

**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of
THEODORE E. LIU
Director

LATE

Department of Business, Economic Development, and Tourism
before the

SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, March 31 2010

9:30 AM

State Capitol, Conference Room 211

in consideration of
HB 2643, HD 2, SD 1
RELATING TO CLEAN ENERGY BONDS.

Chair Kim, Vice Chair Tsutsui, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) strongly supports the property assessed clean energy bond loan program proposed in HB 2643, HD 2, SD 1. This is similar to an Administration measure.

The bond program allows the proceeds of state-issued reimbursable bonds to be loaned through professional energy services companies to commercial and residential property owners for the installation of renewable energy and energy-efficient systems on their property. These loans are repaid over a prescribed time period through an annual or semi-annual assessment on the property taxes of the improved property. As designed, the financial savings resulting from such clean energy improvements will wholly offset the cost of these assessments.

In its current form, this measure authorizes the Department of Budget & Finance to issue \$50,000,000.00 in general obligation reimbursable bonds to fund the Hawaii Clean Energy Bond Loan Program (“the program”). Due to the state’s current economic condition, it is our desire to implement this program as soon as possible in order to stimulate the state’s economy and create jobs. Without this source of funding, the program will be forestalled, and if the program is

underfunded, the positive economic impacts will be significantly decreased. Incorporating initial rules, as done in Senate Draft 1, also facilitates the program being initiated as quickly as possible.

For comparison: Sonoma County, CA just celebrated their first year in business as a PACE program. They have a population of just under 500,000 which is roughly half the population of the City & County of Honolulu. Per Rodney Dole, Sonoma County Auditor-Controller-Treasurer-Tax Collector, the Sonoma PACE program has over \$40 million or 1,200 PACE applications, 800 properties in contract, and 670 projects or \$21 million of completed PACE projects. They surveyed over 100 qualified PACE vendors and found that the program created 114 direct green building jobs and according to a recent study conducted by the California Employment Development Department, over 900 indirect new jobs were created in Sonoma County within nine months of the start of the program. This is the type of economic development we can expect as a result of this measure.

In response to concerns expressed by counties and other concerned parties during the last several months, we think it is worthwhile to review the following:

1. Property Assessed Clean Energy is not a new type of financing concept in that municipalities have utilized public financing to pay for improvements in the public interest for over 100 years according to PACE Now. Local Governments have long established the right to levy assessments to pursue a valid public purpose. Over 18 states have currently adopted this specific program and are well underway to realizing improved energy efficiency and savings.
2. The PACE program has actually created value for the mortgage lending and real estate industries in that clean energy improvements have raised property values. Specifically, for every \$1000 reduction in an annual utility bill, the value of that subject property increases \$20,000 according to the Appraisal Journal. With energy costs expected to rise, an energy efficient home's value will increase accordingly.
3. The Federal PACE framework protects consumers and lenders. Property owners who wish to participate in the PACE program must meet strict guidelines in that a qualifying property must not be delinquent on mortgage payments and taxes and prospective applicants must meet cost effective tests to achieve increased cash flow from their projected utility savings to cover the increase in tax assessments.

Further policy guidance and affirmation of the value of PACE in driving to our nation's clean energy future and economic recovery can be found at

http://www.whitehouse.gov/assets/documents/PACE_Principles.pdf. In particular:

- Lien priority in foreclosure is virtually immaterial, and is offset by the increase in property value in most cases, according to reports from PACE Now. The only way the assessment may affect re-financing is when it factors into the homeowner's debt to income ratio.
- Credit is currently constrained even to those with decent credit, and this area of clean energy is not currently a market with a great deal of focus for the banking industry. Since the funds are used for property improvements and repayment is tied to the property, risk to the State is low.
- A dollar amount cap on loans to property owners is provided in the corresponding administrative rules, in addition to other safeguards against default. We are aware that this program will not be suitable for every property.
- The program is voluntary, both for the counties and for property owners; the administration of the program structure and mechanics will involve input from the counties by necessity. We look forward to collaborating with the counties in the implementation of the program.

The proposed program will provide home or business owners with the necessary up-front capital to install energy efficiency improvements and renewable energy systems on their property. Loan repayment will be attached to the property and not the individual and is therefore more secure than traditional loans. In its current form, the loan program authorized by HB 2643, HD2, SD1, will be financed through general obligation reimbursable bonds and therefore does not encumber existing state funds. The bonds will be serviced via property assessment revenue, thus the investment will pay for itself. In addition, property assessments are considered a priority lien which provides an extra level of security for loan repayment.

Moreover, as demand for energy efficiency and renewable energy installation increases, private contractors will need to hire new employees to meet the demand. DBEDT is confident

that this program will create jobs at a time when they are sorely needed. This program may also encourage local entrepreneurs to create new businesses in the clean energy sector, thus creating more career opportunities for Hawai'i residents. The program is a win-win-win for property owners, private industry, and government.

DBEDT has been working closely with the U.S. Department of Energy, the National Renewable Energy Lab (NREL) and its consultants to formulate the Hawaii Clean Energy Investment (HCEI) bond program model specifically tailored for Hawai'i. NREL advised government officials that established and implemented both the Berkeley and Boulder programs and have been instrumental in providing DBEDT staff with guidance and analysis relating to this measure. DBEDT staff recently met with NREL representatives and they have committed to continued support and guidance as we work to implement this program. DBEDT's intent is to make participation in this program simple and cost-effective to the consumer, and to the counties.

Several states are currently building the administrative infrastructure required to execute a program of this nature. Boulder is the most fully-developed program in the nation and the statistical and economic data they have provided has assisted DBEDT in steering a Hawai'i specific model. DBEDT worked closely with the State Attorney General's office as well as the Department of Budget & Finance to craft the Administration's legislation and we will continue to work in partnership to bring this program to fruition.

As stated in the bill, county partnership is essential to the success of this program. Through intergovernmental agreement and co-sponsorship, this program has the potential to invigorate business and economic development across the state. As previously stated, this program will create jobs and business opportunities to Hawai'i which will help put people back to work in all participating counties. In conversations with county officials, it is clear that they are very concerned with the electrical utilities' restriction of distributed energy installation. DBEDT and the Administration are working with the utilities' to resolve this issue and we are

confident that it will not be a hindrance to the successful implementation of this program. Moreover, this program is also designed to fund energy efficiency measures which help to reduce demand and leave more room on the grid for renewable energy installation. Too much focus is being placed on photovoltaic installation, when this program makes so many other important improvements available to property owners.

