



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

**NEIL ABERCROMBIE**  
GOVERNOR

**RICHARD C. LIM**  
DIRECTOR

**MARY ALICE EVANS**  
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804  
Web site: [www.hawaii.gov/dbedt](http://www.hawaii.gov/dbedt)

Telephone: (808) 586-2355  
Fax: (808) 586-2377

Statement of  
**RICHARD C. LIM**  
Director

Department of Business, Economic Development, and Tourism  
before the

**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY**

Monday, January 30, 2012

1:15 P.M.

State Capitol, Conference Room 016

in consideration of

**SB 2895**

**RELATING TO NEW MARKETS TAX CREDITS**

Chair Fukunaga, Vice-Chair Wakai and Committee members:

The Department of Business, Economic Development and Tourism supports the intent of SB 2895 only if no costs will be incurred upon its passage and its passage does not replace or adversely impact priorities indicated in our Executive Budget.

SB 2895 expands the methods for delivering funding to community development projects by allowing loan guarantees, and increases the maximum levels of Community-Based Economic Development (CBED) Revolving Fund loans from \$250,000 to \$5,000,000. This measure will allow the CBED Revolving Fund the flexibility to participate in attracting funds through federal programs such as the New Markets Tax Credit to community development projects. These projects will positively impact job creation and community economic environments in many of Hawaii's rural and distressed regions. While we recognize that this bill does not provide for funding, it will position the CBED Revolving Fund to be a significant future resource to our communities in better economic times.

We recommend that "...and credit enhancements" (Page 3, Lines 19-20; Page 4, Lines 12-13 and 22; Page 5, Line 13; Page 7, Line 2), as well as, "...and other credit enhancements" (Page 7, Line 6); "...or credit enhancement..." (Page 7, Lines 9-10) and, "...and credit enhancements..." (Page 7, Line 14), be deleted as "credit enhancements" have not been defined.

Thank you for the opportunity to offer these comments.

LATE

January 30, 2012

EDT

Senator Carol Fukunaga, Chair  
Senator Glenn Wakai, Vice Chair  
Hawaii State Capitol, Room 016  
Honolulu, Hawaii 96813

Aloha Senator's Fukunaga and Wakai,

I am writing to express my support for Senate Bill 2895. Enterprise Honolulu considers our responsibility in the Hawaii community as the Oahu Economic Development Board crucial to revitalizing our economic condition from a state wide perspective.


In so doing we are considering all opportunities to bring greater monies into Hawaii and deployed in a responsible manner. Two years ago Enterprise Honolulu and American Savings Bank established a new entity Punawai O Pu'uhonua as a Community Development Entity so that we could apply to the CDFi for an allocation of Federal New Market Tax Credits for Hawaii. Punawai O Pu'uhonua applied for a \$60 million allocation this year.

As President and CEO for Enterprise Honolulu and a life long resident of Hawaii who's family ties run deep in public service I believe that we all share the burden that our economy finds us. The low income and rural communities of Hawaii too often find that it is the most difficult areas to receive economic funding to stimulate job development. SB 2895 is a legislative initiative to enhance our abilities to bring these valuable assets and unite them with State initiatives, thus leveraging all of our dollars. We see this as a key initiative to inspire revitalization investment. Enterprise Honolulu strongly supports SB2895.

I ask for your consideration to support SB2895 as we do our part to work in concert.

Please feel free to contact me directly should you have any questions.

Sincerely,



Pono Shim  
President & CEO  
Enterprise Honolulu, Oahu Economic Development Board



ENTERPRISE  
HONOLULU

THE BUSINESS CLIMATE OF PARADISE

January 29, 2012

Honorable Carol Fukunaga, Chair  
Committee on Economic Development and Technology  
Hawaii State Capitol  
415 South Beretania Street, Room 216  
Honolulu, HI 96813

**LATE**

Date: Monday, January 30, 2012

Time: 1:15 pm

Place: Conference Room 016, State Capitol, 415 South Beretania Street

**RE: SB2895 – RELATING TO NEW MARKETS TAX CREDITS.**

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Dear Chair Fukunaga and Members of the Committee;

PMK Capital Partners LLC owns the former Kau Sugar Mill site in Pahala, Hawaii and is in the process of developing a macadamia processing plant on our property in order to provide local farmers with a better price for their macadamia crop. In addition we will be putting the Pahala Water Shaft that we own, with a capacity of 6.78 million gallons per day, back in service to lower the cost of irrigation for macadamia farmers.

