

JAN 19 2018

A BILL FOR AN ACT

RELATING TO DEVELOPMENT OF THE AEROSPACE INDUSTRY.

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

1 SECTION 1. The legislature finds that aerospace has played
2 a pivotal role in expanding and diversifying the national
3 economy by forging new inroads to scientific discovery,
4 advancing national engineering and manufacturing expertise,
5 pioneering innovations in communications and computer
6 technologies, enhancing surveillance of our home planet, and
7 enabling better understanding of weather systems and climate
8 change. Today, the aerospace industry holds great potential for
9 enabling future innovation in science and technology. Hawaii's
10 strategic near-equatorial location, substantial telemetry, space
11 surveillance, Moon- and Mars-like terrain, resident expertise in
12 a broad range of aerospace-related technologies, and long-
13 standing ties with space-faring nations throughout the Asia-
14 Pacific region comprise strategic assets and capabilities that
15 can be leveraged to help realize humankind's full potential in
16 space, and in so doing engage the State as a major contributor
17 to and beneficiary of global space enterprise. Historically,



1 Hawaii has played a seminal role in developing the nation's
2 space program through astronaut training and the development of
3 world-class observatories. Today, Hawaii continues to support
4 national space efforts through a wide range of aerospace-related
5 activities on all major islands, including the Mauna Kea science
6 reserve on Hawaii island, the Air Force Maui optical and
7 supercomputing observatory on Maui, the University of Hawaii's
8 institute for astronomy and Hawaii institute for geophysics and
9 planetology on Oahu, and the Pacific missile range facility on
10 Kauai.

11 The legislature further finds that the Hawaii office of
12 aerospace development, in the department of business, economic
13 development, and tourism, provides a focal point within state
14 government to facilitate dialogue and coordination among
15 Hawaii's public, private, and academic sectors, and between
16 state-based entities and public and private overseas
17 organizations to promote the growth and diversification of
18 Hawaii's aerospace industry. However, there is a need to
19 collect baseline and historical data regarding the aerospace
20 industry's contribution to job creation, further developing a
21 strong aerospace industry in the State. By establishing a new



1 entity that combines the resources, goals, and expertise of the
2 office of aerospace development and Pacific international space
3 center for exploration systems, the State can more efficiently
4 direct its resources in the fields of aeronautics and aerospace
5 to further address these needs.

6 The purpose of this Act is to:

- 7 (1) Establish the Hawaii aerospace development corporation
8 to grow investments and job opportunities in the
9 aerospace industry and help develop a skilled
10 workforce for the aerospace industry;
- 11 (2) Transfer the rights, powers, functions, and duties of
12 the office of aerospace development and Pacific
13 international space center for exploration systems to
14 the Hawaii aerospace development corporation; and
- 15 (3) Repeal the office of aerospace development and Pacific
16 international space center for exploration systems.

17 SECTION 2. Chapter 201, Hawaii Revised Statutes, is
18 amended by adding a new part to be appropriately designated and
19 to read as follows:

20 "PART . HAWAII AEROSPACE DEVELOPMENT CORPORATION

21 §201-A Definitions. As used in this part:



1 "Aerospace" includes aeronautics and astronautics.

2 "Board" means the board of directors of the Hawaii
3 aerospace development corporation.

4 "Bonds" or "special purpose revenue bonds" mean bonds,
5 notes, and other instruments of indebtedness of the State issued
6 pursuant to this part.

7 "Cost" means the total cost in carrying out all
8 undertakings that the development corporation deems reasonable
9 and necessary for the development of a project or industrial
10 park, including but not limited to the cost of studies, surveys,
11 plans, and specifications, architectural, design, engineering,
12 or any other special related services; the cost of site
13 preparation and development, demolition, construction,
14 reconstruction, rehabilitation, and improvement; the cost of
15 financing such project or industrial park, including interest on
16 bonds issued to finance such project or industrial park from the
17 date thereof to the estimated date of completion of such project
18 or industrial park as determined by the board; the cost of an
19 allocable portion of the administrative and operating expenses
20 of the development corporation related to the development of
21 such project or industrial park; and the cost of indemnity and



1 surety bonds, premiums on policies of insurance, legal fees, and
2 fees and expenses of trustees, depositories, and paying agents
3 for the bonds, and for the issuance of letters of credit or
4 other banking arrangements whether for the development
5 corporation or a qualified person; all as the development
6 corporation shall deem necessary.

7 "Development corporation" means the Hawaii aerospace
8 development corporation established under this part.

9 "Direct investment" means an investment by the development
10 corporation in qualified securities of an enterprise to provide
11 capital to an enterprise.

12 "Director" means the director of the Hawaii aerospace
13 development corporation.

14 "Industrial park" means a tract of real property determined
15 by the board as being suitable for use as building sites for
16 projects by one or more industrial, processing, or manufacturing
17 enterprises engaged in aerospace, and may include the
18 installation of improvements to the tract incidental to the use
19 of real property as an industrial park, such as water, sewer,
20 sewage and waste disposal, and drainage facilities, sufficient
21 to adequately service projects in the industrial park, and



1 provision of incidental transportation facilities, power
2 distribution facilities, and communication facilities.

3 "Project" means the acquisition, construction, improvement,
4 installation, equipping, and development of any combination of
5 land, buildings, and other improvements thereon, including,
6 without limitation, parking facilities for use of, or to assist
7 an aeronautical or aerospace industrial, manufacturing, or
8 processing enterprise located within or without an industrial
9 park, including, without limiting the generality of the
10 foregoing, machinery, equipment, furnishings, and apparatus that
11 shall be deemed necessary, suitable, or useful to the
12 enterprise.

13 "Project agreement" means any agreement entered into under
14 this part by the development corporation with a qualified person
15 to finance, construct, operate, or maintain a project or an
16 industrial park from the proceeds of special purpose revenue
17 bonds, or to lend the proceeds of special purpose revenue bonds
18 to assist an aerospace industrial, manufacturing, or processing
19 enterprise, including, without limitation, any lease, sublease,
20 loan agreement, conditional sale agreement, or other similar
21 financing contract or agreement, or any combination thereof.



1 "Public agency" means any office, department, board,
2 commission, bureau, division, public corporation, agency, or
3 instrumentality of the federal, state, or county government.

4 "Qualified person" means any individual, firm, partnership,
5 corporation, association, cooperative, or other legal entity,
6 governmental body or public agency, or any combination of the
7 foregoing, possessing the competence, expertise, experience, and
8 resources, including financial, personnel, and tangible
9 resources, required for the purposes of a project and other
10 qualifications as may be deemed desirable by the development
11 corporation in administering this part and which enters into a
12 project agreement with the development corporation.

13 "Qualified security" means any note, stock, treasury stock
14 bond, debenture, evidence of indebtedness, certificate of
15 interest or participation in any profit-sharing agreement,
16 preorganization certificate of subscription, transferable share,
17 investment contract, certificate of deposit for a security,
18 certificate of interest or participation in a patent or patent
19 application, or in royalty or other payments under such a patent
20 or application, or, in general, any interest or instrument
21 commonly known as a "security" or any certificate for, receipt



1 for, or option, warrant, or right to subscribe to or purchase
2 any of the foregoing.

3 "Real property" means lands, structures, and interests
4 therein, and natural resources including water, minerals, and
5 all such things connected with land, including lands under water
6 and riparian rights, space rights, air rights, and any and all
7 other things and rights usually included within the term. Real
8 property also means any and all interests in such property less
9 than fee title, such as leasehold interests, easements,
10 incorporeal hereditaments, and every estate, interest, or right,
11 legal or equitable, including terms for years and liens thereon
12 by way of judgments, mortgages, or otherwise.

13 **§201-B Establishment of the Hawaii aerospace development**
14 **corporation; director.** (a) There is established the Hawaii
15 aerospace development corporation, which shall be a public body
16 corporate and politic and an instrumentality and agency of the
17 State. The development corporation shall be placed within the
18 department of business, economic development, and tourism for
19 administrative purposes, pursuant to section 26-35. The purpose
20 of the development corporation shall be to grow investments and



1 job opportunities in the aerospace industry and help develop a
2 skilled workforce for the aerospace industry.

3 (b) The director shall have experience, knowledge, and
4 expertise in aerospace-related activities and development. The
5 director shall be nominated and appointed by the governor
6 without regard to chapter 76.