There are several benefits of a State run program in Hawai'i. First, state general obligation reimbursable bonds typically have a higher grade than other types of bonds and are almost always graded higher than municipal bonds. A higher grade means they are less risky to investors and therefore can be offered at a lower interest rate. This is important because the principle, interest and any fees will need to be paid by the consumer through the assessment; so the lower the interest payment the lower the cost to the consumer. Second, with the state taking responsibility for administering and financing the program, there is no cost to the counties. The counties will not have to take on any more debt or expend resources to implement this program. The counties will only need to assist and accommodate the program administrator with software changes and perhaps some information regarding demographics and records. Third, the state takes on all of the risk in the event of default and/or litigation. Furthermore, a state-run program creates an economy of scale. Through extensive research into this subject, it is clear that the populations of three of Hawaii's counties are too small to cost-effectively support this type of program. The administration costs would be too high for any one county to be able to offer loans at competitive interest rates. This is why smaller municipalities on the mainland have partnered or have chosen to opt-in to larger, neighboring county's programs rather than to go it alone. Finally, improvements made to property may also benefit the counties through increase in property values.

In order to get this program started as soon as possible, the administrative rules drafted in anticipation of the passage of this measure have been written into SD 1 and DBEDT requests that

they be subsequently written into statute. DBEDT will work on drafting permanent rules, pursuant to Chapter 91 Hawaii Revised Statutes which will then replace those in statute as permanent rules. We recommend the following changes to the administrative rules:

- 1) The language be broadened to say that the administrator shall contract with the auditor or maintain a list of qualified contractors rather than having DBEDT contract directly with auditors.
- 2) Make explicit that the liens are non-accelerating liens to provide greater protection to the mortgage holder.

DBEDT urges the Committee and the Legislature to pass this bill for the above stated reasons. The program proposed by this bill will create jobs and contribute to the State's goal of realizing a clean energy future. DBEDT has already begun reaching out to the counties to inform them about the bill and its potential benefits and also to ask for their support and participation moving forward. DBEDT will continue working with the counties on this initiative and will assist them as needed as this program takes shape. In order to establish this program as expediently as possible, DBEDT will begin drafting a request for proposals for a program administrator as soon as this bill is passed.

Thank you for the opportunity to offer these comments.

kim5 - Deborah

From: Lisa Ferentinos [ferentinos@hawaii.rr.com]
Sent: Wednesday, March 31, 2010 4:09 AM
To: WAM Testimony
Subject: Testimony in support of HB 2643 with bond funding

Follow Up Flag: Follow up
Flag Status: Completed

SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
Room 211

TESTIMONY IN STRONG SUPPORT OF HB 2643 WITH FULL BOND FINANCING

Chair Kim and members of the Committee:

I strongly support the clean energy bonds (PACE) program as described in HB 2643 with \$50 million in reimbursable bond financing attached. This form of financing is particularly attractive in Hawaii where a large segment of the population lacks access to capital to make the solar and efficiency improvements necessary to reduce their energy bills. This measure will not only reduce the cost of living for Hawaii residents, it will create numerous jobs in the high-tech solar and energy efficiency industries. Harvard Business Review named PACE one of the "Top 10 Breakthrough Ideas" for 2010. Moving this measure with bond funding in the bill is critical to start the program this year and have the ability to leverage federal funding for a Hawaii program.

Thank you,
Lisa Ferentinos
41041 Hinalea St.
Waimanalo HI 96795

SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
Room 211

TESTIMONY IN SUPPORT OF HB 2643 HD2 SD1

Dear Chair and Committee,

I am submitting testimony in strong support of the PACE legislation and urge you to authorize and FUND this win-win program through the issue of bonds immediately. The up-front cost of residential, renewable energy should not prevent willing homeowners from doing our part to ween our state off of imported oil and exporting billions of dollars a year out of our local economy. Bond funds issued through PACE will automatically be paid back (who will default on their property taxes?), will immediately employ local green collar workers who are currently sitting on the union bench, save local homeowners millions on their utility bill freeing up dollars to be spent elsewhere in the economy, and make Hawaii more energy self-sufficient as well as a destination for others wanting to learn about renewable energy. It is a win-win-win-win situation with little to no actual cost to the state over the life of the program.

Please authorize and fund the PACE concept by passing this bill now.

Mahalo,

Josh Stanbro
Palolo Valley

sojuah@yahoo.com
(808) 306-5518

2752 Waiomao Road
Honolulu, Hawaii 96816

SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
Room 211

TESTIMONY IN SUPPORT OF HB 2643 HD2 SD1

Chair Kim and members of the Committee:

The proposed Property Assessed Clean Energy bill (PACE), HB 2643, is an innovative and fiscally sound plan. The bill would support homeowners who want to make energy efficient improvements to their homes but lack the upfront financial investment to do so.

This legislation, with \$50 million in reimbursable bond financing, would be a boon especially to those homeowners on the Leeward side of Oahu. This area is abundant with sunshine making solar power particularly effective, and an area struggling during tough economic times. Without having to provide a huge initial investment for solar improvements, Leeward area homeowners would greatly benefit from using solar technology, resulting in reduced utility bills.

This bill would provide an innovative inexpensive incentive to homeowners during these tough economic times, and continue to push Hawaii to be in the forefront of promoting clean energy at a realistic cost.

I strongly support this bill. It would be a win-win-win situation; homeowners save money, the state increases clean energy; and high tech "green" jobs are created.

I urge Committee members to move bill HB2643 forward.

Thank you for the opportunity to testify.

Aloha,

Kim Osborn Mullen

ionomullen@earthlink.net
(808)551-1393

363 Auwinala Road
Kailua, Hawaii 95634

SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
Room 211

TESTIMONY IN SUPPORT OF HB 2643 HD2 SD1

Chair Kim and members of the Committee:

I strongly support the clean energy bonds (PACE) program as described in HB 2643 with \$50 million in reimbursable bond financing attached.

Thank you for the opportunity to testify.

Theres Desai

theresdesai@gmail.com

616 Kahiau Loop
Honolulu, Hawaii 96821

SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
Room 211

TESTIMONY IN SUPPORT OF HB 2643 HD2 SD1

Chair Kim and members of the Committee:

Please support PACE, a bond that will enable people to hook up more photovoltaic panels on their rooftops. Whatever they save on electricity will enable future payback, i.e., increased property taxes. This is doubly beneficial - for the environment as well as the national trade of balance as less oil will need to be imported.

This is a win-win situation. By all means, support this bond measure.

Thank you for the opportunity to testify.

