
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 [~~(6)~~] (7) Determine the necessity for and the extent of
2 security required [~~in a loan,~~] for loans, guarantees,
3 and credit enhancements;
- 4 [~~(7)~~] (8) Prescribe and provide appropriate management
5 counseling and monitoring of business activities;
- 6 [~~(8)~~] (9) Administer the Hawaii community-based economic
7 development revolving fund;
- 8 [~~(9)~~] (10) Include in its budget for subsequent fiscal
9 periods amounts necessary to effectuate the purposes
10 of this chapter;
- 11 [~~(10)~~] (11) Participate in loans made to qualified persons
12 by private lenders;
- 13 [~~(11)~~] (12) Establish interest rates chargeable by the State
14 for [~~direct and participation~~] loans; [and]
- 15 (13) Establish interest rates, fees, and charges chargeable
16 by the State for guarantees and credit enhancements;
17 and
- 18 [~~(12)~~] (14) Adopt rules pursuant to chapter 91 to implement
19 this chapter."

20 SECTION 4. Section 210D-9, Hawaii Revised Statutes, is
21 amended to read as follows:



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, 2038.



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.
(HB644 HD1)

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