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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  
18 further these goals. These programs and partnerships can be



1 used to provide a portion of the funding needed by economic  
2 development projects. The project funding provided by the State  
3 will be made more efficient and more effective if provided in  
4 the form most compatible with these programs and in the manner  
5 most suitable to optimize all sources of funding.

6 The purpose of this Act is to add the definition of  
7 "qualified community development entity" to allow financing to  
8 be provided by the State through a structure that facilitates  
9 the use of federal new markets tax credits.

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

13 "Qualified community development entity" has the same  
14 meaning as in section 45D(c)(1) of the Internal Revenue Code of  
15 1986, as amended."

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

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



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



1        ~~[(6)]~~ (7) Determine the necessity for and the extent of  
2                    security required in a loan;

3        ~~[(7)]~~ (8) Prescribe and provide appropriate management  
4                    counseling and monitoring of business activities;

5        ~~[(8)]~~ (9) Administer the Hawaii community-based economic  
6                    development revolving fund;

7        ~~[(9)]~~ (10) Include in its budget for subsequent fiscal  
8                    periods amounts necessary to effectuate the purposes  
9                    of this chapter;

10       ~~[(10)]~~ (11) Participate in loans made to qualified persons  
11                    by private lenders;

12       ~~[(11)]~~ (12) Establish interest rates chargeable by the State  
13                    for direct and participation loans; and

14       ~~[(12)]~~ (13) Adopt rules pursuant to chapter 91 to implement  
15                    this chapter."

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

18       "~~§210D-9 Loans[; limitation and terms]~~. Loans made under  
19       this chapter shall be ~~[for the purposes and in accordance with~~  
20       ~~the terms specified in paragraphs (1) and (2) and shall be made~~



1 ~~only to applicants who meet the eligibility requirements~~  
2 ~~specified therein.]~~ limited to the following:

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

5 (A) The start-up costs, purchase or improvement of a  
6 community-based enterprise or working capital;  
7 and

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

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

12 (A) The purchase of equipment; and

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

15 (3) Loans to entities that capitalize qualified community  
16 development entities that use the proceeds to make  
17 loans to borrowers.

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

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



1       "**§210D-10 Terms of loans.** Loans shall be made to  
2 qualified applicants with the following terms and conditions:

3       (1) The amount of the outstanding balance on all loans  
4       issued under this chapter to any one applicant at any  
5       one time shall not exceed [~~\$250,000~~] \$ \_\_\_\_\_;

6       (2) The maximum term of a loan shall not exceed [~~ten~~] \_\_\_\_\_  
7       years;

8       (3) Each loan shall bear simple interest at a rate of not  
9       less than three and not more than six per cent a year,  
10       depending on the nature of the loan; and

11       (4) The commencement date for the repayment of the first  
12       installment on principal and interest of each loan may  
13       be deferred by the director of business, economic  
14       development, and tourism for a period not to exceed  
15       two years."

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

18       SECTION 7. This Act shall take effect on July 1, 2017.  
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**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. (SD1)

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