Eva Uran

evauran@yahoo.com

P. O. Box 96
Naalehu, H awaii 96772

kim5 - Deborah

From: Michael Kramer [michael@naturalinvesting.com]
Sent: Wednesday, March 31, 2010 6:37 AM
To: WAM Testimony
Subject: Fwd: Please support Property Assessed Clean Energy (HB 2643)

Follow Up Flag: Follow up
Flag Status: Completed

Ways and Means Committee Members,

I served as Vice-Chair of the Hawaii County Energy Advisory Commission in 2008 under Mayor Harry Kim. In our final report to the Mayor, we identified the Property Assessed Clean Energy initiative piloted in California as a top policy of Hawaii County to establish for itself. I was thrilled to find that it had gained some popularity among others in our state in 2009, and am pleased that it has been offered for your consideration as HB 2643 during this session. I strongly support this mechanism for helping people to access renewable energy systems for their homes. By attaching the systems to the property tax collection mechanism, the systems stay with the house and are not therefore attached to an individual's consumer debt status. Please fund this program through the issuance of G.O bonds so that the capital can be made available for this lending program that can only have positive benefits to residents of our state and continue to achieve the energy self-reliance goals set forth in the Hawaii Clean Energy Initiative.

Mahalo,

Michael Kramer
Keauhou, HI

Michael Kramer, AIF®
Managing Partner & Director of Social Research



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Please contact me if you have not received a response to your email within a reasonable time, as it may have been filtered out my mistake.

kim5 - Deborah

From: Hanalei Kanaloa [alohanalei@yahoo.com]
Sent: Tuesday, March 30, 2010 10:29 PM
To: WAM Testimony
Subject: HB 2643

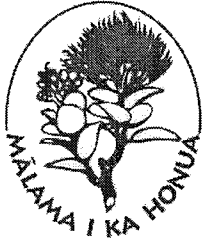
Follow Up Flag: Follow up
Flag Status: Completed

Dear Hawaii Senate Ways and Means Committee Members,

I am writing to let you know that I firmly support HB 2643, which creates an easy mechanism for people to finance clean energy systems in Hawaii. This measure would (1) create new green jobs, (2) help residents and businesses save on their electric costs, (3) and not cost the State. As Harvard Business Review says "what politician wouldn't want to support this program?" I urge you to support it too. Please help pass a measure that will move Hawai'i towards a clean energy future.

Mahalo,

Dr. Hank Janpol,
Pukalani, (Maui), HI



Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803

808.538.6616 hawaii.chapter@sierraclub.org

SENATE COMMITTEE ON WAYS AND MEANS

March 31, 2010, 9:30 A.M.
(Testimony is 2 pages long)

TESTIMONY IN STRONG SUPPORT FOR HB 2643, HD2, SD1 WITH A PROPOSED AMENDMENT

Aloha Chair Kim and Members of the Committee:

The Hawai'i Chapter of the Sierra Club strongly supports HB 2643, which would create a mechanism to remove one of the primary obstacles to the adoption of clean energy: upfront costs. We like to think of this idea as "Clean Energy for All," but it could just as easily be considered a green job creation act.

We understand there has been discussion of simply passing this measure without any general obligation reimbursable bond. This would be a mistake. GO reimbursable bonds are *excluded* from the state's debt limitation as long as the principle and interest on the bonds is being fully repaid from a special fund (in this case the revolving fund authorized by HB 2643) from the net revenue, or net user tax receipts, or a combination of both. In other words, this measure should not have a direct impact on the State's budget.

Without funding, this measure would be like building a car without an engine. If we want the purpose of the measure -- to create new jobs and advance our clean energy goals -- to be fulfilled, then we need to ensure funds are available to make it work.

Background:

Hawai'i is precariously reliant on dirty fossil fuels to power our economy. Some 50 million barrels of oil are imported annually, nearly 80% of which originate from foreign sources. In addition, over 805,000 tons of coal are imported into our state. These sources provide power for over 92% of Hawai'i's electricity generation (contributing over 23 million tons of climate changing greenhouse gas into our atmosphere annually).

The Challenge:

We've taken steps to encourage clean, renewable energy. But let's be clear. Hawai'i -- with its bright sun and strong trade winds -- lags on residential adoption of clean energy and energy

efficiency programs. And we cannot meet our energy goals without broad residential participation.

Why don't more homeowners install clean energy systems or pursue energy efficiency projects? The primary obstacle is upfront cost. We've tried a wide-range of policies -- like expedited permitting, tax incentives, and educational programs -- and yet the installation rate of residential clean energy systems is fairly small. Most homeowners simply do not have \$25,000 or more lying around to install something like a PV system. Even if the homeowner was willing and knew that the system would decrease his or her expenses over time, he or she simply couldn't afford to take this step.

The PACE System (the "Berkeley Model")

Energy Financing Districts (a.k.a Property-Assessed Clean Energy (PACE)) were first proposed by the City of Berkeley, California in 2008 and has received increasing attention as a mechanism for financing residential clean energy projects, including energy efficiency, PV systems, or solar hot water heaters. This model could foster a radical stimulus to Hawai'i's clean energy economy.

What is a PACE? The basic concept requires a governmental body to raise money through the issuance of bonds to fund small clean energy projects (though bonds are not the only possible source of funds). The financing is repaid over a set number of years through an assessment on the property tax bill of only those property owners who choose to participate in the program. The financing is secured with a lien on the property, and, like other taxes, is paid before other claims against the property in the case of foreclosure. There is little or no up-front cost to the property owner, and if the property is sold before the end of the repayment period, the new owner inherits both the repayment obligation and the financed improvements.

Interested in the wide-ranging potential of PACE, the White House led an inter-agency working group to develop the PACE Policy Framework in the summer and fall of 2009. The goal of the Framework was to establish clear guidelines to protect consumers and minimize risk for lenders and borrowers. While not mandatory, we suggest these measures should guide HB 2643. At the bottom of this memo attached you will find the 11 major Best Practice items in the White House framework (3 homeowner and 8 lender protections).

Key Questions:

We understand that because this is a fairly new concept -- it was first announced in 2008 -- there may be some substantive questions about how PACE would work. We hope this section may address some of the pertinent issues.

- **How is PACE Financing different from traditional home equity lines of credit?**

PACE can only be used to finance specific energy efficiency, renewable energy and water efficiency improvements as opposed to home equity lines that frequently reduce the equity value of a house (e.g. home equity lines are used to pay for college education, medical bills and so on). Unlike home equity lines, all PACE improvements must be capital expenditures and they must

have a public benefit. These factors make a PACE project very different from using a home equity line that potentially depletes home value. See attachment 2 - GreenFinanceSF Eligible Projects List which shows you a list of eligible PACE projects from the **NEW PACE** programs.

Secondly with PACE, you are not financing people, you are financing the property. That's why the underwriting criteria are based on the history of timely property tax payments.

Finally, energy efficiency and renewable energy investments under best practices are designed to "pay for themselves," which is to say that the homeowner's utility bill goes down by more than their property tax bill goes up. In this way, not only does it increase the value of a home in the long run, but it allows the homeowner to lower their annual out-of-pocket costs from day one. Most new PACE programs are requiring that energy efficiency improvements achieve at least 20% reduction in energy use – not just one small measure.

