



EXECUTIVE CHAMBERS  
HONOLULU

LINDA LINGLE  
GOVERNOR

**GOV. MSG. NO. 840**

July 11, 2006

The Honorable Robert Bunda, President  
and Members of the Senate  
Twenty-Third State Legislature  
State Capitol, Room 003  
Honolulu, Hawaii 96813

Dear Mr. President and Members of the Senate:

I am transmitting herewith HB2878 HD1 SD1 CD1, without my approval, and with the statement of objections relating to the measure.

HB2878 HD1 SD1 CD1

A BILL FOR AN ACT RELATING TO  
SPECIAL PURPOSE REVENUE BONDS  
TO ASSIST TRADEWINDS FOREST  
PRODUCTS, LLC.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Lingle".

LINDA LINGLE

# VETO

HOUSE OF REPRESENTATIVES  
TWENTY-THIRD LEGISLATURE, 2006  
STATE OF HAWAII

H.B. NO. 2878  
H.D. 1  
S.D. 1  
C.D. 1

---

## A BILL FOR AN ACT

RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST TRADEWINDS  
FOREST PRODUCTS, LLC.

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

1           SECTION 1. The legislature finds and declares that the  
2 issuance of special purpose revenue bonds under this Act is in  
3 the public interest and for the public health, safety, and  
4 general welfare.

5           The legislature finds that it is in the public interest to  
6 support economic development and job growth, expansion of the  
7 State's promising forest products industry, and non-petroleum-  
8 based generation of electric power. The legislature therefore  
9 finds that support for a new eucalyptus wood veneer  
10 manufacturing facility is in the public interest as it will  
11 provide over one hundred family-wage jobs, further the  
12 development of a state-based world class forest products  
13 industry, and generate three to five megawatts of renewable  
14 electric energy for general consumption.

15           The legislature further finds that Tradewinds Forest  
16 Products, LLC, proposes to build a \$30,000,000 facility on the  
17 Hamakua coast that will process domestic eucalyptus logs, some

HB2878 CD1 HMS 2006-3830



1 harvested from state-owned plantations, into high strength, thin  
2 veneer sheets for exportation. The same facility would generate  
3 surplus electricity from the burning of wood by-products.

4 The legislature finds that the issuance of special purpose  
5 revenue bonds under this Act will assist Tradewinds Forest  
6 Products, LLC, in constructing its veneer mill and cogeneration  
7 facility and make the combined facility more economically  
8 feasible and will provide numerous other benefits, including:

- 9 (1) Providing family-wage jobs to facility employees, as  
10 well as to loggers and truckers supplying and  
11 transporting timber to the mill, and personnel  
12 replanting and maintaining the forest plantations;
- 13 (2) Providing skilled industrial jobs in a location where  
14 economic activity is behind the norm and unemployment  
15 is above state averages;
- 16 (3) Developing a new export product for the state by using  
17 a renewable resource unique to Hawaii's location in  
18 the United States, which may later result in local  
19 production of selected building products;
- 20 (4) Possibly becoming a precursor to a major forest  
21 products industry in our state by taking advantage of  
22 our exceptional climate to grow superior timber;



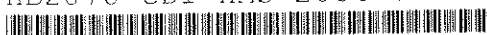
1 (5) Producing electric power for public consumption  
2 efficiently from local renewable resources that will  
3 help the State and the federal government meet goals  
4 and mandates for energy efficiency and renewable  
5 energy use;

6 (6) Creating the potential to efficiently and economically  
7 dispose of green waste in the region; and

8 (7) Generating millions of dollars of construction project  
9 spending and building the skill base of local workers.

10 SECTION 2. Pursuant to part V, chapter 39A, Hawaii Revised  
11 Statutes, the department of budget and finance, with the  
12 approval of the governor, is authorized to issue special purpose  
13 revenue bonds in a total amount not to exceed \$25,000,000, in  
14 one or more series, for the purpose of assisting Tradewinds  
15 Forest Products, LLC, with one or more of the following:

16 (1) The establishment of a veneer mill and an associated  
17 cogeneration plant for the combined production of  
18 eighty million to one hundred million square feet of  
19 eucalyptus veneer that is one-eighth of an inch thick  
20 and up to five megawatts of electricity from renewable  
21 resources; and



1           (2) The financing of the costs related to the planning,  
2           design, and construction of the facility, including  
3           the costs of constructing, equipping, and purchasing  
4           tangible assets, including land, for a facility site.

5           The legislature hereby finds and determines that the  
6           activity and facilities of Tradewinds Forest Products, LLC,  
7           constitute a project as defined in part V, chapter 39A, Hawaii  
8           Revised Statutes, and the financing thereof is assistance to an  
9           industrial enterprise.

10          SECTION 3. The special purpose revenue bonds and the  
11          refunding special purpose revenue bonds issued under this Act  
12          shall be issued pursuant to part V, chapter 39A, Hawaii Revised  
13          Statutes, relating to the power to issue special purpose revenue  
14          bonds to assist industrial enterprises.

