
HOUSE RESOLUTION

REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM TO WORK WITH THE COUNTIES AND OTHER AFFECTED PARTIES TO RESOLVE THE PROBLEMS WITH IMPLEMENTING A CLEAN ENERGY BOND/PROPERTY ASSESSED CLEAN ENERGY (PACE) PROGRAM ESTABLISHED IN THE DRAFTS OF HOUSE BILL NO. 2643.

1 WHEREAS, during the Regular Session of 2010, the
2 Legislature considered House Bill No. 2643 which proposed to
3 establish a clean energy bond program utilizing the concept of
4 Property Assessed Clean Energy (PACE); and
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6 WHEREAS, the Legislature finds that the initial capital
7 investment required by property owners to install renewable
8 energy systems and energy efficiency improvements on residential
9 or commercial properties is a significant financial barrier to
10 homeowners and businesses participating in the State's clean
11 energy targets; and
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13 WHEREAS, PACE programs in other states are underwritten by
14 municipalities and H.B. No. 2643 would require the proceeds from
15 the sale of a state bond to be deposited into a clean energy
16 bond loan revolving fund administered by the Department of
17 Business, Economic Development, and Tourism, which would then
18 make loans to property owners for energy efficiency improvements
19 and small renewable energy systems; and
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21 WHEREAS, the loans would be repaid through a special
22 assessment added to the property owners' county real property
23 taxes, and the properties would serve as security for the loans;
24 and
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26 WHEREAS, the proposed clean energy bond program has a
27 laudable purpose, which is the promotion of renewable energy and
28 energy efficiency in Hawaii in order to reduce dependence upon



1 imported fossil fuel, keep local dollars within the state
2 economy, and decrease air pollution; and
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4 WHEREAS, discussion and testimony on H.B. No. 2643,
5 however, have revealed many practical problems that need to be
6 addressed before such a measure may be enacted; and
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8 WHEREAS, among the problems are the following:
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- 10 (1) What is the true burden on the counties with respect
11 to administering the program -- for example, without
12 limitation, the upgrading of software, separating the
13 collection of regular real property taxes from loan
14 repayments, and the handling of liens;
15
- 16 (2) What jurisdiction should be responsible for
17 underwriting loans and foreclosing on those loans when
18 property owners default -- county or State;
19
- 20 (3) Whether property owners with clean energy loans fully
21 understand that their loan repayments will be in
22 addition to their regular real property taxes and that
23 they should not expect to be shielded from probable
24 real property tax increases in the future;
25
- 26 (4) Whether the interest rates on the loans will be
27 affordable to most homeowners, given that the loan
28 repayments must cover the entire debt service on the
29 bonds plus state and county administrative expenses;
30
- 31 (5) What type of government bonds should be issued for the
32 program, given that the bonds changed from general
33 obligation bonds to reimbursable general obligation
34 bonds to revenue bonds through the different committee
35 drafts of H.B. No. 2643;
36
- 37 (6) Whether the interest rate, terms, and conditions of
38 clean energy loans will in actuality be more
39 advantageous than home equity loans to fund renewable
40 energy systems; and
41
- 42 (7) What the effect will be of prioritizing the clean
43 energy loan lien above mortgage liens -- for example,
44 what will be the impact of such priority on the



1 position and policy of the Federal Housing Finance
2 Agency and government-sponsored enterprises such as
3 Fannie Mae, Freddie Mac, and the twelve Federal Home
4 Loan Bank Boards and their willingness to purchase
5 residential mortgage loans in Hawaii, and will the
6 subordination of mortgage loans result in higher
7 mortgage interest rates and larger down payment
8 requirements in participating counties; and
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10 WHEREAS, state law does not preclude the counties from
11 enacting a PACE program at the county level and there may be
12 numerous advantages to having the State secure the bond; and
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14 WHEREAS, an area of utmost concern would be the reluctance
15 of the counties to fully support a statewide PACE program since
16 they would be at the forefront of administering the program; and
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18 WHEREAS, the Legislature finds that these problems are not
19 insurmountable and should be addressed during the 2010 interim
20 so that a more feasible, practical, and acceptable proposal may
21 be introduced during the Regular Session of 2011; now,
22 therefore,
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24 BE IT RESOLVED by the House of Representatives of the
25 Twenty-fifth Legislature of the State of Hawaii, Regular Session
26 of 2010, that the Department of Business, Economic Development,
27 and Tourism is requested to work with the counties and other
28 affected parties to resolve the problems with implementing a
29 clean energy bond Property Assessed Clean Energy program, as
30 established in the several drafts of H.B. No. 2643; and
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32 BE IT FURTHER RESOLVED that the Department of Business,
33 Economic Development, and Tourism is requested to submit a
34 report of its findings and recommendations, including any
35 proposed legislation, to the Legislature at least twenty days
36 prior to the convening of the Regular Session of 2011; and
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38 BE IT FURTHER RESOLVED that certified copies of this
39 Resolution be transmitted to the Director of Business, Economic
40 Development, and Tourism; the Director of Finance; and the Mayor
41 and Chairperson of the Council of each county.