- **What protections are there to ensure that contractors don't take advantage of homeowners?**

Financings are for high value investments (White House homeowner protection item 2).

Energy audits are required prior to installation. The audits allow homeowners to see the cost savings for their investment.

Contractors must not only be licensed and bonded, but have an energy efficiency certification (such as Building Performance Institute) and have agreed to specific requirements for the program.

Random audits and inspections of completed work are performed on all projects (White House homeowner protection item 3).

Ability to get contractors to fix work and to disqualify contractors from programs (White House homeowner protection item 3).

- **Since PACE does not look at incomes (debt to income ratios) doesn't this mean PACE can put people further under water?**

The goal of looking at debt to income ratios is to stop people from incurring debt they can't afford. PACE accomplishes the same goal through other means.

PACE looks at:

1. Value of property to ensure there is equity value (see item 6 from White House guidelines)
2. PACE generally requires savings to investment ratios of greater than 1 so that the cash flow of the borrower increases and therefore the risk of default decreases. This taken

together with no “negative equity value” in item 1 assures that PACE is done in situations where there is equity value and that PACE increases the equity value further.

3. Other credit safeguards:

- PACE is limited to 10% of the value of the home (White House item 3)
- Clear title must be proven (White House item 4)
- No current default on taxes, liens, mortgage, etc (White House item 5)
- Length of time – maturity of debt matches life of improvements (White House item 2).

Hawai'i Could Lead the Way

We have an opportunity to establish a comprehensive statewide system that would easily make Hawai'i the capitol of renewable energy. HB 2643 issues general obligation bonds (capitol creation) and authorizes the retention of a third-party consultant to assist in creating a county by county system. This model would offer the counties tremendous flexibility -- allowing each county to pursue a traditional PACE model or use state funding -- as well as make it a state priority to encourage and promote the PACE system.

This measure simply is a smart policy. It should lead to the development of a stronger renewable energy market, wean Hawai'i off of fossil fuels, and put more money into the pocket of Hawai'i residents. It could also create a significant boost to the construction industry - green jobs - during a down economy.

Proposed Amendments:

As with any measure, improvements could be made. We suggest the following:

- Page 14, lines 17 - 18: Add “Properties with existing public liens or defaults on taxes, liens, or mortgages are not eligible for the loan program.”

Thank you for this opportunity to provide testimony.

11 Homeowner and Lender Protections in the White House PACE Policy Framework

I. Homeowner Protection

Effective consumer protection is a crucial first line of defense against defaults that would harm both homeowners and lenders. PACE programs should help assure that energy retrofits are designed to pay for themselves within a reasonable period and that homeowners are protected against fraud or substandard work.

1. *Savings to Investment Ratio.* As has long been the case for DOE's single-family weatherization program, the "savings to investment ratio" for PACE program assessments should be greater than one. This "pay for itself" principle means that the expected average monthly utility savings to homeowners should be greater than the expected monthly increase in tax assessments due to the PACE energy efficiency or renewable energy improvements. Improvements should be made where there is a positive net present value, so that expected total utility bill savings are estimated to be greater than expected total costs (principal plus interest). In some instances, tax credits or other subsidies are available to support investments. If so, then the present value of the expected savings to consumers should be greater than the present value of the increase in assessments once those subsidies are included.

2. *Financing Should be for High-Value Investments.* Financing should be limited to investments that have a high return in terms of energy efficiency gains. In some cases, investments can be limited to a set of projects that have well-documented efficiency gains for most houses in a climate zone, such as sealing ducts or installing insulation. In other cases, investments will be based on the results of an authorized energy audit that identifies the energy efficiency gains for a particular house for a particular retrofit. Ensuring that loans are made for these high-value investments will protect homebuyers and mortgage lenders, and maximize the impact of PACE on improving energy efficiency.

3. *Assuring that the Retrofit is Constructed as Intended.* First, the scope of the retrofit should be determined by a list of presumptively-efficient projects or based on an energy audit, conducted by a qualified auditor or inspector. Second, validly licensed contractors or installers should do the actual home improvements. Third, there should be an after-the-fact quality assurance program. Qualified raters should do reviews upon completion, for the portion of houses needed to assure program quality, to assure that correct work was performed and is up to standards. If the property owner or local government administering the contract is not satisfied with a retrofit or if the follow-up rating shows that the work was not completed in a commercially reasonable manner, the contractor should be required to fix the work. If that does not solve the problem, then just as with any construction project, payment to the contractor can be withheld until such a time as the work is done satisfactorily or the homeowner can seek other redress. In circumstances where a project is not completed to standards, the contractor should be disqualified from further work under the PACE program - a strong incentive to complete work correctly.

This approach provides important incentives and safeguards for all of the relevant parties. For homeowners, the “pay for itself” principle assures that the expected savings exceed the investment, and the protections afforded for proper projects and work address concerns about inappropriate or substandard work. For mortgage and other lenders, these safeguards reduce the risk that overly expensive, substandard, or uneconomic projects will be undertaken, protecting the value of the house that serves as collateral for the loan.

Furthermore, PACE programs must comply with applicable federal and state consumer laws and include adequate disclosures to and training for homeowners participating in the program. For instance, local governments implementing PACE programs must disclose the risks to participating property owners, including risks related to the default and foreclosure that could result from failure to pay assessments. Along with training and certification standards to be established by DOE and the Department of Housing and Urban Development (HUD), effective anti-fraud measures should be implemented. To avoid “copy cat” programs that offer PACE-like programs without these protections, local, state and federal consumer protection enforcement agencies should target mortgage fraud scams and “copy cat” programs.

II. Lender and Borrower Protection

Beginning immediately, this Policy Framework supports additional measures to further limit risk to mortgage lenders:

1. *Assessment Reserve Fund.* A reserve fund should be established at the local-government level, to protect the energy investor against late payment or non-payment of the assessment. This reserve fund means that any failure by the homeowner to pay the PACE assessment.
2. *Length of Time.* The length of time for a homeowner to repay the PACE assessments should not exceed the life expectancy of the energy efficient improvements.
3. *Size of Financing Relative to the House Value.* As a general matter, PACE assessments should not exceed a certain percentage of appraised value of the home, generally 10%.
4. *Clear title.* Applicants must prove they are the legal owners of a property, unanimous approval of property-holders is required, and the title should be clear of easements or subordination agreements that conflict with the assessment.
5. *PACE Financing only where no current default.* Participation in the program should not be allowed unless: (i) property taxes are current; (ii) no outstanding and unsatisfied tax liens are on the property; (iii) there are no notices of default or other evidence of property-based debt period of ownership; and (iv) the property is current on all mortgage debt.
6. *No Negative Equity Financing.* PACE loans to borrowers who are “underwater” - whose mortgage and other debt on the property is greater than the current value of the house - raise particular risks because such loans are especially likely to default with less than full payment to private lien holders PACE programs should require a current estimate of appraised value, and outstanding property-based debt cannot be less than the value of the property.
7. *Vulnerable Areas.* Local governments should be cautious in using the PACE model in areas experiencing large home price declines, where. PACE programs in such areas should proceed

only after careful attention to local real estate conditions and programmatic safeguards to avoid contributing to additional borrower defaults.