7 (c) The director shall hire staff necessary to carry out
8 the purposes of this part. The director and employees of the
9 development corporation shall be included in any benefit program
10 generally applicable to the officers and employees of the State.

11 **§201-C Powers and duties of the director.** In addition to
12 any other powers and duties provided in this part, the director
13 shall:

14 (1) Oversee, supervise, and direct the planning,
15 evaluation, and coordination of aerospace and
16 aerospace-related activities and identify and promote
17 opportunities for expanding and diversifying aerospace
18 and aerospace-related industries in the State;

19 (2) Produce an annual report, for public distribution,
20 assessing the economic impact and job opportunity
21 impact of the aerospace industry in Hawaii;



- 1 (3) Assist the University of Hawaii, local companies,
2 research institutions, and other interested
3 organizations in establishing partnerships with
4 corporate, government, and university entities that
5 can promote and enhance the State's aerospace
6 industry;
- 7 (4) Cultivate the State's ability to procure federal and
8 private research and development grants and to
9 increase the State's competitiveness in national and
10 global aerospace markets;
- 11 (5) Promote innovative education and workforce development
12 programs that will enable residents to pursue
13 employment in Hawaii's aerospace industry;
- 14 (6) Monitor national and global trends in the aerospace
15 industry to ensure that the State has a forward
16 leaning position in these fields of innovation and
17 change;
- 18 (7) Review the effectiveness of present publications,
19 pamphlets, and other sources of information about
20 Hawaii's aerospace and aerospace-related activities
21 produced and distributed by the State;



(8) Serve as a clearinghouse for information on Hawaii's aerospace and aerospace-related activities;

(9) Organize and convene an annual professional association of chief executive officers representing aerospace companies to assess the role of the industry in the economy of Hawaii;

(10) Increase contact and maintain liaison with the National Aeronautics and Space Administration, Federal Aviation Administration, and other federal agencies associated with aerospace;

(11) Institute procedures by which citizen input on proposed aerospace facilities development shall be invited at the earliest possible time in the development process;

(12) Adopt, amend, and repeal rules pursuant to chapter 91 necessary to carry out this part;

(13) Contract for services as may be necessary for the purposes of this part; and

(14) Do all other things necessary or proper to carry out the purposes of this part.



S.B. NO. 2702

1 §201-D Hawaii aerospace development corporation; board of
2 directors; establishment; duties. (a) There is established the
3 board of directors of the Hawaii aerospace development
4 corporation, consisting of seven members, to include:

5 (1) The director of business, economic development, and
6 tourism, or the director's designee;

7 (2) The president of the University of Hawaii system, or
8 the president's designee; and

9 (3) Five members from government, industry, and academia,
10 both national and international, with appropriate
11 professional interests and backgrounds,

12 to be appointed by the governor, pursuant to section 26-34;
13 provided that of the members appointed under paragraph (3), two
14 members shall be appointed from a list of nominees submitted by
15 the president of the senate, and two members shall be appointed
16 from a list of nominees submitted by the speaker of the house of
17 representatives.

18 The board shall select a chairperson from among its
19 members.

20 (b) Four members shall constitute a quorum, whose
21 affirmative vote shall be necessary for all actions by the



1 development corporation. The members of the board shall serve
2 without compensation, but shall be entitled to reimbursement for
3 necessary expenses, including travel expenses, incurred in the
4 performance of their duties. Any vacancies occurring in the
5 membership of the board shall be filled for the remainder of the
6 unexpired term in the same manner as the original appointments.

7 (c) The purpose of the board shall be to advise and assist
8 the legislature and state agencies in monitoring, assessing, and
9 promoting aerospace development statewide by:

10 (1) Tracking state, national, and global trends and
11 priorities in aerospace development;

12 (2) Assisting in identifying and promoting opportunities
13 to expand and diversify aerospace development and
14 related industries in the State;

15 (3) Supporting the development corporation's effort in
16 networking with national and international agencies,
17 institutions, and organizations to develop public-
18 private partnerships to support the growth of
19 aerospace development and related industries in the
20 State;



(4) Recommending innovative scientific, educational, workforce, and economic strategies, and government and education policies to promote the growth and diversification of the aerospace industry in the State; and

(5) Appointing temporary working groups, as deemed appropriate in the board's discretion, to assist the development corporation in research and analysis activities required to complete any report to be submitted to the legislature and the governor by the development corporation.

§201-E Powers, generally. (a) The development corporation shall have all the powers necessary to carry out its purposes, including the powers to:

- (1) Sue and be sued;
- (2) Have a seal and alter the same at its pleasure;
- (3) Make and execute, enter into, amend, supplement, and carry out contracts and all other instruments necessary or convenient for the exercise of its powers and functions under this part, including, with the approval of the governor, a project agreement, or an



1 amendment or supplement to an existing project
2 agreement, with a qualified person, and to enter into
3 and carry out any agreement whereby the obligations of
4 a qualified person under a project agreement shall be
5 unconditionally guaranteed or insured by, or the
6 performance thereof assigned to, or guaranteed or
7 insured by, a person or persons other than the
8 qualified person; and extend or renew any project
9 agreement or any other agreement related thereto;
10 provided that any such renewal or extension shall be
11 subject to the approval of the governor unless made in
12 accordance with provisions for the extension or
13 renewal contained in a project agreement or related
14 agreement theretofore approved by the governor;

15 (4) Make and alter bylaws for its organization and
16 internal management;

17 (5) Adopt rules under chapter 91 necessary to effectuate
18 this part in connection with industrial parks,
19 projects, multi-project programs, and the operations,
20 properties, and facilities of the development
21 corporation;



1 (6) Through its chief executive officer, appoint officers,
2 agents, and employees, prescribe their duties and
3 qualifications, and fix their salaries, without regard
4 to chapter 76;

5 (7) Prepare or cause to be prepared development plans for
6 industrial parks;

7 (8) Acquire, own, lease, hold, clear, improve, and
8 rehabilitate real, personal, or mixed property and
9 assign, exchange, transfer, convey, lease, sublease,
10 or encumber any project, including by way of
11 easements;

12 (9) Acquire, construct, improve, install, equip, or
13 develop or provide for the acquisition, construction,
14 improvement, installation, equipping, or development
15 of any project and designate a qualified person as its
16 agent for such purpose;

17 (10) Own, hold, assign, transfer, convey, exchange, lease,
18 sublease, or encumber any project;

19 (11) Arrange or initiate appropriate action for the
20 planning, replanning, opening, grading, or closing of
21 streets, roads, roadways, alleys, easements, or other



1 places, the furnishing of improvements, the
2 acquisition of property or property rights, or the
3 furnishing of property or services in connection with
4 an industrial park or project;

5 (12) Prepare, or cause to be prepared, plans,
6 specifications, designs, and estimates of cost for the
7 acquisition, construction, reconstruction,
8 improvement, installation, equipping, development, or
9 maintenance of any project or industrial park, and
10 from time to time modify the plans, specifications,
11 designs, or estimates;

12 (13) Engage the services of consultants on a contractual
13 basis for rendering professional and technical
14 assistance and advice;

15 (14) Procure insurance against any loss in connection with
16 its property and other assets and operations in
17 amounts and from insurers as it deems desirable;

18 (15) Accept and expend gifts or grants in any form from any
19 public agency or from any other source;

20 (16) Issue special purpose revenue bonds and refunding
21 special purpose revenue bonds pursuant to and in



1 accordance with this part in principal amounts as may
2 be authorized from time to time by law to finance or
3 refinance the cost of a project, singly or as part of
4 a multi-project program, or an industrial park as
5 authorized by law and provide for the security thereof
6 as permitted by this part;

7 (17) Lend or otherwise apply the proceeds of the bonds
8 issued for a project or an industrial park either
9 directly or through a trustee to a qualified person
10 for use and application by the qualified person in the
11 acquisition, construction, improvement, installation,
12 equipping, or development of a project or industrial
13 park, or agree with the qualified person whereby any
14 of these activities shall be undertaken or supervised
15 by that qualified person or by a person designated by
16 the qualified person;

17 (18) As security for the payment of the principal of,
18 premium, if any, and interest of the special purpose
19 revenue bonds issued for a project to:

20 (A) Pledge, assign, hypothecate, or otherwise
21 encumber all or any part of the revenues and