The New Market Tax Credits program provides an added incentive to PMK to undertake this major effort of creating a stimulus for the economically deprived community of Pahala.

According to the 2010 U.S. Census, Pahala is categorized as Severely Distressed with the Percent of People in Poverty at 23.92% and Tract Income as only 60.4% of the Average Mean Income for the State of Hawaii. With a total population of 1,356 people and a labor force of 592 people, Pahala will be the beneficiary of the 25 full-time positions that the PMK operations will create.

PMK supports the New Market Tax Credits program and urges the Committee on Economic Development and Technology to approve SB2895.

Thank you.

Albert K. F. Kam Jr.  
Chairman  
PMK Capital Partners LLC

**LATE**

January 29, 2012

Honorable Carol Fukunaga, Chair  
Committee on Economic Development and Technology  
Hawaii State Capitol  
415 South Beretania Street, Room 216  
Honolulu, HI 96813

Honorable Glenn Wakai, Vice Chair  
Committee on Economic Development and Technology  
Hawaii State Capitol  
415 South Beretania Street, Room 203  
Honolulu, HI 96813

Date: Monday, January 30, 2012

Time: 1:15 pm

Place: Conference Room 016, State Capitol, 415 South Beretania Street

**RE: SB2895 – RELATING TO NEW MARKETS TAX CREDITS.**

---

Dear Chair Fukunaga, Vice Chair Wakai, and Members of the Committee,

I thank you for allowing me to submit this testimony in support of SB2895 and its passage, which expands methods of delivering funding to a community development entity by allowing guarantees and credit enhancements.

New Markets Tax Credit: Market

A critical market issue is the continued shortage of leveraged loan financing for NMTC projects. After the tax credit itself, leveraged loans have been the lifeblood of financing packages for many NMTC projects and businesses (Tax Credit Advisor 2009). The current financial market and economic difficulties have prompted a pullback by a number of major sources of leveraged loans such as major banks and specialized lenders (Tax Credit Advisor 2009), and thereby leaving community development projects (Qualified Active Low-Income Businesses or QALICBs) to seek an array of alternative financing (e.g. government loans and guarantees). With the passage of SB2895, the State has the option of providing alternative financing to community development projects that engage in NMTC transactions and thus creating measurable opportunities to stimulate the local economy by actively encouraging the infusion of subsidized capital into the market place that spurs growth in distressed communities that create jobs and enhance access to capital for small businesses and community development.

Loans funneled through an upper-tier investment fund in a leverage loan structure also produce more tax credits for the investor (Tax Credit Investor or TCI) to purchase (Tax Credit Advisor 2009), which means a healthier investment by the CDE into a community development project (QALICB). In short, the leverage loan is enhanced by a maximum of 39%, which means for every dollar leveraged the community development project (QALICB) can receive an additional subsidy up to a maximum amount of 39 cents (typically the subsidy will range between 17 and 22 cents).

#### New Markets Tax Credit: Description

The federal New Markets Tax Credit (NMTC) program is currently the largest federal economic development incentive program. The program was enacted as part of the Community Renewal Tax Relief Act of 2000 to encourage investment in low-income communities. Economic incentives are important in helping low-income census tracts recover from the recession, since these areas usually have the most difficulty generating new capital. The original authorizing legislation provided \$15 billion in NMTC authority between 2000 and 2007. With extensions of the program, to date, the Community Development Financial Institutions (CDFI) Fund has awarded more than \$26 billion in New Markets Tax Credit allocation authority, raising more than \$14 billion in new capital from tax credit investors for low-income community investments. The investor capital has supported approximately \$100 billion in total project financing.

