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# A BILL FOR AN ACT

RELATING TO NEW MARKET TAX CREDITS.

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

1           SECTION 1. The legislature finds that the business  
2 community, nonprofit organizations, and other entrepreneurs  
3 require a functional, service-oriented agency that is readily  
4 available to provide business counseling, financial backing, and  
5 general support to foster real community-based economic  
6 development for the various products and services demonstrating  
7 and embracing Hawaii's diversified economy.

8           The Hawaii community-based economic development technical  
9 and financial assistance program in the department of business,  
10 economic development, and tourism, was established for this  
11 purpose. Chapter 210D, Hawaii Revised Statutes, provides  
12 financial assistance to community-based businesses and  
13 enterprises through low-interest loans and grants to qualifying  
14 applicants.

15           There are various programs provided by the federal  
16 government, nonprofit organizations, and foundations, as well as  
17 opportunities provided by public-private partnerships that



1 further these goals. These programs and partnerships can be  
2 used to provide a portion of the funding needed by economic  
3 development projects. The project funding provided by the State  
4 will be made more efficient and more effective if provided in  
5 the form most compatible with these programs and in the manner  
6 most suitable to optimize all sources of funding. To achieve  
7 this, some modifications are necessary to the types of financial  
8 products offered by the community-based economic development  
9 program and the manner in which those products are provided  
10 along with an increase in the total amount that may be provided  
11 for an individual project and borrower.

12 The purpose of this Act is to:

- 13 (1) Add the definition of "qualified community development  
14 entity" to allow financing to be provided by the State  
15 through a structure that facilitates the use of  
16 federal new markets tax credits;
- 17 (2) Expand the methods of delivering funding to a project  
18 by providing loans to capitalize a qualified community  
19 development entity and to provide guarantees or other  
20 credit enhancements that will facilitate private



1 lenders' participation in new markets tax credit  
2 financing; and  
3 (3) Adjust loan maximums and establish guarantees or  
4 credit enhancements to reflect current available  
5 funding and facilitate monetization of existing  
6 project assets for purposes of new markets tax credit  
7 financing.

8 SECTION 2. Section 210D-2, Hawaii Revised Statutes, is  
9 amended by adding a new definition to be appropriately inserted  
10 and to read as follows:

11 "Qualified community development entity" has the same  
12 meaning as in section 45D(c)(1) of the Internal Revenue Code of  
13 1986, as amended."

14 SECTION 3. Section 210D-8, Hawaii Revised Statutes, is  
15 amended to read as follows:

16 "**§210D-8 Powers and duties.** The department shall have the  
17 necessary powers to carry out the purposes of this chapter,  
18 including the following:

19 (1) With advice from the council, prescribe the  
20 qualifications for eligibility of applicants for loans  
21 [and], grants[,], guarantees, and credit enhancements;



- 1           (2) With advice from the council, establish preferences  
2                   and priorities in determining eligibility for  
3                   financial assistance;
- 4           (3) Establish the conditions, consistent with the purpose  
5                   of this chapter, for the awarding of financial  
6                   assistance;
- 7           (4) Provide for inspection at reasonable hours of  
8                   facilities, books, and records of a community-based  
9                   organization that has applied for or has been awarded  
10                  financial assistance and require the submission of  
11                  progress and final reports;
- 12          (5) Provide loans ~~[and]~~, grants, guarantees, and credit  
13                  enhancements for community-based economic development  
14                  activities and community-based enterprises for  
15                  purposes consistent with this chapter;
- 16          (6) Provide, participate in, and acquire loans used to  
17                  capitalize entities that make financing available for  
18                  activities and enterprises, including qualified  
19                  community development entities;





1           "~~§210D-9 Loans [; limitation and terms]~~. Loans made under  
2 this chapter shall be [~~for the purposes and in accordance with~~  
3 ~~the terms specified in paragraphs (1) and (2) and shall be made~~  
4 ~~only to applicants who meet the eligibility requirements~~  
5 ~~specified therein.] limited to the following:~~

6           (1) Community-based enterprise establishment and  
7           improvement loans [~~may be made~~] to provide for:

8           (A) The start-up costs, purchase or improvement of a  
9           community-based enterprise or working capital;

10           and

11           (B) The purchase, construction, or improvement of  
12           facilities; [~~and~~]

13           (2) Operating loans [~~may be made~~] to carry on and improve  
14           an existing enterprise, including:

15           (A) The purchase of equipment; and

16           (B) The payment of production and marketing expenses  
17           including materials, labor, and services[~~-~~]; or

18           (3) Loans to entities that capitalize qualified community  
19           development entities that use the proceeds to make  
20           loans to borrowers.



1       ~~[The loans shall be for an amount not to exceed \$250,000~~  
2 ~~and for a term not to exceed ten years.] "~~

3       SECTION 5. Section 210D-10, Hawaii Revised Statutes, is  
4 amended to read as follows:

5       "§210D-10 Terms and limitations of loans[-], guarantees,  
6 and credit enhancements. ~~[Loans shall be made to qualified~~  
7 ~~applicants with the]~~ The following terms and conditions[+] shall  
8 apply:

9       (1) The amount of the outstanding balance on all loans,  
10       guarantees, and other credit enhancements issued under  
11       this chapter to any one applicant at any one time  
12       shall not exceed [~~\$250,000,~~] \$ \_\_\_\_\_ ;

13       (2) The maximum term of a loan, guarantee, or credit  
14       enhancement shall not exceed ten years;

15       (3) Each loan shall bear simple interest at a rate of not  
16       less than three and not more than six per cent a year,  
17       depending on the nature of the loan; ~~[and]~~

18       (4) Interest rates for guarantees and credit enhancements  
19       shall not be more than the market rate for similar  
20       instruments; and



1        [~~(4)~~] (5)    The commencement date for the repayment of the  
2                    first installment on principal and interest of each  
3                    loan may be deferred by the director of business,  
4                    economic development, and tourism for a period not to  
5                    exceed two years."

6            SECTION 6.    Statutory material to be repealed is bracketed  
7 and stricken.    New statutory material is underscored.

8            SECTION 7.    This Act shall take effect on July 1, 2017.

9

INTRODUCED BY: *C. J. K. Curran*  
*H. K. ...*

JAN 20 2017





# H.B. NO. 644

**Report Title:**

Economic Development; New Markets Tax Credits; Loans; Qualified Community Development Entity

**Description:**

Expands methods for the delivery of funding to a project by providing loans to capitalize a qualified community development entity and provide guarantees or other credit enhancements to facilitate private lender participation in new markets tax credit financing. Increases total maximum funding amounts.

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