8. *Escrow.* To reduce the risk of non-payment of property assessments, homeowners should escrow payments for PACE programs in the common situations where they already escrow other property tax assessments.

kim5 - Deborah

From: Douglas Codiga [dcodiga@sil-law.com]
Sent: Tuesday, March 30, 2010 9:13 PM
To: WAM Testimony
Subject: Testimony in support of HB 2643 with bond funding

Follow Up Flag: Follow up
Flag Status: Completed

SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
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TESTIMONY IN STRONG SUPPORT OF HB 2643 WITH FULL BOND FINANCING

Dear Chair Kim and members of the Committee:

I strongly support the clean energy bonds (PACE) program as described in HB 2643 with \$50 million in reimbursable bond financing attached. This form of financing is particularly attractive in Hawaii where a large segment of the population lacks access to capital to make the solar and efficiency improvements necessary to reduce their energy bills. This measure will not only reduce the cost of living for Hawaii residents, it will create numerous jobs in the high-tech solar and energy efficiency industries.

As you likely know, the Harvard Business Review named PACE one of the "Top 10 Breakthrough Ideas" for 2010. Moving this measure with bond funding in the bill is critical to start the program this year and have the ability to leverage federal funding for a Hawaii program.

Thank you for your support of this measure and the opportunity to testify.

Douglas A. Codiga, Esq.
Schlack Ito Lockwood Piper & Elkind
A Limited Liability Law Company
Topa Financial Center, Suite 1500
745 Fort Street
Honolulu, Hawai'i 96813
Tel: (808) 523-6047
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Website: www.sil-law.com

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HAWAII FISH COMPANY

Post Office Box 1039
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Cell: 429-3147/429-3187
E-mail: hawaiiifish@gmail.com

City Bank 2000 TIGR Award
US SBA 2000 Tibbitts Award
US SBA 2001 Small Business Award
Special Congressional Recognition 2001

THE SENATE
THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2010

COMMITTEE ON WAYS AND MEANS
Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui Vice-Chair

NOTICE OF DECISION MAKING

DATE: Wednesday March 31, 2010
TIME: 9:30 am
PLACE: Conference Room 211, State Capitol
415 South Beretania Street

RE: Testimony In Strong Support of HB2643 SD1

Aloha Chair Mercado Kim, Vice-Chair Tsutsui, and Committee Members,

I strongly support HB 2643, which creates an easy mechanism for people to finance clean energy systems in Hawaii. This measure would (1) create new green jobs, (2) help residents and businesses save on their electric costs, (3) and not cost the State.

I recently attended a workshop on the PACE Program for funding renewable energy systems for Hawaii's small businesses and residents, put on by Blue Planet and Sierra Club, with several presentations by your legislative colleagues. This innovative program has been successfully implemented in numerous locations and appears to me to be well suited for implementation in Hawaii

I urge you to pass this bill and ***ensure it is adequately funded through a general obligation reimbursable bond*** (to be paid back over time by the individuals who sign up for a PACE loan).

Thank you for the opportunity to testify.

Aloha,



Ronald P. Weidenbach
Co-Owner/Manager

kim5 - Deborah

From: Deborah Williams [wilsingh@tataindicom.blackberry.com]
Sent: Tuesday, March 30, 2010 7:32 PM
To: WAM Testimony
Subject: I support HB 2643

Follow Up Flag: Follow up
Flag Status: Completed

Dear Ways and Means Committee members,

The people of Hawaii urgently need this bill to be passed. We need to save our beaches from the erosion caused by climate change. We need to build an energy future that will make us independent of oil tankers and oil prices. I believe most Hawaiians would move to solar power if this bill is passed and the program implemented. We currently have solar hot water; but have found the start-up cost of solar electric too prohibitive. Needless to say our family will be the first to apply for photovoltaic panels, once this bill is passed!

Sincerely,

Deborah Williams
926 Kaipii Street
Kailua, HI 96734

Sent from my BlackBerry® smartphone from Tata Indicom

kim5 - Deborah

From: dikshahawaii@gmail.com on behalf of Chris Mentzel [c.mentzel@cleanenergymaui.com]
Sent: Tuesday, March 30, 2010 7:30 PM
To: WAM Testimony
Subject: Testimony in support of HB 2643

Follow Up Flag: Follow up
Flag Status: Completed

Dear Legislator,

I firmly support HB 2643.

On a visit to Berkeley I have met with the inventors of this type of program and can attest to it's viability. Many legislatures and states have already adapted it. There is little risk and cost for such a program and the Berkeley people are willing to come and teach us how to do it right.

I would recommend to open up the program to a wide variety of energy saving measures as well as renewable energy generation. For the financing it could also follow New Mexico's lead and allow banks and other financing organizations to lend, supplanting the state bond scheme.

The only problem we could face is a delay in the implementation after the legislation is passed, which would prompt people to wait for the legislation coming through before investing in solar. Such a wait-and-see attitude could be dangerous for the State's solar industry. I therefore recommend to implement the scheme as fast as possible.

Sincerely,

Chris Mentzel
CEO
Clean Energy Maui LLC
619 Kupulau Dr.
Kihei HI 96753
c.mentzel@cleanenergymaui.com
cleanenergymaui.com

kim5 - Deborah

From: AlohaJade@aol.com
Sent: Tuesday, March 30, 2010 7:25 PM
To: WAM Testimony
Subject: Testimony in support of HB 2643

Follow Up Flag: Follow up
Flag Status: Completed

I firmly support HB 2643, which creates an easy mechanism for people to finance clean energy systems in Hawaii. This measure would (1) create new green jobs, (2) help residents and businesses save on their electric costs, (3) and not cost the State. As Harvard Business Review says "what politician wouldn't want to support this program?"

I urge you to support this bill moving forward and ***ensure it is adequately funded through a general obligation reimbursable bond*** (to be paid back over time by the individuals who sign up for a PACE loan). Simply passing this measure without any funding would be a hollow gesture.

Please pass this measure that moves Hawai'i towards a clean energy future!!!

Aloha from Maui,

Jade English

kim5 - Deborah

From: paul berry [pbdocberry@gmail.com]
Sent: Tuesday, March 30, 2010 7:25 PM
To: WAM Testimony
Subject: HB 2643

Follow Up Flag: Follow up
Flag Status: Completed

Chair Kim and members of the Committee:

We need HB 2643.

