

JAN 26 2011

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## A BILL FOR AN ACT

RELATING TO A COMMERCIAL LOAN PROGRAM FOR SMALL BUSINESSES.

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

1           SECTION 1. The legislature finds that the economy of the  
2 island of Lanai is at a critical juncture for small businesses  
3 on that island. Since the closure of pineapple operations on  
4 Lanai, there has been a need for businesses that can optimize  
5 the use of the personal skills and assets of the people of Lanai  
6 and can maintain the rural lifestyle and sense of community that  
7 is Lanai's character. The legislature further finds that the  
8 economy of Lanai will be best supported by the development and  
9 enhancement of community-based rural development and businesses  
10 that preserve the qualities unique to the local community.

11 However, because the landowner, Castle & Cooke, Inc., is only  
12 giving short-term leases to business owners in Lanai City, they  
13 are having a difficult time in getting bank loans to make  
14 improvements to their businesses.

15           The purpose of this Act is to establish a temporary  
16 revolving loan program to stimulate the development and growth  
17 of small businesses on the island of Lanai.



1 SECTION 2. (a) There is established in the department of  
2 business, economic development, and tourism a temporary  
3 revolving loan program to provide financing for small businesses  
4 on the island of Lanai. To carry out the loan program, the  
5 department shall establish a revolving loan fund from which  
6 loans shall be made in accordance with this Act, and into which  
7 all payments, interest, and fees collected by the department on  
8 the loans shall be deposited.

9 As used in this section, "small business" means a business  
10 with not more than employees.

11 (b) The department may make loans to small businesses for  
12 the purpose of financing plant construction, renovation,  
13 conversion, expansion, or for the acquisition of equipment,  
14 machinery, supplies, or materials.

15 (c) The loan program shall make loans to any qualified  
16 applicant who is:

17 (1) A small business authorized to do business in the  
18 State;

19 (2) Not able to obtain a loan on reasonable terms from a  
20 financial institution;



1           (3) Able to furnish information showing the ability to  
2            repay the loan from income arising from the business;  
3            and

4           (4) Able to demonstrate that the applicant has enough  
5            equity invested so that, if the loan is approved, the  
6            applicant can operate on a sound financial basis.

7           (d) Before applying to the department, an applicant shall  
8            make every effort to obtain the loan from a financial  
9            institution, including the United States Small Business  
10           Administration. If the applicant is unable to obtain the loan  
11           from a financial institution or other source, the applicant  
12           shall ascertain whether a financial institution or other source,  
13           or both, would be willing to make the loan in participation with  
14           the department.

15           (e) All applicants applying for loans shall utilize the  
16           department's loan application form or the appropriate United  
17           States Small Business Administration forms, and shall submit the  
18           application forms to the applicant's principal financial  
19           institution. If a loan is not available, or if the financial  
20           institution declines to make a participation loan, the applicant  
21           shall then submit the application to at least one other



1 financial institution before submitting the application to the  
2 department.

3 (f) Direct or participating loans to any one applicant  
4 shall not exceed \$ , and no loan shall be granted for  
5 a period exceeding years. Each loan shall bear a  
6 simple interest rate on the unpaid principal balance at a rate  
7 of one per cent below the prime rate or at a rate of seven and  
8 one-half per cent a year, whichever is less. The commencement  
9 date for the repayment of the first installment on the principal  
10 and interest of each loan may be deferred for a period not to  
11 exceed two years.

12 (g) Each borrower shall annually submit to the department  
13 financial reports of a balance sheet and profit and loss  
14 statement on either a fiscal year or calendar year basis,  
15 depending on the tax reporting period of the borrower.

16 SECTION 3. The director of finance is authorized to issue  
17 revenue bonds in the sum of \$ or so much thereof  
18 as may be necessary and the same sum or so much thereof as may  
19 be necessary is appropriated for fiscal year 2011-2012 for  
20 deposit into the temporary revolving fund established in this  
21 Act for the establishment and operation of the temporary  
22 revolving loan program under this Act.



1 SECTION 4. The department of business, economic  
2 development, and tourism shall expend the moneys in the  
3 temporary revolving fund established in this Act for the  
4 purposes of this Act.

5 SECTION 5. All unencumbered moneys remaining in the  
6 temporary revolving fund established in this Act shall lapse to  
7 the credit of the general fund upon the repeal of this Act.

8 SECTION 6. This Act shall take effect on July 1, 2011, and  
9 shall be repealed on June 30,

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INTRODUCED BY: *[Signature]*



**Report Title:**

Temporary Small Business Revolving Loan Program; Lanai

**Description:**

Creates a temporary small revolving loan program within DBEDT for small businesses on Lanai.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

