
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.

7 The purpose of this Act is to:

- 8 (1) Add the definition of "qualified community development
9 entity" to allow financing to be provided by the State
10 through a structure that facilitates the use of
11 federal new markets tax credits;
- 12 (2) Expand the methods of delivering funding to projects
13 under the Hawaii community-based economic development
14 technical and financial assistance program by
15 providing loans to capitalize a qualified community
16 development entity; and
- 17 (3) Amend the cap on loan amounts and terms.

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



1 "Qualified community development entity" has the same
2 meaning as in section 45D(c)(1) of the Internal Revenue Code of
3 1986, as amended."

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

6 "**§210D-8 Powers and duties.** The department shall have the
7 necessary powers to carry out the purposes of this chapter,
8 including the following:

- 9 (1) With advice from the council, prescribe the
10 qualifications for eligibility of applicants for loans
11 and grants;
- 12 (2) With advice from the council, establish preferences
13 and priorities in determining eligibility for
14 financial assistance;
- 15 (3) Establish the conditions, consistent with the purpose
16 of this chapter, for the awarding of financial
17 assistance;
- 18 (4) Provide for inspection at reasonable hours of
19 facilities, books, and records of a community-based
20 organization that has applied for or has been awarded



- 1 financial assistance and require the submission of
2 progress and final reports;
- 3 (5) Provide loans and grants for community-based economic
4 development activities and community-based enterprises
5 for purposes consistent with this chapter;
- 6 (6) Provide, participate in, and acquire loans used to
7 capitalize entities that make financing available for
8 activities and enterprises, including qualified
9 community development entities;
- 10 [~~6~~] (7) Determine the necessity for and the extent of
11 security required in a loan;
- 12 [~~7~~] (8) Prescribe and provide appropriate management
13 counseling and monitoring of business activities;
- 14 [~~8~~] (9) Administer the Hawaii community-based economic
15 development revolving fund;
- 16 [~~9~~] (10) Include in its budget for subsequent fiscal
17 periods amounts necessary to effectuate the purposes
18 of this chapter;
- 19 [~~10~~] (11) Participate in loans made to qualified persons
20 by private lenders;



1 ~~[(11)]~~ (12) Establish interest rates chargeable by the State
2 for direct and participation loans; and
3 ~~[(12)]~~ (13) Adopt rules pursuant to chapter 91 to implement
4 this chapter."

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

7 "§210D-9 Loans ~~[; limitation and terms]~~. Loans made under
8 this chapter shall be ~~[for the purposes and in accordance with~~
9 ~~the terms specified in paragraphs (1) and (2) and shall be made~~
10 ~~only to applicants who meet the eligibility requirements~~
11 ~~specified therein.]~~ limited to the following:

- 12 (1) Community-based enterprise establishment and
13 improvement loans ~~[may be made]~~ to provide for:
- 14 (A) The start-up costs, purchase or improvement of a
15 community-based enterprise or working capital;
16 and
17 (B) The purchase, construction, or improvement of
18 facilities; ~~[and]~~
- 19 (2) Operating loans ~~[may be made]~~ to carry on and improve
20 an existing enterprise, including:
- 21 (A) The purchase of equipment; and



1 (B) The payment of production and marketing expenses
2 including materials, labor, and services ~~[]~~; or
3 (3) Loans to entities that capitalize qualified community
4 development entities that use the proceeds to make
5 loans to borrowers.

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

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

10 "§210D-10 Terms of loans. Loans shall be made to
11 qualified applicants with the following terms and conditions:

- 12 (1) The amount of the outstanding balance on all loans
13 issued under this chapter to any one applicant at any
14 one time shall not exceed [~~\$250,000~~] \$ _____ ;
- 15 (2) The maximum term of a loan shall not exceed [~~ten~~] _____
16 years;
- 17 (3) Each loan shall bear simple interest at a rate of not
18 less than three and not more than six per cent a year,
19 depending on the nature of the loan; and
- 20 (4) The commencement date for the repayment of the first
21 installment on principal and interest of each loan may



1 be deferred by the director of business, economic
2 development, and tourism for a period not to exceed
3 two years."

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

6 SECTION 7. This Act shall take effect on July 1, 2050.



S.B. NO. 765
S.D. 2

Report Title:

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

Description:

Expands methods for the delivery of funding to projects under the Hawaii community-based economic development technical and financial assistance program by providing loans to capitalize a qualified community development entity. Removes the cap on loan amounts and terms under the program. Effective 7/1/2050. (SD2)

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