1. *This measure will not only reduce the cost of living for Hawaii residents, it will create numerous jobs in the high-tech solar and energy efficiency industries.*
2. *Harvard Business Review named PACE one of the "Top 10 Breakthrough Ideas" for 2010.*
3. *Moving this measure with bond funding in the bill is critical to start the program this year and have the ability to leverage federal funding for a Hawaii program.*

Thank you for the opportunity to testify. Please find ways for this PACE legislation to begin stimulating our economy and moving us into clean energy.

Thank you for the opportunity to testify.

Paul Berry
46-158 Kiowai St \$2411
Kaneohe, Hi 96744
pbdocberry@gmail.com
247-4090

kim5 - Deborah

From: Mark Nokes [manokes@yahoo.com]
Sent: Tuesday, March 30, 2010 6:36 PM
To: WAM Testimony
Subject: Yes on HB2643

Follow Up Flag: Follow up
Flag Status: Completed

Dear Senators:

We firmly support HB 2643, which creates an easy mechanism for people to finance clean energy systems in Hawaii. This measure would (1) create new green jobs, (2) help residents and businesses save on their electric costs, and (3) not cost the State. We urge you to support this bill moving forward and *ensure that it is adequately funded through a general obligation reimbursable bond* (to be paid back over time by the individuals who sign up for a PACE loan). Simply passing this measure without any funding would be a hollow gesture.

This is your opportunity to pass a measure that moves Hawai'i towards a clean energy future and keeps more of Hawaii's wealth in the state.

Our vulnerability to supply disruptions and cost increases for energy in our state is obvious and well known. We must move toward clean (fossil fuel free) energy sources before unpleasant and possibly catastrophic disruptions of our energy supply occur. We have more than adequate solar, wind, and wave energy to supply our needs, but we must start now to install these system and create the infrastructure to support them and deliver the energy they produce. This funding bill is an important first step in doing so.

Mahalo and aloha,
Mark A. Nokes, Ph.D.
Paula M. Nokes
3805 Kana'ina Avenue Apt. 304
Honolulu 96815

kim5 - Deborah

From: Dorothy M Clegg [dmclegg@earthlink.net]
Sent: Tuesday, March 30, 2010 6:28 PM
To: WAM Testimony
Subject: HB 2643
Attachments: image001.gif

Follow Up Flag: Follow up
Flag Status: Completed

Dear Legislator,

I firmly support HB 2643, which creates an easy mechanism for people to finance clean energy systems in Hawaii. This measure would (1) create new green jobs, (2) help residents and businesses save on their electric costs, (3) and not cost the State. As Harvard Business Review says "what politician wouldn't want to support this program?"

This bill is currently pending before the Senate Ways and Means Committee. I urge you to support this bill moving forward and *ensure it is adequately funded through a general obligation reimbursable bond* (to be paid back over time by the individuals who sign up for a PACE loan). Simply passing this measure without any funding would be a hollow gesture.

This will be a tough election year. Don't you want to be a leader who passed a measure that moves Hawai`i towards a clean energy future?

Aloha

Dorothy M. Clegg

Aloha Dorothy

kim5 - Deborah

From: birgit ball-eisner [birgitbluestone@yahoo.com]
Sent: Tuesday, March 30, 2010 6:08 PM
To: WAM Testimony
Subject: HB2643

Follow Up Flag: Follow up
Flag Status: Completed

Dear Legislator

It is my understanding that HB2643 is being voted on to-morrow at 9:30. This bill providing funds for home owners to install solar heating and paying it back yearly with their property tax. I understand this has passed in 17 states so with a state like Hawaii and the amount of sun we have I urge you strongly to pass this bill.

I would like it to be even stronger and include that all new home owners must have solar and all remodels must be equipped with solar as well. Being so isolated it is vital important that we find ways to decrease our dependence on foreign oil.

Thank you

Birgit Ball-Eisner and Susanne Ball

359 Auwinela Rd. Kailua 96734

808-262-4211

kim5 - Deborah

From: Jeff Phillips [ljefe00@gmail.com]
Sent: Tuesday, March 30, 2010 6:13 PM
To: WAM Testimony
Subject: I support HB 2643

Follow Up Flag: Follow up
Flag Status: Completed

I strongly urge the passage of this important and fiscally-responsible renewable energy stimulus measure!

Sincerely,
Jeff Phillips
3405 Wela St
Honolulu, HI 96815

**SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
Room 211**

TESTIMONY IN SUPPORT OF HB 2643 HD2 SD1

Chair Kim and members of the Committee:

I strongly support the clean energy bonds (PACE) program as described in HB 2643 with \$50 million in reimbursable bond financing attached. This form of financing is especially needed in Hawaii where a large segment of the population lacks access to capital to make the solar and efficiency improvements necessary to reduce their energy bills. This measure will not only reduce the cost of living for Hawaii residents, it will create numerous jobs in the high-tech solar and energy efficiency industries.

This measure with bond funding in the bill is critical to start the program this year and have the ability to leverage federal funding for a Hawaii program.

In addition to clean energy bonds, the state and local governments need to fully cooperate to allow solar and wind installations on residential property. Local zoning may restrict locations so as to make the installation impossible.

Thank you for the opportunity to testify.

Cindy Turse

mahina@turse.org

1258 Mokapu Blvd
Kailua , Hawaii 96734

SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
Room 211

TESTIMONY IN SUPPORT OF HB 2643 HD2 SD1

Chair Kim and members of the Committee:

I support HB 2643. The upfront cost of residential efficiency improvements including solar installations is the greatest roadblock to the average home owner installing solar.

Imagine being able to roll the cost of improving your home's energy efficiency into your property tax and pay the cost over a ten year period. Stop imagining, that is exactly what PACE can do.

Pace can create jobs, lower home owner costs and reduce our dependency on foreign oil. Don't kill this legislation based on a short term savings. PACE will benefit our economy both by creating jobs and reducing the 1.3 billion dollars we send overseas to pay for our energy, and it will benefit home owners by removing the biggest obstacle to retrofitting a home for energy efficiency.

William Sager

bsager42@gmail.com
(808)375-1114

44-211 Mikiola Dr
Kaneohe, HI 96744

SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
Room 211

TESTIMONY IN SUPPORT OF HB 2643 HD2 SD1

Chair Kim and members of the Committee:

I am testifying in strong support of the passage of HB 2643 with full bond financing. We took out a \$23,000 loan to purchase a PV system approximately 4 yrs ago. Our electric bill went from \$100/ mo, to \$33/ mo. When there is an electrical black out, our lights stay on. We also have 2 solar fans and a solar water heater. Our house is cool, and we have hot water.