NMTCs are a tax credit, not a tax deduction. A tax credit can be given to the IRS instead of making a cash payment for taxes owed by the investor. The investor is typically a bank or insurance company.

NMTC is very flexible and can be used for a wide range of purposes. Most types of businesses, including not-for-profit businesses are eligible for NMTC subsidy. The program has supported a wide variety of community and economic development initiatives including restaurants, childcare facilities, community centers, charter schools, supermarkets, shopping centers, manufacturing and industrial facilities, health care centers, and mixed-use buildings with affordable housing. For the many communities that could benefit from the NMTC, the first step is to understand how it works.

In brief, the Community Development Financial Institutions (CDFI) Fund, part of the U.S. Treasury Department, certifies qualified community development entities (CDEs) and conducts competitions for the allocation of NMTCs to CDEs. An "allocation" allows the CDE to select a project and coordinate funding, including by receiving the tax credit investor's capital and directing the tax benefits to the investor.

Testimony for Senate Bill No. 2895

January 30, 2012

Page 3

The size of the NMTC is 39% of the capital assembled by the CDE, taken over seven years. The capital is typically approximately the project budget amount. At closing, investors pay a percentage of the total benefits they receive over time. This means the tax credits result in a subsidy for projects typically in the range of 17 – 22% of the total capital raised by the CDE. The capital must be used for qualifying projects, usually required to be located in low-income census tracts or projects that serve or employ low-income persons.

Business owners, financial institutions, and community economic development leaders are now realizing the various ways the New Markets Tax Credit program can help finance projects and stimulate economic growth.

Thank you for this opportunity to testify.

Tamar deFries  
2031 Haalelea Place  
Honolulu, HI 96813  
(808) 478-9627

Joseph W. Lapilio  
2031 Haalelea Place  
Honolulu, HI 96813  
(808) 265-3975

**LATE**

January 29, 2012

Honorable Carol Fukunaga, Chair  
Committee on Economic Development and Technology  
Hawaii State Capitol  
415 South Beretania Street, Room 216  
Honolulu, HI 96813

Honorable Glenn Wakai, Vice Chair  
Committee on Economic Development and Technology  
Hawaii State Capitol  
415 South Beretania Street, Room 203  
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Date: Monday, January 30, 2012

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Place: Conference Room 016, State Capitol, 415 South Beretania Street

**RE: SB2895 – RELATING TO NEW MARKETS TAX CREDITS.**

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Dear Chair Fukunaga, Vice Chair Wakai, and Members of the Committee,

I thank you for allowing me to submit this testimony in support of SB2895.

I am testifying on behalf of the AKAMAI Foundation a Hawaii based nonprofit focused on finance education and industry cultivation. The AKAMAI Foundation is in the process of establishing a Community Development Venture Capital fund which will make investments in underserved communities. The New Market Tax Credit program is a valuable tool in developmental finance, one that helps to reduce the cost of capital to emerging businesses and incentivizes investment and job creation in socioeconomically depressed areas.

An increase in community development projects in Hawaii will not only serve to stimulate the economy and create needed jobs but will also provide the opportunity for Hawaii students interested in careers in finance to receive valuable experience working on these projects. Community development finance projects, and New Market Tax Credit projects in particular teach students not only the technical skills needed to succeed in business but also social responsibility and how finance can be used as a tool to improve their communities.

The AKAMAI Foundation supports the New Market Tax Credit program and the approval of SB2895

Thank you,

  
Colin Brady

The AKAMAI Foundation  
146 Hekili Street, Suite 203 Kailua, HI 96734  
p 808.263.0081 f 808.263.0082 c 808.384.4975

**LATE**



Date: Monday, January 30, 2012  
Time: 1:15pm  
Place: Conference Room 016

Re: SB 2895 – Testimony in Support

Aloha Chair Fukunaga and Members of the Senate Committee on Economic  
Development and Technology,

The Innovations Development Group Inc. supports passage of S.B. 2895. The New Market Tax Credit (NMTC) program was created to facilitate projects in low-income communities (LIC) by providing a seven (7) year credit equal to a total of 39% of the amount of the qualified equity investment (QEI) made by an investor in a community development entity (CDE). The CDE then uses that investment to make qualified low-income community investments (QLICI) in qualified low-income community businesses.