1 receipts derived or to be derived by the
2 development corporation under the project
3 agreement for the project for which the bonds are
4 issued;

5 (B) Pledge and assign the interest and rights of the
6 development corporation under the project
7 agreement or other agreement with respect to the
8 project or the special purpose revenue bonds;

9 (C) Pledge and assign any bond, debenture, note, or
10 other evidence of indebtedness received by the
11 development corporation with respect to the
12 project; or

13 (D) Any combination of the foregoing;

14 (19) With or without terminating a project agreement,
15 exercise any and all rights provided by law for entry
16 and reentry upon or take possession of a project at
17 any time or from time to time upon breach or default
18 by a qualified person under a project agreement,
19 including any action at law or in equity for the
20 purpose of effecting its rights of entry or reentry or
21 obtaining possession of the project or for the



1 payments of rentals, user taxes, or charges, or any
2 other sum due and payable by the qualified person to
3 the development corporation pursuant to the project
4 agreement;

5 (20) Enter into arrangements with qualified county
6 development entities whereby the board would provide
7 financial support to qualified projects proposed;

8 (21) Create an environment in which to support aerospace-
9 based economic development, including but not limited
10 to:

11 (A) Supporting all aspects of aerospace-based
12 economic development;

13 (B) Developing instructive programs, identifying
14 issues and impediments to the growth of the
15 aerospace industry in Hawaii; and

16 (C) Providing policy analysis and information
17 important to the development of the aerospace
18 industry in Hawaii;

19 (22) Develop programs that support start-up and existing
20 aerospace companies in Hawaii and attract new
21 companies to relocate to or establish operations in



1 Hawaii by assessing the needs of these companies and
2 providing the physical and technical infrastructure to
3 support their operations;

4 (23) Coordinate its efforts with other public and private
5 agencies involved in stimulating aerospace-based
6 economic development in Hawaii, including but not
7 limited to:

8 (A) The department of business, economic development,
9 and tourism;

10 (B) The Pacific international center for high
11 technology research; and

12 (C) The office of technology transfer of the
13 University of Hawaii;

14 (24) Promote and market Hawaii as a site for commercial
15 aerospace activity, including the expenditure of funds
16 for protocol purposes at the discretion of the board;

17 (25) Provide advice on policy and planning for aerospace-
18 based economic development;

19 (26) Finance, conduct, or cooperate in financing or
20 conducting technological, business, financial, or
21 other investigations that are related to or likely to



1 lead to aerospace-related business, technology, and
2 economic development by making and entering into
3 contracts and other appropriate arrangements,
4 including the provision of loans, start-up and
5 expansion capital, loan guaranty, loans convertible to
6 equity, equity charged and received by the development
7 corporation, and other forms of assistance;

8 (27) Solicit, study, and assist in the preparation of
9 business plans and proposals of new or established
10 businesses;

11 (28) Provide advice, technical and marketing assistance,
12 support, and promotion to enterprises in which
13 investments have been made;

14 (29) Acquire, hold, and sell qualified securities;

15 (30) Consent, subject to the provisions of any contract
16 with noteholders or bondholders, whenever the
17 development corporation deems it necessary or
18 desirable in the fulfillment of the purposes of this
19 part, to the modification, with respect to rate of
20 interest, time of payment of any installment of
21 principal or interest, or any other terms, of any



1 contract or agreement of any kind to which the
2 development corporation is a party;

3 (31) Invest any funds held in reserves or sinking funds, or
4 any funds not required for immediate disbursement, in
5 such investments as may be lawful for fiduciaries in
6 the State; and

7 (32) Do any and all things necessary or convenient to carry
8 out its purposes and exercise the powers given and
9 granted in this part.

10 (b) The development corporation shall be exempt from
11 chapter 102.

12 **§201-F Contracts for services necessary for management and**
13 **operation of corporation.** The development corporation may
14 contract with others, public or private persons, for the
15 provision of all or a portion of the services necessary for the
16 management and operation of the corporation. The development
17 corporation shall have the power to use all appropriations,
18 grants, contractual reimbursements, and all other funds not
19 appropriated for a designated purpose to pay for the proper
20 general expenses and to carry out the purposes of the
21 corporation.



1 §201-G Reports; annual; semi-annual. (a) The development
2 corporation shall submit, no later than September 1 of each
3 year, an annual report to the legislature that includes:

4 (1) An updated business plan regarding the aerospace
5 technology research and development park project;

6 (2) Details on progress made toward the development of a
7 world-class space center in Hawaii;

8 (3) The development of technologies and any concomitant
9 effect on the level of resource imports into the
10 State;

11 (4) The status of all working relationships with
12 educational and research institutions and federal
13 agencies;

14 (5) Details on any progress made toward the development of
15 a robotic operator training and certification program;

16 (6) The level of private sector investment in aerospace
17 and related industries, including the number and
18 nature of any partnerships with private industry to
19 facilitate state-based manufacturing and operations
20 related to green energy technology;



S.B. NO. 2702

(7) A detailed statement of assets, liabilities, revenues, and expenses for each fiscal year ending June 30; and

(8) Baseline data relating to the economic impact, including job creation data, of the aerospace industry in the State.

(b) The development corporation shall submit a semi-annual report to the legislature that includes the following data related to the economic impact due to the aerospace industry:

(1) The number of jobs created in the State;

(2) The level of investment, public and private, in aerospace and related industries in the State;

(3) The number of start-up businesses established; and

(4) The total amount of revenues and grants related to aerospace brought into the State by the aerospace industry.

The first semi-annual report shall be submitted by July 15 of each year and shall report data for the period between January 1 through June 30 immediately preceding the report. The second semi-annual report shall be submitted by January 15 of each year and shall report data for the period between July 1 through December 31 immediately preceding the report.



1 **§201-H Compliance with state and local law.** The issuance
2 of special purpose revenue bonds with respect to any project or
3 industrial park under this part shall not relieve any qualified
4 person or other user of the project or industrial park from the
5 laws, ordinances, and rules of the State or any political
6 subdivision thereof, or any department or board thereof with
7 respect to the construction, operation, and maintenance of any
8 project or industrial park, or zoning laws or regulations,
9 obtaining of building permits, compliance with building and
10 health codes and other laws, ordinances, or rules and
11 regulations of similar nature pertaining to the project or
12 industrial park, and the laws shall be applicable to the
13 qualified person or the other user to the same extent they would
14 be if the costs of the project or industrial park were directly
15 financed by the qualified person.

16 **§201-I Development rules.** Whenever the proceeds of
17 special purpose revenue bonds are used to finance the cost of an
18 industrial park, the board shall adopt rules under chapter 91 to
19 be followed during the course of the development of any
20 industrial park, which are to be known as development rules in
21 connection with health, safety, building, planning, zoning, and



1 land use. The rules, upon final adoption of a development plan
2 for an industrial park, shall supersede all other inconsistent
3 ordinances and rules relating to the use, zoning, planning, and
4 development of land and construction thereon within the
5 industrial park. Rules adopted under this section shall follow
6 existing law, rules, ordinances, and regulations as closely as
7 is consistent with standards meeting minimum requirements of
8 good design, pleasant amenities, health, safety, and coordinated
9 development. The development corporation shall establish
10 policies and procedures for monitoring and ensuring that the
11 operation of the industrial park complies with these development
12 rules and may establish fines and penalties or take any other
13 means available under the law to eliminate any noncomplying
14 action.

15 **§201-J Use of public lands.** The governor may set aside
16 available public lands to the development corporation for the
17 purposes specified in this part; provided that the setting aside
18 would not impair any covenant between the State or any
19 department or board thereof and holders of any bonds issued by
20 the State or such department or board thereof. The development



1 corporation also may lease available state lands from the
2 department of land and natural resources.

3 **§201-K Conditions precedent to negotiating and entering**
4 **into a project agreement.** (a) The development corporation
5 prior to entering into negotiations with respect to a project
6 agreement or at any time during such negotiations shall require
7 that as a condition to such negotiations or the continuation
8 thereof the State shall be reimbursed for any and all costs and
9 expenses incurred by it even though a project agreement may not
10 be entered into and may further require the deposit of moneys
11 with the development corporation as security for such
12 reimbursement. Any amount of such deposit in excess of the
13 amount required to reimburse the State shall be returned by the
14 development corporation to the party that has made such deposit.