However, we are still paying the loan and will continue to to do so for many years to come.

More families would do what we did if they had assistance with the upfront costs.

The bill would greatly reduce the family's cost of living and at the same time create numerous jobs in the high tech solar and energy efficiency industries. This would benefit the entire state enormously.

I urge you to pass HB 2643!

Thank you.

Karen Young

kgsyoung@hotmail.com
(808) 696-4677

86-024 Glenmonger St.
Wai'anae, Hawaii 96792

SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
Room 211

TESTIMONY IN SUPPORT OF HB 2643 HD2 SDI

Chair Kim and members of the Committee:

I support HB 2643. As a solar energy consultant in Hawaii, I can attest that financing is the most challenging aspect of helping homeowners purchase a solar hot water or solar electric system.

These PACE loans will allow homeowners to almost eliminate their electric bill from day one of installing their solar system and help make Hawaii more sustainable. This will create more jobs for Hawaii and generate significantly more tax revenue than it costs the state for the tax credits and bond financing.

The residential market is integral to shifting public awareness of the necessity of renewable energy for Hawaii. We must reduce our dependence on foreign oil. We must tip the scales toward renewable energy; 80% petroleum based electricity resulting in the 2nd worst polluting state in the country per megawatt of power is inexcusable.

Home ownership is an important step in making Hawaii communities sustainable. If you own your home, why rent your power?

Thank you for considering HB 2643 and its importance in making Hawaii a leader in the nation for renewable energy.

Peter Fletter
Sunetric

peter@sunetric.com
(808)397-0584

1407 Aalapapa Dr.
Kailua, Hawaii 96734

SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
Room 211

TESTIMONY IN SUPPORT OF HB 2643 HD2 SD1

Chair Kim and members of the Committee:

Price vs. value - in Hawaii the cost of electricity is the highest in the US you must be constructive in having better high efficiency homes and businesses - including renewable energy as part of you new loads.

The proposed legislation does that effectively. The integration of taxed based incentives is effective as are codes and standards to improve current practices. The cost barrier is the most significant one - not the technology . Quality standards to protect consumers must also be integrated into the resources.

I have led the countries first new commercial building programs part of the Northwest Power planning council action items. This is before LEED; we learned that as long as there is the resources and the design approaches there can be reductions of energy use, often at a savings that exceeded design projection. The upgrade of the existing buildings is a more challenging and important area. New buildings are the low hanging fruit, at the earliest stages of design and planning with high efficiency as an objective you can achieve remarkable results.

Kate Miller
Kate Miller Sustainable Interiors

kate@katemillerstudio.com
(503) 459-229 2

**SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
Room 211**

TESTIMONY IN SUPPORT OF HB 2643 HD2 SD1

Chair Kim and members of the Committee:

PACE makes available bond funding for energy efficiency and clean energy investments on residential and commercial properties and allows for the bond to be repaid over time through a property tax assessments on the subscribed properties.

The establishment of such a financing program overcomes the biggest barrier to energy efficiency and clean energy investment: the up-front cost.

The concept behind PACE is to make bond funding available for residential efficiency improvements and clean energy installations. The bond financing is then repaid over time through the investing residents' property tax bills.

Residents benefit by having a lower total cost of home ownership immediately; the state benefits with an increase in efficiency and clean energy; and the economy benefits from having steady growth in high-tech clean energy and efficiency jobs.

Thank you for the opportunity to testify,

Chenoa Farnsworth
Farnsworth Consulting

cfarnsworth@hawaii.rr.com
(808) 381-7897

1717 Mikahala Way
Honolulu, Hawaii 96816

SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
Room 211

TESTIMONY IN SUPPORT OF HB 2643 HD2 SD1

Chair Kim and members of the Committee:

As a citizen of Hawaii, I strongly supports House Bill 2643 HD2 SD1, a measure that makes available bond funding for energy efficiency and clean energy investments on residential and commercial properties and allows for the bond to be repaid over time through a property tax assessments on the subscribed properties.

I greatly appreciate the amendments made by the previous Committee and ask that this measure be forwarded with its current amount of bond financing.

The establishment of such a financing program, frequently called “property assessed clean energy”—or PACE, overcomes the biggest barrier to energy efficiency and clean energy investment: the up-front cost. The concept behind PACE is to make bond funding available for residential efficiency improvements and clean energy installations. The bond financing is then repaid over time through the investing residents’ property tax bills. Residents benefit by having a lower total cost of home ownership immediately; the state benefits with an increase in efficiency and clean energy; and the economy benefits from having steady growth in high-tech clean energy and efficiency jobs.

Consumers have proven to be terribly short-sighted in their purchasing decisions when it comes to energy saving technologies. By eliminating the up-front cost and enabling residents to pay for the investment through the energy savings over time, adoption of efficiency and clean energy will accelerate. The PACE model makes such financing even easier by enabling the investment payback to be integrated in the residential property tax—keeping the default rate low.

The program works like this: proceeds from the PACE bond are lent to residential property owners to finance efficiency improvements and small renewable energy systems. Owners then repay their loans over a prescribed time period via an annual assessment on their property tax bill. The liability to repay the bond is attached to the property, rather than to the individual, as an assessment on real property.

PACE bonds were ranked one of the Top 10 “Breakthrough Ideas for 2010” by Harvard Business Review. Sixteen other states have already established property assessed clean energy bond financing or loan programs and two other states have pending legislation.

This bond financing with property tax repayment for clean energy projects and efficiency investments in Hawaii will provide jobs as well as long-term energy, environmental, and economic benefits. The PACE program will increase energy security, encourage economic diversification, provide increased career opportunities for Hawaii residents, and attract funding and investment into the State.

Please forward HB 2643 HD2 SD1 in its current form.

Alex Tiller

alex@alextiler.com

1200 Queen Emma St 100 2
Honolulu, Hawaii 96813

SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
Room 211

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Please forward HB 2643 HD2 SD1 in its current form. Thank you for the opportunity to testify.

T. Welch

twelch@sunetric.com

SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
Room 211

TESTIMONY IN SUPPORT OF HB 2643 HD2 SD1

Chair Kim and members of the Committee:

As a citizen of Hawaii, I strongly support House Bill 2643 HD2 SD1, a measure that makes available bond funding for energy efficiency and clean energy investments on residential and commercial properties and allows for the bond to be repaid over time through a property tax assessments on the subscribed properties.

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Please forward HB 2643 HD2 SD1 in its current form.

