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DATE: January 30, 2017

TO: Chair Glenn Wakai, Vice-Chairs Brian T. Taniguchi and Members of the Senate Economic Development, Environment and Technology

MEASURE: SB765

SUBJ: Testimony in Strong Support of SB765

Good afternoon Chair Wakai Members of the Senate Economic Development, Environment and Technology Committee. My name is Bob Hall, Partner with Pacific Growth Associates, and I submit testimony in strong support of SB765.

Community Based Organizations (CBOs) in Hawaii have played an important role in bringing about social and economic improvement to our communities. CBOs support our well being by means of providing economic, educational, environmental, health care, and housing services within their respective communities. They are catalytic in nurturing local, sustainable initiatives. Most seek grant and private funding year round for operational support and key community projects. Many also seek Legislative support each year through State Grant-in-Aid.

The Hawaii Community Based-Economic Development (CBED) Technical and Financial Assistance Program, facilitated by DBEDT, was established to provide financial assistance to community-based businesses and enterprises through low-interest loans and grants to qualifying applicants. SB765 provides yet another financing “tool” utilizing public-private partnerships that can optimize a wide variety of funding sources.

SB765 will serve as a “tool” that enables CBOs to utilize CBED financing as leverage to bring forth further equity through the federal New Markets Tax Credit (NMTC). Essentially, those who receive \$1.00 in CBED financing could leverage each dollar through a NMTC transaction and create an additional \$.39 in equity. SB765 also adds guarantees and credit enhancements to the program’s current loan and grants provisions of §201D-8. This change compliments the intent and purpose of the CBED Technical and Financial Assistance Program and establishes leveraging opportunities through programs such as the federal NMTC program as another financing opportunity.

The federal NMTC program is currently the largest federal economic development incentive program. The program was enacted as part of the Community Renewal Tax Relief Act of 2000 to encourage investment in low-income communities. Economic incentives are important in helping low-income census tracts recover from the recession, since these areas usually have the most difficulty generating new capital.

NMTCs are a tax credit, not a tax deduction. A tax credit can be given to the IRS instead of making a cash payment for taxes owed by the investor. The investor is typically a bank or insurance company. NMTC is very flexible and can be used for a wide range of purposes. Most types of businesses, including not-for-profit businesses are eligible for

NMTC subsidy. The program has supported a wide variety of community and economic development initiatives including restaurants, childcare facilities, community centers, charter schools, supermarkets, shopping centers, manufacturing and industrial facilities, health care centers, and mixed-use buildings with affordable housing.

Pacific Growth Associates (PGA) is a strong advocate for successful CBOs. Over the past 5 years, PGA has facilitated over \$70 million in private equity through the NMTC Program, which in turn has built 3 Federally Qualified Health Centers (1 FQHC is located on Hawaiian Home Lands), 1 business and retail incubator with a commercial kitchen, and 1 Community Center on Hawaiian Home Lands.

PGA strongly supports SB765 and its intended results, as it will further assist CBOs meet their mission and in turn improve the well-being of our communities.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Bob Hall", with a stylized flourish at the end.

Bob Hall, Partner
Pacific Growth Associates