15 (b) The development corporation shall not enter into any
16 project agreement with respect to any project or industrial park
17 unless the legislature shall have first authorized the issuance
18 of special purpose revenue bonds to finance a project or
19 projects, an industrial park or industrial parks, or a multi-
20 project program pursuant to section 201-M, and the development
21 corporation has thereafter found and determined either that:



(1) The qualified person is a responsible party, whether by reason of economic assets or experience in the type of enterprise to be undertaken through the project, or otherwise; or

(2) The obligations of the qualified person under the project agreement will be unconditionally guaranteed by a person who is a responsible party, whether by reason of economic assets or experience in the type of enterprise to be undertaken through the project or otherwise.

§201-L Project agreement. (a) No special purpose revenue bonds shall be issued unless at the time of issuance the development corporation shall have entered into a project agreement with respect to the project or industrial park for the financing of which the special purpose revenue bonds are to be issued. Any project agreement entered into by the development corporation with a qualified person shall contain provisions unconditionally obligating the qualified person:

(1) To pay the development corporation during the period or term of the project agreement, exclusive of any renewal or extension thereof and whether or not the



S.B. NO. 2702

1 project or industrial park to which the project
2 agreement relates is used or occupied by the qualified
3 person, at the time or times and in the amount or
4 amounts that will be at least sufficient:

5 (A) To pay the principal of, and premium, if any, and
6 interest on all special purpose revenue bonds
7 issued to finance the cost of the project, or an
8 allocable portion of the special purpose revenue
9 bonds issued to finance the industrial park, as
10 the case may be, as and when the special purpose
11 revenue bonds become due, including upon any
12 required redemption thereof;

13 (B) To establish or maintain the reserves, if any, as
14 may be required by the instrument authorizing or
15 securing the special purpose revenue bonds, or an
16 allocable portion of the reserves, if less than
17 all of the proceeds of the special purpose
18 revenue bonds are utilized for the qualified
19 person;

20 (C) To pay the fees and expenses of the paying agents
21 and trustees for the special purpose revenue



1 bonds, or an allocable portion of the fees and
2 expenses, if less than all of the proceeds of the
3 special purpose revenue bonds are utilized for
4 the qualified person; and

5 (D) To pay the expenses incurred by the development
6 corporation in administering the special purpose
7 revenue bonds or in carrying out the project
8 agreement, or an allocable portion of the
9 expenses, if less than all of the proceeds of the
10 special purpose revenue bonds are utilized for
11 the qualified person; and

12 (2) To operate, maintain, and repair the project as long
13 as the project is used as provided in the project
14 agreement and to pay all costs of the operation,
15 maintenance, and repair.

16 (b) The development corporation in determining the cost of
17 any project, may also include the following:

18 (1) Financing charges, fees, and expenses of any trustee
19 and paying agents for special purpose revenue bonds
20 issued to pay the cost of the project;



- 1 (2) Interest on the bonds and the expenses of the State in
2 connection with the bonds and the project to be
3 financed from the proceeds of the bonds accruing or
4 incurred prior to and during the estimated period of
5 construction and for not exceeding twelve months
6 thereafter;
- 7 (3) Amounts necessary to establish or increase reserves
8 for the special purpose revenue bonds;
- 9 (4) The cost of plans, specifications, studies, surveys,
10 and estimates of costs and of revenues;
- 11 (5) Other expenses incidental to determining the
12 feasibility or practicability of the project;
- 13 (6) Administration expenses;
- 14 (7) Legal, accounting, consulting, and other special
15 service fees;
- 16 (8) Interest cost incurred by the project party with
17 respect to the project prior to the issuance of the
18 special purpose revenue bonds; and
- 19 (9) Other costs, commissions, and expenses incidental to
20 the acquisition, construction, improvement,
21 installation, equipping, or development of the



1 project, the financing, placing of same in operation,
2 and the issuance of the special purpose revenue bonds,
3 whether incurred prior to, upon, or after the issuance
4 of the bonds.

5 (c) Any project agreement entered into by the development
6 corporation may contain provisions as the development
7 corporation deems necessary or desirable to obtain or permit the
8 participation of the state and federal government in the project
9 or industrial park or in the financing of the cost thereof.

10 (d) A project agreement also shall provide that the
11 development corporation shall have all rights and remedies
12 generally available at law or in equity to reenter and take
13 possession of a project upon the breach or default by a
14 qualified person of any term, condition, or provision of a
15 project agreement.

16 (e) Each qualified person with a project agreement with
17 the development corporation shall allow the development
18 corporation full access to the qualified person's financial
19 records. Upon the request of the development corporation for
20 the examination of any financial records, the qualified person
21 shall allow the development corporation to examine the requested



1 records within a reasonably prompt time from the date of the
2 request. If the development corporation requests copies of the
3 records, the qualified person shall provide the copies.

4 (f) To provide the public with full knowledge of the use
5 of the proceeds and benefits derived from special purpose
6 revenue bonds issued under this part, the development
7 corporation shall require each qualified person with a project
8 agreement with the development corporation to make available to
9 the public all relevant financial records that pertain to the
10 use of or savings resulting from the use of special purpose
11 revenue bonds.

12 (g) Each qualified person with a project agreement with
13 the development corporation shall estimate the benefits derived
14 from the use of the proceeds of special purpose revenue bonds.
15 The benefits estimated shall be based on the creation of new
16 jobs and potential effect on tax receipts. The format of and
17 method for determining the estimates shall be established by the
18 development corporation and shall be uniform for each qualified
19 person.

20 (h) To promote public understanding of the role played by
21 special purpose revenue bonds in providing benefits to the



1 general public, the development corporation shall take
2 appropriate steps to ensure public access to and scrutiny of the
3 estimates determined under subsection (g).

4 (i) The development corporation shall adopt rules under
5 chapter 91 for the purposes of this section.

6 (j) Moneys received by the development corporation
7 pursuant to subsection (a)(1)(D) shall not be, nor be deemed to
8 be, revenues or receipts derived under the project agreement
9 which may be pledged as security for special purpose revenue
10 bonds and shall be paid into the Hawaii aerospace development
11 corporation special fund.

12 A qualified person may comply with the unconditional
13 obligation to make payments required by subsection (a), if the
14 obligations are unconditionally guaranteed or insured by, or the
15 performance thereof assigned to, or guaranteed or insured by, a
16 person or persons other than the qualified person who is
17 satisfactory to the development corporation.

18 **§201-M Issuance of special purpose revenue bonds; bond**
19 **anticipation notes; refunding bonds.** (a) In addition to the
20 other powers that it may have, the development corporation may
21 issue special purpose revenue bonds to finance, in whole or in



1 part, the costs of projects of, for, or to loan the proceeds of
2 the bonds to assist qualified persons. All revenue bonds issued
3 under this part are special purpose revenue bonds and part III
4 of chapter 39 shall not apply thereto. All special purpose
5 revenue bonds shall be issued in the name of the development
6 corporation and not in the name of the State.

7 The legislature finds and determines that the exercise of
8 the powers vested in the development corporation by this part
9 constitutes assistance to an aerospace industrial,
10 manufacturing, or processing enterprise and that the issuance of
11 special purpose revenue bonds to finance facilities of, for, or
12 to loan the proceeds of the bonds to assist qualified persons,
13 is in the public interest.

14 (b) The development corporation, with the approval of the
15 governor, may issue special purpose revenue bonds for each
16 single project or industrial park or multi-project program that
17 has been authorized by the legislature by an affirmative vote of
18 two-thirds of the members to which each house is entitled;
19 provided that the legislature shall find that the issuance of
20 the special purpose revenue bonds is in the public interest.
21 Special purpose revenue bonds shall be issued in principal



1 amounts as may be authorized from time to time by law and at the
2 time or times as the development corporation deems necessary and
3 advisable to finance the cost of a project, industrial park, or
4 multi-project program as authorized by law. With respect to the
5 financing of a multi-project program with the proceeds of
6 special purpose revenue bonds, the legislature may authorize the
7 issuance from time to time in one or more series by the
8 development corporation, in each case with the approval of the
9 governor, of special purpose revenue bonds in the aggregate
10 principal amount and during the period as the legislature shall
11 provide. The principal of, premium, if any, and interest on the
12 special purpose revenue bonds shall be payable:

13 (1) Exclusively from the revenues and receipts derived or
14 to be derived by the development corporation under
15 project agreements or from the revenues and receipts
16 together with any grant from the government in aid of
17 the project or industrial park financed from the
18 proceeds of the bonds;

19 (2) Exclusively from the revenues and receipts derived or
20 to be derived by the development corporation from a
21 particular project agreement, whether or not the



1 project or industrial park to which it relates is
2 financed in whole or in part with the proceeds of the
3 special purpose revenue bonds; or

4 (3) From revenues and receipts derived or to be derived by
5 the development corporation generally.