For years, these benefits have been harvested by low-income communities in several states – but not in Hawaii. The first NMTC project in Hawaii was recently approved for Waimanalo for the Hawaiian Homestead Community. It provided \$2.3 million USD for a community technology, Education & Employment center for Homesteaders. No State/DHHL funds were needed.

Hawaii needs more of these projects. Please support the bill.

Kind Regards,

Patricia K. Brandt  
CEO, IDG



**LATE**



**INDIGENOUS  
Consultants, LLC**

Date: Monday, January 30, 2012  
Time: 1:15pm  
Place: Conference Room 016

Re: SB 2895 – Testimony in Support

Aloha Chair Fukunaga and Members of the Senate Committee on Economic Development and Technology,

The Indigenous Consultants, LLC supports passage of S.B. 2895. The New Market Tax Credit (NMTC) program was created to facilitate projects in low-income communities (LIC) by providing a seven (7) year credit equal to a total of 39% of the amount of the qualified equity investment (QEI) made by an investor in a community development entity (CDE). The CDE then uses that investment to make qualified low-income community investments (QLICI) in qualified low-income community businesses.

For years, these benefits have been harvested by low income communities in several states – but not in Hawaii. The first NMTC project in Hawaii was recently approved for Waimanalo for the Hawaiian Homestead Community. It provided \$2.3 million USD for a community technology, Education & Employment center for Homesteaders. No State/DHHL funds were needed.

Hawaii needs more of these projects. Please support the bill.

Kind Regards,

A handwritten signature in black ink, appearing to read 'Mililani B. Trask', with a long horizontal line extending to the right.

Mililani B. Trask  
Indigenous Consultants LLC



P.O. Box 353, Waimānalo, Hawaii 96795-0353

TESTIMONY IN SUPPORT OF

SB 2895 – ECONOMIC DEVELOPMENT; NEW MARKETS TAX CREDITS; LOANS;

COMMUNITY DEVELOPMENT ENTITY

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

CHAIR SENATOR CAROL FUKUNAKA AND VICE CHAIR GLENN WAKAI

Honorable Chair Fukunaga, Vice Chair Wakai and Members of the Senate Committee on Economic Development and Technology,

My name is Paul P. Richards, President of the Waimānalo Hawaiian Homes Association (WHHA) and Na Kuhio 'Ike, wholly owned subsidiary of Waimānalo Hawaiian Homes Association. Mahalo for the opportunity to submit this testimony in strong support of SB 2895 which addresses New Market Tax Credits, Loans and the Community Development Entity (CDE) as a means of accessing Federal tax credits for community development.

WHHA was very fortunate with the opportunity to accessing this long-time venue of Federal funding in making possible the fourth phase of our Ka Ho'oilina na Kuhio Community Center on the Hawaiian homestead community in Waimānalo.

In a matter of ten-months, our volunteer based community association was able to work with Pacific Growth Associates (PGA) a Hawaii based entity along with Carroll Investments of Portland, Oregon and Travois, LLC from Kansas City, MO with our tax credit investor, Wells Fargo Bank in securing \$7.2 million in New Market Tax Credits towards our project. WHHA, its leadership and general membership met, worked and learned the processes involved in making and completing this business transaction. We understood fully the processes which enabled us to secure funding and the consequences involved.

Recently, with our understanding and commitment, WHHA and NKI understands the work and coordination required in moving such projects and others like it to move forward while



P.O. Box 353, Waimānalo, Hawaii 96795-0353

making its financial obligations, including planning and permitting process amongst other components of any major project.

Each component from NMTC investor, project manager, architect, contractors and community members will benefit directly from this legislation and it is our hope that everyone will understand fully their responsibility towards developing the economics and our communities in the State of Hawaii. Thank you.

O 'au me ka ha'aha'a,

*Paul P. Richards*

Paul P. Richards, President