Legislative Federal Economic Stimulus Program Oversight Commission
8/23/11
DRAFT

I. Meeting called to order- 10:05 AM

Members present-
Kate Stanley- appointee of the Speaker of the House of Representatives
Mark Anderson- appointee of the Governor
Michael Kitamura- appointee of Senator Akaka
Ed Kemp- appointee of Senator Slom
Richard Baker- appointee of Representative Ward
Rod Tanonaka- appointee of Representative Hanabusa
Representative Kyle Yamashita- House of Representatives member
Senator Michelle Kidani- Senate member

Members not present-
Jennifer Sabas- appointee of Senator Inouye
Susan Kodani- appointee of Congresswoman Hirono
John White- appointee of the President of the Senate

Others present- Park Kaleiwahea- office of the Senator Kidani; Ted Baker- Legislative Reference Bureau; members of the public

II. Adoption of Minutes

Minutes of the 7/26/11 and 8/2/22 meeting were adopted, with amendments

III. General Business

The Chair reported that she has accepted a position with the Governor's office assisting constituencies with legislation. The Attorney General has written a letter stating that she may continue as chair of the Commission. She has scheduled a meeting with the Speaker to determine whether he nonetheless wishes to make a new appointment.

IV. Overview of Federal Stimulus Funds

Presentation of the Department of Business, Economic Development, and Tourism by Richard Lim, Director, updating presentations made 12/15/09 and 7/27/10

A. Overview

1. As of 6/30/11, DBEDT had encumbered 95.3% of $95 million in ARRA funds and has expended 72% or $68.5 million

2. Funding expenditures for DBEDT's 7 ARRA grants run from complete for two (Tax Credit Assistance Program and State Energy Efficient Appliance Rebate Program) to a low of 21% for one (Energy Assurance)

3. DBEDT is on track to meet all encumbrance/expenditure deadlines

B. Hawaii Housing Finance & Development Corporation (HHFDC); presentation by Karen Seddon, Executive Director

1. Highlights

- DBEDT was awarded $9.9 million in Tax Credit Assistance Program (TCAP) funds to fill financing gaps in affordable housing developments that were allocated Low Income Housing Tax Credits (LIHTC)

- HHFDC also exchanged $5.6 million in LIHTC for $47.8 million in Grants in Lieu of Low-Income Housing Allocations (Section 1602) proceeds.

- Funds were used to help finance the construction or acquisition and rehabilitation of 8 affordable rental projects with 871 units on Oahu, Hawaii, Maui, and Kauai

- Expenditure of TCAP funds is complete; Section 1602 funds are 83% expended ($39.5 million) with expenditures expected to be complete by the 12/31/11 deadline

2. Discussion

- The $300,000 per unit cost includes purchase of the existing building, in addition to rehabilitation; many of the projects are reaching the end of the contract for low income rental subsidies which would permit the developer to take the units out of low income rental inventory and convert the units to market rate rentals; the purchase is financed with tax credits because, otherwise, there is no way the purchaser could generate sufficient income from low income tenants to service the purchase debt

- Although the developer invests only a nominal amount, it assumes the risk that it can service the debt necessary to develop/operate the project using the tax credits and rental income; what the government gets in return is private ownership/maintenance of affordable housing that would otherwise be lost to the market, relief from ownership/operating costs, and no requirement that it guarantee the debt undertaken by the developer from its lender

- Housing credits can be transferred to build equity in a project; there is a process in place to monitor proper use of the credits, including an annual review

- TCAP is meant to help existing projects in trouble because of the economy and to spur new ones; without it, there would have been no new projects developed and existing ones would have been removed from the affordable rental inventory and lost to the market

- There really is no way to compare the profitability of a privately developed project and one developed under TCAP; profits may go up to 15% but usually run around 7%, with the developer assuming the risk and the State getting affordable rental housing stock in return

- The total cost of construction for the TCAP and Section 1602 projects was approximately $165.2 million; although job counting was not required for this program, the projects generated approximately 918 direct construction jobs and 1,240 indirect or induced jobs

- Job counts are estimated using DBEDT's own formula (each $1 million in construction costs generates 4 construction jobs, with each of those jobs creating 2.76 indirect/induced jobs); this formula is very different than the one used for ARRA which estimates jobs based on actual payroll during the reporting period, adjusted by the proportion of ARRA funding to total project funding