6 Neither the board members nor any person executing the
7 special purpose revenue bonds shall be liable personally on the
8 bonds by reason of the issuance thereof.

9 All special purpose revenue bonds of the same issue (or, in
10 the case of an authorized issue for a multi-project program,
11 series), subject to the prior and superior rights of outstanding
12 bonds, claims, obligations, or mechanic's and materialman's
13 liens, shall have a prior and paramount lien on the revenues
14 derived from the project agreement with respect to the project
15 for which the bonds have been issued, over and ahead of all
16 special purpose revenue bonds of the issue (or series) payable
17 from the revenues which may be subsequently issued and over and
18 ahead of any claims or obligations of any nature against the
19 revenues subsequently arising or subsequently incurred; provided
20 that the development corporation may reserve the right and
21 privilege to subsequently issue additional series of special



1 purpose revenue bonds, from time to time, payable from the
2 revenues derived from the project agreement on a parity with the
3 issue or series of special purpose revenue bonds theretofore
4 issued, and the subsequently issued series of special purpose
5 revenue bonds may be secured, without priority by reason of date
6 of sale, date of execution, or date of delivery, by a lien on
7 the revenues in accordance with law, including this part.

8 (c) Special purpose revenue bonds issued pursuant to this
9 part may be in one or more issues and in one or more series
10 within an issue and shall be further authorized pursuant to
11 resolution of the board. The special purpose revenue bonds
12 shall be dated, shall bear interest at the rate or rates, shall
13 mature at the time or times not exceeding forty years from their
14 date or dates, shall have the rank or priority, and may be made
15 redeemable before maturity at the option of the development
16 corporation, at the price or prices and under the terms and
17 conditions, all as may be determined by the development
18 corporation.

19 The development corporation shall determine the form of the
20 special purpose revenue bonds, including interest coupons, if
21 any, to be attached thereto, and the manner of execution of the



1 special purpose revenue bonds, and shall fix the denomination or
2 denominations of the special purpose revenue bonds and, subject
3 to the approval of the director of finance, the place or places
4 of payment of principal and interest, which may be at any bank
5 or trust company approved by the director of finance within or
6 without the State.

7 The special purpose revenue bonds may be issued in coupon
8 or in registered form, or both, as the development corporation
9 may determine, and provisions may be made for the registration
10 of coupon bonds as to principal alone and also as to both
11 principal and interest, and for the reconversion into coupon
12 bonds of special purpose revenue bonds registered as to both
13 principal and interest. Subject to the approval of the director
14 of finance, the development corporation may sell special purpose
15 revenue bonds in such manner, either at public or private sale,
16 and for such price as it may determine.

17 (d) Prior to the preparation of definitive special purpose
18 revenue bonds, the development corporation may issue interim
19 receipts or temporary bonds, with or without coupons,
20 exchangeable for definitive bonds when the bonds have been
21 executed and are available for delivery.



(e) Should any special purpose revenue bond issued under this part or any coupon appertaining thereto become mutilated, lost, stolen, or destroyed, the development corporation may cause a new bond or coupon of like date, number, and tenor to be executed and delivered in exchange and substitution for, and upon the cancellation of the mutilated bond or coupon, or in lieu of and in substitution for the lost, stolen, or destroyed bond or coupon. The new bond or coupon shall not be executed or delivered until the holder of the mutilated, lost, stolen, or destroyed bond or coupon:

(1) Has paid the reasonable expenses and charges in connection therewith;

(2) In the case of a lost, stolen, or destroyed bond or coupon, has filed with the development corporation or its fiduciary evidence satisfactory to the development corporation or its fiduciary that the bond or coupon was lost, stolen, or destroyed and that the holder was the owner thereof; and

(3) Has furnished indemnity satisfactory to the development corporation.



1 (f) The development corporation in its discretion may
2 provide that CUSIP identification numbers shall be printed on
3 the special purpose revenue bonds. If the numbers are imprinted
4 on the bonds:

5 (1) No such number shall constitute a part of the contract
6 evidenced by the particular bond upon which it is
7 imprinted; and

8 (2) No liability shall attach to the development
9 corporation or any officer or agent thereof, including
10 any fiscal agent, paying agent, or registrar for the
11 bonds by reason of the numbers or any use made
12 thereof, including any use thereof made by the
13 development corporation, any such officer, or any such
14 agent, or by reason of any inaccuracy, error, or
15 omission with respect thereto or in such use. The
16 development corporation in its discretion may require
17 that all costs of obtaining and imprinting the numbers
18 shall be paid by the purchaser of the bonds. For the
19 purposes of this subsection, the term "CUSIP
20 identification numbers" means the numbering system
21 adopted by the Committee for Uniform Security



1 Identification Procedures formed by the Securities
2 Industry Association.

3 (g) Whenever the development corporation has authorized
4 the issuance of special purpose revenue bonds under this part,
5 special purpose revenue bond anticipation notes of the
6 development corporation may be issued in anticipation of the
7 issuance of the bonds and of the receipt of the proceeds of sale
8 thereof, for the purposes for which the bonds have been
9 authorized. All special purpose revenue bond anticipation notes
10 shall be authorized by the development corporation, and the
11 maximum principal amount of the notes shall not exceed the
12 authorized principal amount of the bonds. The notes shall be
13 payable solely from and secured solely by the proceeds of sale
14 of the special purpose revenue bonds in anticipation of which
15 the notes are issued and the moneys, rates, charges, and other
16 revenues from which would be payable and by which would be
17 secured the bonds; provided that to the extent that the
18 principal of the notes shall be paid from moneys other than the
19 proceeds of sale of the bonds, the maximum amount of bonds that
20 has been authorized in anticipation of which the notes are
21 issued shall be reduced by the amount of notes paid in this



1 manner. The authorization, issuance, and the details of the
2 notes shall be governed by this part with respect to special
3 purpose revenue bonds insofar as the same may be applicable;
4 provided that each note, together with all renewals and
5 extensions thereof, or refundings thereof by other notes issued
6 under this subsection, shall mature within five years from the
7 date of the original note.

8 (h) To secure the payment of any of the special purpose
9 revenue bonds issued pursuant to this part, and interest
10 thereon, or in connection with the bonds, the development
11 corporation shall have the power as to the bonds:

12 (1) To pledge all or any part of the revenues and receipts
13 derived or to be derived by the development
14 corporation as provided in this part to the punctual
15 payment of special purpose revenue bonds issued with
16 respect to the project or industrial park financed
17 from the proceeds thereof, and interest thereon, and
18 to covenant against thereafter pledging any such
19 revenues and receipts to any other bonds or any other
20 obligations of the development corporation for any
21 other purpose, except as otherwise stated in the



1 proceedings providing for the issuance of special
2 purpose revenue bonds permitting the issuance of
3 additional special purpose revenue bonds to be equally
4 and ratably secured by a lien upon such revenues and
5 receipts;

6 (2) To pledge and assign the interest and right of the
7 development corporation under any project agreement
8 and other agreements related to a project or
9 industrial park, and the rights, duties, and
10 obligations of the development corporation thereunder,
11 including the right to receive revenues and receipts
12 thereunder;

13 (3) To pledge or assign all or any part of the proceeds
14 derived by the development corporation from proceeds
15 of insurance or condemnation awards;

16 (4) To covenant as to the use and disposition of the
17 proceeds from the sale of the special purpose revenue
18 bonds;

19 (5) To covenant to set aside or pay over reserves and
20 sinking funds for the special purpose revenue bonds
21 and as to the disposition thereof;



1 (6) To covenant and prescribe as to what happenings or
2 occurrences shall constitute "events of default", the
3 terms and conditions upon which any or all of the
4 bonds shall become or may be declared due before
5 maturity, and as to the terms and conditions upon
6 which the declaration and its consequences may be
7 waived;

