

ACT 208

H.B. NO. 3014

A Bill for an Act Relating to Special Purpose Revenue Bonds.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that it is in the public interest to encourage the development of local district cooling facilities to make chilled water available to connected buildings for use in the provision of air conditioning to those buildings. The issuance of special purpose revenue bonds and refunding special purpose revenue bonds under this Act will encourage the development of facilities for the distribution of chilled water for these purposes by lowering interest rates in financing capital improvement costs associated with chilled water distribution systems, through the use of tax exempt special purpose revenue bonds, thereby making such projects more economically feasible.

The legislature finds that Rickmar Properties, Inc., is engaged in the planning, design, and construction of a district cooling facility and pipeline distribution system in downtown Honolulu. The legislature further finds that the issuance of special purpose revenue bonds and refunding special purpose revenue bonds under this Act to assist Rickmar Properties, Inc., in constructing the portion of this district cooling project consisting of its distribution system will make the development of such a cooling system more economically feasible and provide numerous benefits, including the following:

- (1) The general public will benefit by the displacement of large electrical loads to off-peak hours, increased energy efficiency, replacement of older refrigerants (e.g. chloroflourocarbons), and minimization of refrigerant emission points;
- (2) The general public will benefit because the lower cost to connect to the local district cooling facility in comparison to building stand-alone air conditioning systems will allow more economical construction of new buildings, and more leasable space will be available in both new and old buildings because some of the space otherwise occupied by cooling equipment will not be needed for that purpose;
- (3) The general public will benefit environmentally because the proposed cooling facility will use brackish water, thereby resulting in a substantial reduction in the current use of Oahu's fresh water supply to provide air conditioning;
- (4) Owners, tenants, and other occupants of connected buildings will benefit economically through lower air conditioning costs and reduced

maintenance requirements (since individual chillers and cooling towers are eliminated) and the related elimination of the capital costs of replacing cooling systems serving individual buildings and such reduction of costs will be beneficial to the economy of the State; and

- (5) Owners, tenants, and other occupants of connected buildings will benefit economically since the local district cooling facility will be able to take advantage of greater economies of scale and use off-peak (and lower cost) electricity by local district cooling facilities and such benefits will also promote the general economy of the State.

SECTION 2. The legislature further finds that the activities of the district cooling project proposed to be constructed by Rickmar Properties, Inc., including the distribution system, constitute an industrial enterprise defined in part V, chapter 39A, Hawaii Revised Statutes, and that the cost of construction of the distribution system thereof is qualified to be financed through the issuance of special purpose revenue bonds under such part V.

SECTION 3. Pursuant to part V, chapter 39A, Hawaii Revised Statutes, the department of budget and finance is hereby authorized, with the approval of the governor, to issue special purpose revenue bonds in a total amount not to exceed \$19,000,000 in one or more series, for the purpose of assisting Rickmar Properties, Inc. (or a partnership in which Rickmar Properties, Inc. is a general partner, or the successor in interest or assignee of Rickmar Properties, Inc.), with one or more of the following:

- (1) The establishment of a distribution system through which chilled water produced at a water cooling facility will be moved to buildings wishing to be connected to the cooling facility; and
- (2) The financing, refinancing, or both, of the costs related to the planning, design, and construction of the distribution system, including costs of construction, renovation, equipping, and purchasing tangible assets (including land and easements for such distribution system and pipelines and other improvements) comprising such distribution system.

SECTION 4. The department of budget and finance shall process applications for special purpose revenue bonds under this Act in accordance with the requirements of its "Formal Application for Financing of an Industrial Enterprise." The department shall report to the legislature twenty days before the convening of the regular sessions of 2001 and 2002 regarding any status with respect to the issuance of the special purpose revenue bonds authorized by this Act.

SECTION 5. The department of budget and finance is authorized, with the approval of the governor, to issue from time to time (including times subsequent to June 30, 2003), refunding special purpose revenue bonds in such principal amounts as the department shall determine to be necessary to refund the special purpose revenue bonds authorized in section 3 and any refunding special purpose revenue bonds authorized in this section, regardless of whether the outstanding special purpose revenue bonds or refunding special purpose revenue bonds have matured or are the subject of redemption, and any such refunding special purpose revenue bonds shall be bonds for the projects and purposes described in section 3. In making this determination, the department shall comply with federal law relating to the exemption from federal income taxation of the interest on bonds of the nature authorized under this section.

SECTION 6. Any unused portion of the authorization to issue new special purpose revenue bonds under this Act shall lapse as of the close of business on June 30, 2003.

SECTION 7. This Act shall take effect on July 1, 2000.

(Approved June 14, 2000.)