**Kenneth Lou
Sunetric**

(808)330-2769
klou@sunetric.com

PO Box 1462
Kailua, Hawaii 96734

SENATE COMMITTEE ON WAYS AND MEANS
March 31, 2010, 9:30 A.M.
Room 211

TESTIMONY IN STRONG SUPPORT OF HB 2643 HD2 SD1

Chair Kim and members of the Committee:

As a citizen of Hawaii, I strongly support House Bill 2643 HD2 SD1, a measure that makes available bond funding for energy efficiency and clean energy investments on residential and commercial properties and allows for the bond to be repaid over time through a property tax assessments on the subscribed properties.

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Please forward HB 2643 HD2 SD1 in its current form. Thank you for the opportunity to testify.

George Helwagen

(808)783-3859
helwagen@gmail.com

1200 Queen Emma Dr. #1001
Honolulu, Hawaii 96813



TO: Senate Ways and Means Committee
Honorable Donna Mercado Kim, Chair

RE: Testimony in Support of HB2643 HD2 Relating To Clean Energy Bonds

DECISION: Wednesday, March 31, 2009, 9:30 a.m.

Chairman Kim and members of the Committee:

I appreciate your committee's consideration of HB2643 HD2, and welcome this opportunity to submit testimony in strong support of it.

My name is Larry Gilbert, and I am the Managing Director and Chief Executive of Sennet Capital LLC. Sennet Capital is a Hawai'i merchant bank that focuses entirely on providing and arranging funding for Hawai'i companies and renewable energy projects. We have become one of the leading experts in Hawai'i in renewable energy project financing, and recently completed one of the largest solar project financings done in Hawai'i when we arranged the financing for Hoku Solar to put solar panels on all of the Neighbor Island airports for the State of Hawai'i Department of Transportation.

As a provider of financing for renewable energy projects in Hawai'i, we see firsthand how much Hawai'i could benefit by creating additional infrastructure, services and funding to support renewable energy projects here. These programs create long-term, good-paying jobs for our citizens as well as helping to get Hawai'i away from fossil fuel dependency and protecting our citizens against the risk of ever-escalating prices for energy.

The bond program set out in HB2643 HD2 provides one of the most powerful mechanisms available in finance to help thrust Hawai'i to the forefront of adoption of energy efficiency programs and renewable energy. Among its many benefits are

- It creates long term good-paying jobs in the installation, maintenance and support of the systems
- It has no net cost to the State or the counties because it is a self-funding revolving loan program
- For property owners, it is largely funded by using savings from existing energy payments to pay for the costs of the systems and upgrades

As the Committees consider the bill, there are two points I wish to emphasize:

1. The use of a general obligation bond for funding of the loan program is critical, because it allows the most efficient and cost-effective access to capital.

March 31, 2010

Page 2

2. Half measures will not do. It is important to pass a bill that contains the whole program, including funding via a general obligation bond, appropriation for the bond program, and enabling the creation of the infrastructure and systems necessary to implement the program. Considerable time and effort are needed to put the necessary infrastructure into place with the various counties and create systems for efficient administration of the program to the public, so the actual issuance of the general obligation bond indebtedness will not necessarily need to occur for some time, and Section 6(e) of the proposed new chapter affords the director the latitude to tailor the size and timing of the issuance to the readiness of the program to accept it. But without a clear signal from the Legislature that this program has been created and will be enabled, the willingness of the counties and the private sector to undertake the substantial expense and effort necessary to pave the way will not be forthcoming.

Without steps like the one contained in HB2643 HD2, our State has little hope of achieving the renewable portfolio standards contained in Act 155. Hawai'i has been looked to by the nation as a leader in renewable energy adoption, and it would be an embarrassment and a shame for us not to adopt a program such as this, which has been well proven in other jurisdictions, heralded by the Harvard Business Review as one of the top 10 breakthrough ideas for 2010, has no net cost to the State, and creates jobs and energy security for our citizens.

For all of these reasons, Sennet Capital strongly supports HB2643 HD2, and urges this Committee to recommend its passage to the Senate and the Legislature.

Thank you for the opportunity to submit this testimony, and please feel free to contact me if I can be of further assistance.

Larry Gilbert
Managing Director
Sennet Capital LLC
55 Merchant Street, Suite 1560
Honolulu, HI 96813
Tel 808 457-1300
Email: LGilbert@sennetcapital.com

From: WATANABE, CHRISTINE (ATTSE)
To: WAM Testimony
Subject: TESTIMONY IN STRONG SUPPORT OF HB 2643 WITH FULL BOND FINANCING
Date: Wednesday, March 31, 2010 8:49:40 AM
Importance: High

Chair Kim and members of the Committee:

I strongly support the clean energy bonds (PACE) program as described in HB 2643 with \$50 million in reimbursable bond financing attached. This form of financing is particularly attractive in Hawaii where a large segment of the population lacks access to capital to make the solar and efficiency improvements necessary to reduce their energy bills. This measure will not only reduce the cost of living for Hawaii residents, it will create numerous jobs in the high-tech solar and energy efficiency industries.

I understand that Harvard Business Review named PACE one of the "Top 10 Breakthrough Ideas" for 2010.

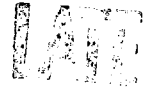
Moving this measure with bond funding in the bill is critical to start the program this year and have the ability to leverage federal funding for a Hawaii program.

M. Christine Watanabe, PHR

COUNTRY CLUB VILLAGE, Phase 2
ASSOCIATION OF APARTMENT OWNERS
1060 Ala Napunani Street
Honolulu, HI 96818

THE SENATE – REGULAR SESSION 2010
COMMITTEE ON WAYS AND MEANS

Wednesday, March 31, 2010
9:30 AM, Conference Rm. 211



HB 2643, HD2, SD1 – RELATING TO CLEAN ENERGY BONDS

Chair Sen. Donna Mercado Kim, V. C. Sen. Shan S. Tsutsui and Committee Members:

Good Morning. My name is Dante K. Carpenter, President of Country Club Village, Phase 2, Association of Apartment Owners (CCV, Phase 2, AOA). Our Association continues to explore the means by which solar and/or wind energy systems may be incorporated in Two (2) 21-story Hi-Rise structures with 469 units to reduce the cost of energy to its owners in the Salt Lake area. I speak in strong support of HB 2643, HD2, SD1 Relating to Clean Energy Bonds, which seeks to create a financing program for renewable energy systems and energy improvements on residential and commercial properties. Further, the bill authorizes the issuance of general obligation bonds to finance the program.

Please assure the applicability of this measure includes condominium Homeowner Associations, such CCV, Phase 2, AOA, and if not, we strongly suggest an appropriate amendment be incorporated in clear language.

We wish to commend the authors of this forward thinking measure and support its intent to reduce the homeowner's and commercial user's cost of electricity as well as reducing Hawaii's dependency on fossil fuels for energy purposes in the future.

We strongly recommend passage of HB 2643, HD2, SD1.

Mahalo a nui loa.