8 (7) To covenant as to the rights, liabilities, powers, and
9 duties arising upon the breach by the development
10 corporation of any covenant, condition, or obligation;

11 (8) Subject to the approval of the director of finance, to
12 designate a national or state bank or trust company
13 within or without the State, incorporated in the
14 United States, to serve as trustee for the holders of
15 the special purpose revenue bonds and to enter into a
16 trust indenture, trust agreement, or indenture of
17 mortgage with the trustee. The trustee may be
18 authorized by the development corporation to receive
19 and receipt for, hold, and administer the proceeds of
20 the special purpose revenue bonds and to apply the
21 proceeds to the purposes for which the special purpose



1 revenue bonds are issued, or to receive and receipt
2 for, hold, and administer the revenues and receipts
3 derived or to be derived by the development
4 corporation under a project agreement or other
5 agreement related to a project or industrial park, and
6 to apply such revenues and receipts to the payment of
7 the principal of and interest on the special purpose
8 revenue bonds, or both, and any excess revenues and
9 receipts to the payment of expenses incurred by the
10 development corporation in administering the special
11 purpose revenue bonds or in carrying out the project
12 agreement or other agreement. If the trustee shall be
13 appointed, any trust indenture, trust agreement, or
14 indenture of mortgage entered into by the development
15 corporation with the trustee may contain whatever
16 covenants and provisions as may be necessary,
17 convenient, or desirable in order to secure the
18 special purpose revenue bonds. The development
19 corporation may pledge and assign to the trustee the
20 interest of the development corporation under a
21 project agreement and other agreements related thereto



1 and the rights, duties, and obligations of the
2 development corporation thereunder, including the
3 right to receive revenues and receipts thereunder.

4 The development corporation may appoint the trustee to
5 serve as fiscal agent for the payment of the principal
6 and interest, and for the purchase, registration,
7 transfer, exchange, and redemption of the special
8 purpose revenue bonds, and may authorize and empower
9 the trustee to perform the functions with respect to
10 the payment, purchase, registration, transfer,
11 exchange, and redemption, as the development
12 corporation may deem necessary, advisable, or
13 expedient, including, without limitation, the holding
14 of the special purpose revenue bonds and coupons that
15 have been paid and the supervision of the destruction
16 thereof in accordance with law;

17 (9) To execute all instruments necessary or convenient in
18 the exercise of the powers herein granted or in the
19 performance of its covenants and duties;

20 (10) To invest or provide for the investment of the
21 proceeds of special purpose revenue bonds and revenues



1 and receipts derived by the development corporation in
2 the securities and in such manner as it deems proper;
3 and

4 (11) To make such covenants and do any and all acts and
5 things as may be necessary, convenient, or desirable
6 in order to secure the special purpose revenue bonds,
7 notwithstanding that the covenants, acts, or things
8 may not be enumerated in this part.

9 No holder or holders of special purpose revenue bonds
10 issued under this part shall ever have the right to compel any
11 exercise of the taxing power of the State or any political
12 subdivision of the State to pay the special purpose revenue
13 bonds or the interest thereon and no moneys other than the
14 revenues pledged to the special purpose revenue bonds shall be
15 applied to the payment thereof.

16 (i) Special purpose revenue bonds bearing the signature or
17 facsimile signature of officers in office on the date of the
18 signing thereof shall be valid and sufficient for all purposes,
19 notwithstanding that before the delivery thereof and payment
20 therefor any or all of the persons whose signatures appear
21 thereon shall have ceased to be officers of the development



1 corporation. The special purpose revenue bonds shall contain a
2 recital that they are issued pursuant to this part which recital
3 shall be conclusive evidence of their validity and of the
4 regularity of their issuance.

5 (j) Subject to authorization by an act enacted by the
6 legislature by an affirmative vote of two-thirds of the members
7 to which each house is entitled, the development corporation may
8 issue special purpose revenue bonds for the purpose of refunding
9 special purpose revenue bonds then outstanding and issued under
10 this part whether or not the outstanding special purpose revenue
11 bonds have matured or are then subject to redemption. The
12 development corporation may issue special purpose revenue bonds
13 for the combined purposes of:

14 (1) Financing or refinancing the cost of a project or
15 industrial park, or the improvement or expansion
16 thereof; and

17 (2) Refunding special purpose revenue bonds that shall
18 theretofore have been issued under this part and then
19 shall be outstanding, whether or not the outstanding
20 bonds have matured or then are subject to redemption.



1 Nothing in this subsection shall require or be deemed to
2 require the development corporation to elect to redeem or prepay
3 special purpose revenue bonds being refunded, or to redeem or
4 prepay special purpose revenue bonds being refunded that were
5 issued, in the form customarily known as term bonds in
6 accordance with any sinking fund installment schedule specified
7 in any proceeding authorizing the issuance thereof, or, if the
8 development corporation elects to redeem or prepay any such
9 bonds, to redeem or prepay as of any particular date or dates.

10 The issuance of the special purpose revenue bonds, the
11 maturities and other details thereof, the rights and remedies of
12 the holders thereof, and the rights, powers, privileges, duties,
13 and obligations of the development corporation with respect to
14 the bonds, shall be governed by this part as applicable.

15 (k) If special purpose revenue bonds issued pursuant to
16 this part are issued bearing interest at a rate or rates which
17 vary from time to time and with a right of holders to tender the
18 bonds for purchase, the development corporation may contract for
19 such support facility or facilities and remarketing arrangements
20 as are required to market the special purpose revenue bonds to
21 the greatest advantage of the development corporation upon such



1 terms and conditions as the development corporation deems
2 necessary and proper.

3 The development corporation may enter into contracts or
4 agreements with the entity or entities providing a support
5 facility; provided that any contract or agreement shall provide,
6 in essence, that any amount due and owing by the development
7 corporation under the contract or agreement on an annual basis
8 shall be payable solely from the revenue and receipts of the
9 project agreement and any obligation issued or arising pursuant
10 to the terms of the contract or agreement in the form of special
11 purpose revenue bonds, notes, or other evidences of indebtedness
12 shall only arise at such time as either:

13 (1) Moneys or securities have been irrevocably set aside
14 for the full payment of a like principal amount of
15 special purpose revenue bonds issued pursuant to this
16 part; or

17 (2) A like principal amount of the issue or series of
18 special purpose revenue bonds to which the support
19 facility relates are held in escrow by the entity or
20 entities providing the support facility.



1 §201-N Authorization for loans; loan terms and conditions;
2 loan procedure. (a) Notwithstanding any law to the contrary,
3 the director of finance is authorized, with the approval of the
4 governor, to make loans up to the aggregate sum of \$1,000,000,
5 or so much thereof as may be necessary, to the development
6 corporation. The loans shall be made from the state general
7 fund moneys which are in excess of the amounts necessary for
8 immediate state requirements, and shall be used for the purpose
9 of paying administrative and other costs associated with the
10 development of industrial parks and other projects and
11 activities that encourage the growth of the aerospace industry
12 in Hawaii.

13 (b) The development corporation, to the extent moneys
14 become available from bond proceeds or otherwise, shall repay
15 the general fund the principal amount of any loan made by the
16 director of finance. No interest shall be required for any such
17 loan.

18 (c) Loans authorized by this section shall be drawn upon
19 by the development corporation from time to time upon at least
20 five days notice to the director of finance and upon the filing
21 with the director of finance of a certificate of the chairperson



1 of the board setting forth the amount being borrowed, the names
2 of the persons, firms, or corporations to which moneys will be
3 paid from the proceeds of such borrowing and the amount to be
4 paid to each. In addition, the chairperson of the board shall
5 file with the director of finance a copy of the resolution or
6 resolutions of the board approving contracts for services which
7 will be paid from the proceeds of the borrowing.

8 **§201-0 Special purpose revenue bonds not a general or**
9 **moral obligation of State.** No holder or holders of special
10 purpose revenue bonds issued under this part shall ever have the
11 right to compel any exercise of the taxing power of the State to
12 pay the bonds or the interest thereon, and no moneys other than
13 the revenues pledged to the bonds shall be applied to the
14 payment thereof. Each special purpose revenue bond issued under
15 this part shall recite in substance that the bond, including
16 interest thereon, is not a general or moral obligation of the
17 State and is payable solely from the revenues pledged to the
18 payment thereof, and that the bond is not secured, directly or
19 indirectly, by the full faith and credit or the general credit
20 of the State or by revenues or taxes of the State other than the
21 revenues specifically pledged thereto.



