

Honolulu, Hawaii
February 18, 2016

RE: H.B. No. 1397
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 1397 entitled:

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

begs leave to report as follows:

The purpose of this measure is to continue efforts to achieve the State's overall economic development strategy through the adjustment and expansion of funding mechanisms for community-based economic development initiatives. Among other things, this measure:

- (1) Establishes new financing framework to assist qualified community development entities that leverage federal new market tax credits in the provision of investment capital and securitization for low-income communities and individuals; and
- (2) Adjusts loan maximums and expands the financial products offered by the community-based economic development program to facilitate the capitalization of entities providing community development services and the monetization of existing project assets.

Pacific Growth Associates, Lanai Community Health Center, Kailapa Community Association, and a concerned individual testified in support of this measure. The Department of Business,



Economic Development, and Tourism and Department of Taxation provided comments.

The Community-Based Economic Development program has been in existence for nearly twenty-five years and has assisted over a thousand organizations with grants, loans, and technical assistance, creating numerous jobs in the process. Community-based organizations assisted by this program are normally in rural areas and serve to promote economic development activities in the most economically distressed areas of the State. Your Committee finds that continuing to support Hawaii's vital community-based organizations and finding ways to optimize all sources of funding for these organizations will ultimately promote Hawaii's economic development initiatives, particularly for economically depressed areas.

Your Committee has amended this measure by changing its effective date to February 19, 2022, to facilitate further discussion.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1397, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1397, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Business,



DEREK S.K. KAWAKAMI, Chair



