (2) Expand the methods of delivering funding to a project
19 by providing loans to capitalize a community
20 development entity and to provide guarantees or other
21 credit enhancements that will facilitate private



1 lenders' participation in new markets tax credit 2 financing; and 3 Adjust loan maximums and establish guarantees or (3) 4 credit enhancements to reflect current available 5 funding and facilitate monetization of existing 6 project assets for purposes of new markets tax credit 7 financing. SECTION 2. Section 210D-2, Hawaii Revised Statutes, is 8 9 amended by adding a new definition to be appropriately inserted 10 and to read as follows: 11 "Community development entity" has the same meaning as in 12 section 45D(c)(1) of the Internal Revenue Code of 1986, as 13 amended." SECTION 3. Section 210D-8, Hawaii Revised Statutes, is 14 15 amended to read as follows: 16 "§210D-8 Powers and duties. The department shall have the 17 necessary powers to carry out the purposes of this chapter, 18 including the following: 19 (1) With advice from the council, prescribe the 20 qualifications for eligibility of applicants for



1		loans, [and] grants[+], guarantees, and credit
2		enhancements;
3	(2)	With advice from the council, establish preferences
4		and priorities in determining eligibility for
5		financial assistance;
6	(3)	Establish the conditions, consistent with the purpose
7		of this chapter, for the awarding of financial
8		assistance;
9	(4)	Provide for inspection at reasonable hours of
10		facilities, books, and records of a community-based
11		organization that has applied for or has been awarded
12		financial assistance and require the submission of
13		progress and final reports;
14	(5)	Provide loans, [and] grants[+], guarantees, and credit
15		enhancements for community-based economic development
16		activities and community-based enterprises for
17		purposes consistent with this chapter;
18	(6)	Provide, participate in, and acquire loans used to
19		capitalize entities that make financing available for
20		activities and enterprises, including community
21		development entities;



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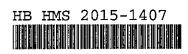
Page 5

H.B. NO. 1397

1	[-(6)]	(7) Determine the necessity for and the extent of
2		security required [in a loan;] for loans, guarantees,
3		and credit enhancements;
4	[(7)]	(8) Prescribe and provide appropriate management
5		counseling and monitoring of business activities;
6	[(8)]	(9) Administer the Hawaii community-based economic
7		development revolving fund;
8	[(9)]	(10) Include in its budget for subsequent fiscal
9		periods amounts necessary to effectuate the purposes
10		of this chapter;
11	[(10)]	(11) Participate in loans made to qualified persons
12		by private lenders;
13	[(11)]	(12) Establish interest rates chargeable by the State
14		for [direct and participation] loans; [and]
15	(13)	Establish interest rates, fees, and charges chargeable
16		by the State for guarantees and credit enhancements;
17		and
18	[(12)]	(14) Adopt rules pursuant to chapter 91 to implement
19		this chapter."
20	SECTION 4. Section 210D-9, Hawaii Revised Statutes, is	
21	amended to read as follows:	



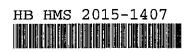
1	" § 21	0D-9	Loans[; limitation and terms]. Loans made under
2	this chap	ter s	hall be [for the purposes and in accordance with
3	the terms	spec	ified in paragraphs (1) and (2) and shall be made
4	only to a	pplic	ants who meet the eligibility requirements
5	specified	ther	ein.] limited to the following:
6	(1)	Comm	unity-based enterprise establishment and
7		impr	ovement loans may be made to provide for:
8		(A)	The start-up costs, purchase or improvement of a
9			community-based enterprise or working capital;
10			and
11		(B)	The purchase, construction, or improvement of
12			facilities; [and]
13	(2)	Oper	ating loans may be made to carry on and improve an
14		exis	ting enterprise, including:
15		(A)	The purchase of equipment; and
16		(B)	The payment of production and marketing expenses
17			including materials, labor, and services[+]; or
18	<u>(3)</u>	Loan	s to entities that capitalize community
19		deve	lopment entities that use the proceeds to make
20		loan	s to borrowers.



Page 6

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1	[The	loans shall be for an amount not to exceed \$250,000
2	and for a	term not to exceed ten years.]"
3	SECT	ION 5. Section 210D-10, Hawaii Revised Statutes, is
4	amended t	o read as follows:
5	" § 21	0D-10 Terms and limitations of loans[7], guarantees,
6	and credi	t enhancements. [Loans shall be made to qualified
7	applicant	s with the] The following terms and conditions[+] shall
8	apply:	
9	(1)	The amount of the outstanding balance on all loans,
10		guarantees, and other credit enhancements issued under
11		this chapter to any one applicant at any one time
12		shall not exceed [\$250,000;] <u>\$5,000,000;</u>
13	(2)	The maximum term of a loan <u>, guarantee, or credit</u>
14		enhancement shall not exceed ten years;
15	(3)	Each loan shall bear simple interest at a rate of not
16		less than three and not more than six per cent a year,
17		depending on the nature of the loan; [and]
18	(4)	Interest rates for guarantees and credit enhancements
19		shall not be more than the market rate for similar
20		instruments; and



Page 7

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1 [-(4)-] (5) The commencement date for the repayment of the 2 first installment on principal and interest of each 3 loan may be deferred by the director of business, economic development, and tourism for a period not to 4 5 exceed two years." 6 SECTION 6. Statutory material to be repealed is bracketed 7 and stricken. New statutory material is underscored. 8 SECTION 7. This Act shall take effect upon its approval. 9 71.K. INTRODUCED BY:

Page 8

HB HMS 2015-1407

Report Title:

Economic Development; New Markets Tax Credits; Loans; Community Development Entity

Description:

Expands methods for delivering funding to a community development entity by allowing guarantees and credit enhancements. Increases total maximum funding amounts from \$250,000 to \$5,000,000.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