1 **§201-P Special purpose revenue bonds exempt from taxation.**

2 Special purpose revenue bonds and the income therefrom issued
3 pursuant to this part shall be exempt from all state taxation,
4 except inheritance, transfer, and estate taxes.

5 **§201-Q Federal tax-exempt status.** Special purpose revenue

6 bonds issued pursuant to this part, to the extent practicable,
7 shall be issued to comply with requirements imposed by
8 applicable federal law providing that the interest on the
9 special purpose revenue bonds shall be excluded from gross
10 income for federal income tax purposes (except as certain
11 minimum taxes, environmental taxes, or other federal taxes or
12 tax consequences may apply). The development corporation may
13 enter into agreements, establish funds or accounts, and take any
14 action required to comply with applicable federal law. Nothing
15 in this part shall be deemed to prohibit the issuance of special
16 purpose revenue bonds, the interest on which may be included in
17 gross income for federal income tax purposes.

18 **§201-R Special purpose revenue bonds as legal investments**

19 **and lawful security.** The special purpose revenue bonds issued
20 pursuant to this part shall be and are declared to be legal and
21 authorized investments for banks, savings banks, trust



1 companies, savings and loan associations, insurance companies,
2 credit unions, fiduciaries, trustees, guardians, and for all
3 public funds of the State or other political corporations or
4 subdivisions of the State. The special purpose revenue bonds
5 shall be eligible to secure the deposit of any and all public
6 funds of the State and any and all public funds of counties or
7 other political corporations or subdivisions of the State, and
8 the bonds shall be lawful and sufficient security for the
9 deposits to the extent of their value when accompanied by all
10 unmatured coupons, if any, appertaining thereto.

11 **§201-S Status of special purpose revenue bonds under the**
12 **Uniform Commercial Code.** Notwithstanding any of the provisions
13 of this part or any recital in any special purpose revenue bond
14 issued under this part, all such special purpose revenue bonds
15 shall be deemed to be investment securities under the Uniform
16 Commercial Code, chapter 490, subject only to the provisions of
17 the special purpose revenue bonds pertaining to registration.

18 **§201-T Hawaii aerospace development corporation special**
19 **fund.** There is established in the state treasury a fund to be
20 known as the Hawaii aerospace development corporation special



1 fund, into which shall be deposited, except as otherwise
2 provided by section 201-V:

3 (1) Any appropriations or other funds required to be
4 deposited by law; and

5 (2) All moneys, fees, and equity from tenants, qualified
6 persons, or other users of the development
7 corporation's industrial parks, projects, other leased
8 facilities, and other services and publications;

9 provided that the total amount of moneys in the fund shall not
10 exceed \$3,000,000 at the end of any fiscal year. All moneys in
11 the fund are appropriated for the purposes of and shall be
12 expended by the development corporation for the operation,
13 maintenance, and management of its industrial parks, projects,
14 facilities, services, and publications, and to pay the expenses
15 in administering the special purpose revenue bonds of the
16 development corporation or in carrying out its project
17 agreements.

18 §201-U Exemption of development corporation from taxation
19 and competitive bidding. (a) All revenues and receipts derived
20 by the development corporation from any project or industrial
21 park or under a project agreement or other agreement pertaining



1 thereto shall be exempt from all state and county taxation. Any
2 right, title, and interest of the development corporation in any
3 project or industrial park shall also be exempt from all state
4 and county taxation. Except as otherwise provided by law, the
5 interest of a qualified person or other user of a project or
6 industrial park under a project agreement or other agreements
7 related to a project or industrial park shall not be exempt from
8 taxation to a greater extent than it would be if the costs of
9 the project or industrial park were directly financed by the
10 qualified person or user.

11 (b) The development corporation shall not be subject to
12 any requirement of law for competitive bidding for project
13 agreements, construction contracts, lease and sublease
14 agreements, or other contracts unless a project agreement with
15 respect to a project or industrial park shall so require.

16 **§201-V Revenue bond fund accounts.** The development
17 corporation shall establish separate special funds in accordance
18 with section 39-62 for the deposit of the proceeds of special
19 purpose revenue bonds authorized under this part. The
20 development corporation shall have the right to appropriate,



1 apply, or expend the revenues derived with respect to the
2 project agreement for a project for the following purposes:

3 (1) To pay when due all special purpose revenue bonds,
4 premiums, if any, and interest thereon, for the
5 payment of which the revenues are or have been
6 pledged, charged, or otherwise encumbered, including
7 reserves therefor; and

8 (2) To the extent not paid by the qualified person to
9 provide for all expenses of administration, operation,
10 and maintenance of the project, including reserves
11 therefor.

12 Unless and until adequate provision has been made for the
13 foregoing purposes, the development corporation shall not
14 transfer the revenues derived from the project agreement to the
15 Hawaii aerospace development corporation special fund.

16 **§201-W Assistance by state and county agencies.** Every
17 state or county agency may render services to the development
18 corporation upon request of the development corporation.

19 **§201-X Court proceedings; preferences.** Any action or
20 proceeding to which the development corporation, the State, or a
21 county may be party, in which any question arises as to the



1 validity of this part, shall be preferred over all other civil
2 causes, except election cases, without respect to position on
3 the calendar. The same preference shall be given upon
4 application of counsel for the development corporation in any
5 action or proceeding questioning the validity of this part in
6 which the development corporation has duly intervened.

7 **§201-Y Construction of this part.** The powers conferred by
8 this part shall be in addition and supplemental to other powers
9 conferred by any other law. This part shall constitute and be
10 enabling legislation for the development corporation, as an
11 agency and instrumentality of the State, to issue special
12 purpose revenue bonds in accordance with the provisions of the
13 Constitution of the State of Hawaii and this part. Insofar as
14 the provisions of this part are inconsistent with the provisions
15 of any other law, this part shall be controlling.

16 **§201-Z Confidentiality of trade secrets or the like;**
17 **disclosure of financial information.** (a) Notwithstanding
18 chapter 92 or 92F or any other law to the contrary, any
19 documents or data made or received by any member or employee of
20 the corporation shall not be a public record to the extent that
21 the material or data:



1 (1) Consists of trade secrets;

2 (2) Consists of commercial or financial information
3 regarding the operation of any business conducted by
4 an applicant for, or recipient of, any form of
5 assistance that the corporation is empowered to
6 render; or

7 (3) Relates to the competitive position of that applicant
8 in a particular field of endeavor;

9 provided that if the development corporation purchases a
10 qualified security from an applicant, the commercial and
11 financial information, excluding confidential business
12 information, shall be deemed to become a public record of the
13 development corporation. If the information is made or received
14 by any member or employee of the development corporation after
15 the purchase of the qualified security, it shall become a public
16 record three years from the date the information was made or
17 received.

18 (b) Any discussion or consideration of trade secrets or
19 commercial or financial information shall be held by the board,
20 or the subcommittee of the board, in executive sessions closed
21 to the public; provided that the purpose of any such executive



1 session shall be set forth in the official minutes of the
2 development corporation, and business that is not related to
3 that purpose shall not be transacted nor shall any vote be taken
4 during the executive sessions.

5 **§201-AA Limitation on liability.** Chapter 661 or 662 or
6 any other law to the contrary notwithstanding, nothing in this
7 part shall create an obligation, debt, claim, cause of action,
8 claim for relief, charge, or any other liability of any kind
9 whatsoever in favor of any person or entity, against the State
10 or its officers and employees, without regard to whether that
11 person or entity receives any benefits under this part. The
12 State and its officers and employees shall not be liable for the
13 results of any investment, purchase of securities, loan, or
14 other assistance provided pursuant to this part. Nothing in
15 this part shall be construed as authorizing any claim against
16 the corporation in excess of any note, loan, or other specific
17 indebtedness incurred by the corporation or in excess of any
18 insurance policy acquired for the corporation or its employees.

19 **§201-BB Hawaii unmanned aerial systems test site advisory**
20 **board; established.** (a) There is established a Hawaii unmanned



1 aerial systems test site advisory board to oversee the planning
2 and operation of the Hawaii unmanned aerial systems test site.

