

Honolulu, Hawaii

FEB 16 2012

RE: S.B. No. 2895

S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Economic Development and Technology, to which was referred S.B. No. 2895 entitled:

"A BILL FOR AN ACT RELATING TO NEW MARKETS TAX CREDITS,"

begs leave to report as follows:

The purpose and intent of this measure is to provide the Hawaii community-based economic development program with additional authority for the use of federal new markets tax credits by:

- (1) Defining "community development entity" to allow Hawaii to provide financing through a structure that facilitates the use of new markets tax credits;
- (2) Expanding the methods of delivering funding to a project by providing loans to capitalize a community development entity and providing guarantees or other credit enhancements that will facilitate private lenders' participation; and
- (3) Adjusting loan maximums and establishing guarantees or credit enhancements to reflect current available funding and facilitate monetization of existing project assets.

Your Committee received testimony in support of this measure from Enterprise Honolulu, Oahu Economic Development Board; The AKAMAI Foundation; PMK Capital Partners LLC; Innovations Development Group; Indigenous Consultants, LLC; Waimanalo Hawaiian



Homes Association and Na Kuhio 'Ike. Your Committee received comments on this measure from the Department of Business, Economic Development, and Tourism.

Your Committee finds that the new markets tax credit program was created to facilitate projects in low-income communities, and the program has been used successfully in several other states. Your Committee understands that the first new markets tax credit project in Hawaii was recently approved in Waimanalo for the Hawaiian Homestead Community, providing financing for a community technology, education, and employment center for residents of the homestead community.

Your Committee is strongly supportive of these efforts to revitalize low-income communities throughout the State, and commends the Waimanalo Hawaiian Homes Association for securing vital funding through the new markets tax credit program. Their success will serve as a model for other communities seeking funding in difficult economic times.

Your Committee has amended this measure by:

- (1) Incorporating the provisions of S.B. No. 831, Regular Session of 2011, which establishes a state new markets tax credit and makes conforming amendments to the State's tax laws, and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

Your Committee understands that additional clarification of definitions and terminology may be considered as this measure moves through the legislative process.

As affirmed by the record of votes of the members of your Committee on Economic Development and Technology that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2895, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2895, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Technology,

Carol Fukunaga

CAROL FUKUNAGA, Chair