C. Community Based Economic Development (CBED) Program; presentation by Jamie Lum, Economic Development Specialist

1. Highlights

- CBED received a $250,00 Strengthening Communities Fund Grant to strengthen the capacity of Leeward Oahu non-profits to serve their constituents by providing no cost training/workshops in subjects including board governance and accountability; grant writing; financial management; and succession planning, followed by 1:1 technical assistance

- Initially, it was expected that 200 non-profits would need assistance but outreach efforts identified 400, of which 173 have been served so far

- CBED has expended 44% of its grant, or $110,963, will encumber an additional $110,oo by 9/29/11 for expenditure by 12/31/11, and has requested a no-cost extension for expenditure of the balance by 3/29/12 which it has been informally advised should be granted

2. Discussion

- The grant has allowed CBED to compile a database of non-profits that will be used even after the grant is expended

- Several organizations have been contracted to provide the training and technical assistance

- The competitive grant was sought because the federal government offered it and CBED is usually short of General Fund money despite great need

D. Strategic Industries Division (State Energy Office); presentation by Carolyn Shawn, Energy Conservation Program Manager, for Estrella Seese, Acting Energy Program Administrator

1. Highlights

- DBEDT received $37 million in 4 formula grants to spur renewable energy development and energy efficiency implementation designed to achieve the Hawaii Clean Energy Initiative goal of 70% clean energy by 2030

- Expenditure is 51% complete ($19 million) with the balance scheduled to be expended by the respective grant deadlines

- The Energy Assurance Grant (energy emergency preparedness and critical energy infrastructure protection) is 21% complete; the counties are also participating so completion has taken longer than if a single jurisdiction was involved

- The Energy Efficient Appliance Rebate Program was quickly completed (4,300 refrigerators were purchased in a single day) and funds under the Energy Efficiency and Conservation Block Grant (lighting retrofit, Homestead Energy Program, Kalanimoku Building photovoltaic, and Loan Loss Reserve Program) are 76% expended

- The State Energy Program grant expenditures are 40% complete overall ($10.5 million), with Renewable Energy Program expenditures 36% complete ($4.3 million for programs including online permitting, undersea cable (e.g., EIS and ocean floor surveys), battery energy storage pilot program, and transportation electrification) and Energy Efficiency Program expenditures 37% complete ($3 million for programs including solar water heating, harbor lighting, weatherization, and government and residential energy efficiency)

2. Discussion

- Rebates in support of energy efficient technology implementation were quickly accomplished; transformative programs involving the transition to renewable energy technologies are taking longer to launch and complete

- The online permitting tool will still be available after ARRA funds are expended

- Transportation efficiency program expenditures were slower to get underway because of the need for electric vehicle manufacturers to catch up with demand

- The loan loss reserve program for renewable energy installations by non-profits is not a guarantee but covers from 10-50% of a financial institution's costs/loss; the funds are held as a reserve, with no deadline for expenditure; the criteria for payment from the loan loss reserve fund uses the same criteria as the financing documents; the fund pays out after some period of non-payment elapses

- After ARRA funds are expended, some personnel costs will be funded by the energy security special fund ("barrel tax")

- With regard to the undersea cable, the surveys, technical feasibility studies, and legal and environmental work has been and will probably be done mostly with wind in mind but may also include solar and geothermal as an energy source for transmission

- The State Energy Office has developed "best practices" for energy management in state buildings that it can share with the Legislature's money committees

- The federal government conducted a site review of the State Energy Efficiency Block Grant program but the issues identified were remedied immediately and funds were never jeopardized

- Some money was reallocated to the appliance rebate program because the federal government announced the program well before the money actually became available so that there was significant consumer demand by the time the program started and additional funds were needed to supply that demand

- With regard to the rebate program, experience showed that it might be necessary to do more to take the old refrigerators out of use (many were kept and are being used in addition to the new ones) and to use rebates for other energy technologies

V. Public Comments

There were no public comments

VI. Adjournment

With a reminder that the Department of Transportation will present on 9/6/11 in a new room on the second floor of the Capitol, the meeting was adjourned at 11:26 a.m.