3 (b) The Hawaii unmanned aerial systems test site advisory
4 board shall be composed of seven members as follows:

5 (1) The adjutant general, or the adjutant general's
6 designee;

7 (2) The director of transportation, or the director's
8 designee;

9 (3) The director of business, economic development, and
10 tourism, or the director's designee;

11 (4) The president of the University of Hawaii system, or
12 the president's designee;

13 (5) One member representing the Hawaii business community,
14 to be appointed by the governor pursuant to section
15 26-34; and

16 (6) Two members representing the aerospace or aviation
17 industry, to be appointed by the governor pursuant to
18 section 26-34.

19 Each board member shall serve for a term of four years;
20 provided that the initial terms shall be staggered, as
21 determined by the governor.



1 (c) Members of the Hawaii unmanned aerial systems test
2 site advisory board shall not receive compensation for their
3 services but shall be reimbursed for necessary expenses,
4 including travel expenses, incurred in the performance of their
5 duties under this section.

6 **§201-CC Hawaii unmanned aerial systems test site chief**
7 **operating officer.** (a) The department of business, economic
8 development, and tourism shall hire a chief operating officer
9 who shall manage the operations of Hawaii's unmanned aerial
10 systems test site. The chief operating officer shall:

- 11 (1) Monitor, oversee, and recommend operations of unmanned
12 aerial systems test site activities;
- 13 (2) Facilitate opportunities for public and private use of
14 unmanned aerial systems test site facilities;
- 15 (3) Assist unmanned aerial systems test ranges;
- 16 (4) Leverage aeronautical and aerospace-related
17 technological capabilities in the State's academic,
18 public, and private sectors to support testing and
19 evaluation at Hawaii's unmanned aerial systems test
20 ranges;



(5) Promote innovative education and workforce development programs to enhance public awareness of the benefits and opportunities that unmanned aerial systems technologies and applications can bring to the State;

(6) Monitor national and global trends in unmanned aerial systems development and testing, and recommend policies and programs to advance unmanned aerial systems testing in Hawaii;

(7) Establish and maintain a public website with updated information on the program and provide information on the Hawaii unmanned aerial systems test site initiative;

(8) Contract for services and implement agreements, subject to chapter 103D, as may be necessary to conduct operations at Hawaii's unmanned aerial systems test ranges;

(9) Serve as Hawaii's representative on the Pan-Pacific Unmanned Aerial Systems Test Range Complex management team; and

(10) Submit an annual report to the legislature no later than twenty days prior to the convening of each



1 regular session, which shall include the status of
2 work, expenditures, and trends regarding Hawaii's
3 unmanned aerial systems test site.

4 (b) The chief operating officer may employ one
5 administrative assistant for Hawaii's unmanned aerial systems
6 test site operations and activities.

7 **§201-DD Space vehicles; prohibitions.** Any vehicle
8 launched into space from the land or ocean territory of the
9 State shall not carry weapons of destruction, nuclear waste
10 materials, or use radioactive materials as a power source."

11 SECTION 3. Chapter 201, part V, Hawaii Revised Statutes,
12 is repealed.

13 SECTION 4. All rights, powers, functions, and duties of
14 the office of aerospace development and Pacific international
15 space center for exploration systems are transferred to the
16 Hawaii aerospace development corporation.

17 All employees who occupy civil service positions and whose
18 functions are transferred to the Hawaii aerospace development
19 corporation by this Act shall retain their civil service status,
20 whether permanent or temporary. Employees shall be transferred
21 without loss of salary, seniority (except as prescribed by



1 applicable collective bargaining agreements), retention points,
2 prior service credit, any vacation and sick leave credits
3 previously earned, and other rights, benefits, and privileges,
4 in accordance with state personnel laws and this Act; provided
5 that the employees possess the minimum qualifications and public
6 employment requirements for the class or position to which
7 transferred or appointed, as applicable; provided further that
8 subsequent changes in status may be made pursuant to applicable
9 civil service and compensation laws.

10 Any employee who, prior to this Act, is exempt from civil
11 service and is transferred as a consequence of this Act may
12 retain the employee's exempt status, but shall not be appointed
13 to a civil service position as a consequence of this Act. An
14 exempt employee who is transferred by this Act shall not suffer
15 any loss of prior service credit, vacation or sick leave credits
16 previously earned, or other employee benefits or privileges as a
17 consequence of this Act; provided that the employees possess
18 legal and public employment requirements for the position to
19 which transferred or appointed, as applicable; provided further
20 that subsequent changes in status may be made pursuant to
21 applicable employment and compensation laws. The director of



1 the Hawaii aerospace development corporation may prescribe the
2 duties and qualifications of these employees and fix their
3 salaries without regard to chapter 76, Hawaii Revised Statutes.

4 SECTION 5. All rules, policies, procedures, guidelines,
5 and other material adopted or developed by the office of
6 aerospace development and Pacific international space center for
7 exploration systems to implement provisions of the Hawaii
8 Revised Statutes that are reenacted or made applicable to the
9 Hawaii aerospace development corporation by this Act shall
10 remain in full force and effect until amended or repealed by the
11 Hawaii aerospace development corporation pursuant to chapter 91,
12 Hawaii Revised Statutes. In the interim, every reference to the
13 office of aerospace development, aerospace advisory committee,
14 Pacific international space center for exploration systems, and
15 board of directors of the Pacific international space center for
16 exploration systems in those rules, policies, procedures,
17 guidelines, and other material is amended to refer to the Hawaii
18 aerospace development corporation or the board of directors of
19 the Hawaii aerospace development corporation, as appropriate.

20 SECTION 6. All deeds, leases, contracts, loans,
21 agreements, permits, or other documents executed or entered into



1 by or on behalf of the office of aerospace development and
2 Pacific international space center for exploration systems,
3 pursuant to the provisions of the Hawaii Revised Statutes that
4 are reenacted or made applicable to the Hawaii aerospace
5 development corporation by this Act shall remain in full force
6 and effect. Effective July 1, 2018, every reference to the
7 office of aerospace development, aerospace advisory committee,
8 Pacific international space center for exploration systems, or
9 board of directors of the Pacific international space center for
10 exploration systems in those deeds, leases, contracts, loans,
11 agreements, permits, or other documents shall be construed as a
12 reference to the Hawaii aerospace development corporation or the
13 board of directors of the Hawaii aerospace development
14 corporation, as appropriate.

15 SECTION 7. All appropriations, records, equipment,
16 machines, files, supplies, contracts, books, papers, documents,
17 maps, and other personal property heretofore made, used,
18 acquired, or held by the office of aeronautics development and
19 Pacific international space center for exploration systems
20 relating to the functions transferred to the Hawaii aerospace

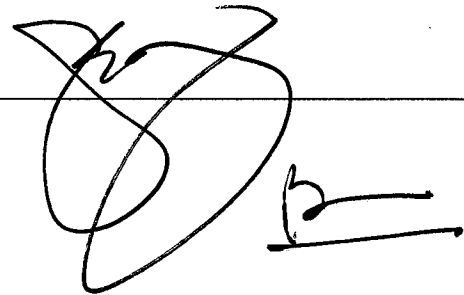


1 development corporation shall be transferred with the functions
2 to which they relate.

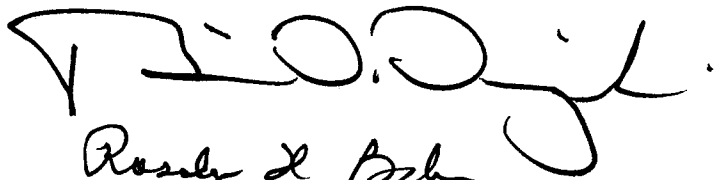
3 SECTION 8. This Act does not affect rights and duties that
4 matured, penalties that were incurred, and proceedings that were
5 begun before its effective date.

6 SECTION 9. This Act shall take effect on July 1, 2018.
7

INTRODUCED BY: _____



Will Espero



Rosaly L. Bohn

Thushille Sidani



Clarence A. Nishikawa



S.B. NO. 2702

Report Title:

Hawaii Aerospace Development Corporation; Established; Office of Aerospace Development; Pacific International Space Center for Exploration Systems; Transfer

Description:

Establishes the Hawaii aerospace development corporation to grow investments and job opportunities in the aerospace industry and for workforce development. Transfers all rights, powers, functions, and duties of the office of aerospace development and Pacific international space center for exploration systems to the Hawaii aerospace development corporation. Repeals the office of aerospace development and Pacific international space center for exploration systems.

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