15          SECTION 4. The department of budget and finance is  
16          authorized, from time to time, including times subsequent to  
17          June 30, 2011, to issue special purpose revenue bonds in  
18          whatever principal amounts the department shall determine to be  
19          necessary to refund the special purpose revenue bonds authorized  
20          in section 2 and to refund special purpose revenue bonds  
21          authorized in this section, regardless of whether the  
22          outstanding special purpose revenue bonds or refunding special



1 purpose revenue bonds have matured or are the subject of  
2 redemption or whether the refunding special purpose revenue  
3 bonds shall be bonds for the multi-project programs described in  
4 section 2. In making this determination, the department shall  
5 comply with federal law relating to the exemption from federal  
6 income taxation of the interest on bonds of the nature  
7 authorized by this section.

8 SECTION 5. The authorization to issue special purpose  
9 revenue bonds under this Act shall lapse on June 30, 2011.

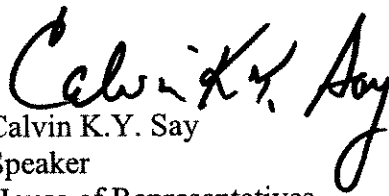
10 SECTION 6. This Act shall take effect on July 1, 2006.



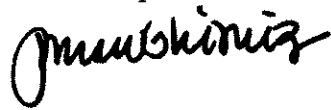
THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 4, 2006  
Honolulu, Hawaii

We hereby certify that the foregoing Bill on this day passed Final Reading in the House of Representatives of the Twenty-Third Legislature of the State of Hawaii, Regular Session of 2006.



Calvin K.Y. Say  
Speaker  
House of Representatives




Patricia Mau-Shimizu  
Chief Clerk  
House of Representatives


THE SENATE OF THE STATE OF HAWAII

Date: May 4, 2006  
Honolulu, Hawaii

We hereby certify that the foregoing Bill on this day passed Final Reading in the Senate of the Twenty-Third Legislature of the State of Hawaii, Regular Session of 2006.



Robert Bunda  
President of the Senate



Paul Kawaguchi  
Clerk of the Senate

P R O C L A M A T I O N


WHEREAS, under Section 16 of Article III of the Constitution of the State of Hawaii, the Governor is required to give notice, by a proclamation, of the Governor's plan to return with the Governor's objections any bill presented to the Governor less than ten days before adjournment sine die or presented to the Governor after adjournment sine die of the Legislature; and

WHEREAS, House Bill No. 2878, entitled "A Bill for an Act Relating to Special Purpose Revenue Bonds to Assist Tradewinds Forest Products, LLC," passed by the Legislature, was presented to the Governor within the aforementioned period; and

WHEREAS, House Bill No. 2878 is unacceptable to the Governor of the State of Hawaii;

NOW, THEREFORE, I, LINDA LINGLE, Governor of the State of Hawaii, do hereby issue this proclamation, pursuant to the provisions of Section 16 of Article III of the Constitution of the State of Hawaii, giving notice of my plan to return House Bill No. 2878 with my objections thereon to the Legislature as provided by said Section 16 of Article III of the Constitution.

DONE at the State Capitol, Honolulu,  
State of Hawaii, this 26th  
day of June, 2006.



---

LINDA LINGLE  
Governor of Hawaii



EXECUTIVE CHAMBERS

HONOLULU

July 10, 2006

STATEMENT OF OBJECTIONS TO HOUSE BILL NO. 2878

Honorable Members  
Twenty-Third Legislature  
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, House Bill No. 2878, entitled "A Bill for an Act Relating to Special Purpose Revenue Bonds to Assist Tradewinds Forest Products, LLC."

The purpose of this bill is to authorize the issuance of up to \$25,000,000 in special purpose revenue bonds to assist Tradewinds Forest Products, LLC ("Tradewinds"), a Delaware limited liability company, in the establishment of a veneer mill and associated cogeneration plant (the "project").

This bill is objectionable because there are serious questions as to whether issuance of the contemplated special purpose revenue bonds would serve a public purpose and whether financing of the project is an appropriate use of such bonds. First, based on an initial review, it is doubtful that special purpose revenue bonds could be issued for this project since most of the \$30,000,000 project does not appear to qualify for special purpose revenue bond financing on a federal tax-exempt basis. Absent a detailed legal analysis of the engineering schematics and components of the project by bond counsel, federal tax-exempt financing for the project likely would be limited to \$10,000,000 under section 144 of the Internal Revenue Code.

Generally, special purpose revenue bonds are marketable only if they can be issued on a federal tax-exempt basis. Absent sufficient special purpose revenue bond financing, it is unclear whether the project would produce the local products and jobs anticipated in the bill. Tradewinds has had an agreement for the

STATEMENT OF OBJECTIONS  
HOUSE BILL NO. 2878  
Page 2

past five years with the State to build a timber processing plant and to harvest eucaplyptus and maple planted in the Waikea Forest Reserve. However, due to difficulties in securing financing, the project has been delayed and has not produced the local products and jobs initially anticipated.

Unfortunately, it appears the proposed project has not been adequately explained to the community such that residents of the area have raised questions and concerns about the potential impacts. Additionally, questions have been raised as to the appropriateness of using publicly issued financing for a project that proposes to use the public's resources for private gain. Until these concerns are fully and fairly addressed, the State should not be asked to issue bonds for this proposal.

For the foregoing reasons, I am returning House Bill No. 2878 without my approval.

Respectfully,

A handwritten signature in black ink, appearing to read 'L. Lingle', written in a cursive style.

LINDA LINGLE  
Governor of Hawaii