

JAN 18 2019

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# A BILL FOR AN ACT

RELATING TO A STATE INFRASTRUCTURE BANK.

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

1           SECTION 1. The purpose of this Act is to define  
2 eligibility requirements, prescribe the application and  
3 selection processes, and detail certain terms for securing  
4 financial assistance for affordable housing infrastructure  
5 projects within the State from the Hawaii state infrastructure  
6 bank.

7           SECTION 2. Chapter 201H, Hawaii Revised Statutes, is  
8 amended by adding a new part to be appropriately designated and  
9 to read as follows:

10                   **"PART           . HAWAII STATE INFRASTRUCTURE BANK**

11           **§201H-A Definitions.** As used in this part:

12           "Affordable housing" means housing that is affordable to  
13 households with incomes at or below one hundred per cent of the  
14 median family income as determined by the United States  
15 Department of Housing and Urban Development.

16           "Bank" means the Hawaii state infrastructure bank.



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1 "Infrastructure" includes water, drainage, sewer, waste  
2 disposal and waste treatment systems, roads, and street lighting  
3 that connect to the infrastructure of the county.

4 "Market rate" means an interest rate that corresponds to  
5 the Merrill Lynch bond index rate for a seven- to twelve-year  
6 general obligation bond.

7 "Project sponsor" means the entity or organization that is  
8 requesting financial assistance.

9 "Qualified project" means:

- 10 (1) Any public or private infrastructure project as  
11 authorized by the corporation, including but not  
12 limited to planning, environmental impact studies,  
13 feasibility studies, engineering, construction,  
14 reconstruction, resurfacing, restoring,  
15 rehabilitation, or replacement of a public or private  
16 affordable housing infrastructure project;
- 17 (2) The acquisition of real or personal property, or  
18 interests therein, for a public or private affordable  
19 housing infrastructure project within the State;



1           (3) Any affordable housing infrastructure project within  
2           the State that is eligible for financing or financial  
3           assistance under state or federal law; and

4           (4) The maintenance, repair, improvement, or construction  
5           of any affordable housing infrastructure project  
6           within the State.

7 "Qualified project" does not include affordable housing  
8 infrastructure projects that are restricted to private use.

9           **§201H-B Eligibility requirements for financial assistance.**

10 Entities eligible to receive financial assistance from the bank  
11 shall include public entities, including political subdivisions  
12 and state agencies, and private companies and non-profit  
13 organizations with a local government partner, or under the  
14 authority of a public-private partnership.

15           **§201H-C Eligible projects.** (a) All qualified projects  
16 shall be eligible for financial assistance. Qualified projects  
17 shall include any infrastructure project that benefits or has  
18 the effect of benefitting an affordable housing project.

19           (b) Any infrastructure project as authorized by the  
20 corporation, including but not limited to planning,  
21 environmental impact studies, feasibility studies, engineering,



1 construction, reconstruction, resurfacing, restoring,  
2 rehabilitation, replacement, or acquisition of real or personal  
3 property, or interests therein, within the State that benefits  
4 affordable housing projects shall be eligible.

5       **§201H-D Application process.** (a) Applications shall be  
6 accepted not less than annually on the condition that funds are  
7 available in the bank. The corporation shall provide public  
8 notification of the availability of funds for financial  
9 assistance, instructions for requesting an application package,  
10 and the deadline to submit an application to the corporation for  
11 financial assistance.

12       (b) The application shall contain instructions and  
13 guidelines for completing the application as determined by the  
14 corporation and shall be available upon request not less than  
15 forty-five days in advance of the application deadline. The  
16 project sponsor shall be responsible for requesting an  
17 application from the corporation.

18       (c) All applications shall be submitted by the deadline  
19 date. The application shall be completed as described in the  
20 application instructions. If an application is received by the  
21 corporation after the deadline date or is incomplete, at that



1 time it shall be rejected and not considered for financial  
2 assistance.

3       **§201H-E Project selection.** The overall objective of the  
4 project selection process shall be to provide a mechanism for  
5 the evaluation of potential infrastructure projects that benefit  
6 or have the effect of benefitting affordable housing. The  
7 evaluation shall identify how the infrastructure project will  
8 benefit from financial assistance and how well the project  
9 sponsor can meet the terms for debt repayment. The corporation  
10 shall rank projects using the criteria identified in section  
11 201H-F.

12       **§201H-F Selection criteria; funding process.** (a) Project  
13 rankings shall be accomplished by incorporating a rating scheme  
14 across certain criteria. The project sponsor shall:

- 15       (1) Identify the infrastructure project and how it  
16       benefits or has the effect of benefitting affordable  
17       housing;
- 18       (2) Indicate whether it is a public or private entity. An  
19       evaluation on the basis of public-private partnerships  
20       shall allow the bank to facilitate infrastructure



1 projects that promote public purposes and feature some  
2 private financing;

3 (3) Submit certain financial information to help identify  
4 how sponsored infrastructure projects would benefit  
5 financially from financial assistance;

6 (4) Present a statement of revenue sources for the purpose  
7 of paying back loans and demonstrate its ability to  
8 repay the loan;

9 (5) Identify security provisions available to secure the  
10 loan;

11 (6) Provide information on the total cost of the project;

12 (7) Indicate how long it needs to repay the loan;

13 (8) Reveal any other options for funding the  
14 infrastructure project; and

15 (9) Describe the benefits of its infrastructure project by  
16 using financial assistance from the bank.

17 (b) The corporation shall assign quantitative scores to  
18 potential infrastructure projects based upon an evaluation of  
19 the responses required under subsection (a).

20 (c) The corporation shall give funding approval and set  
21 the maximum level of financial assistance for the project.



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1           **§201H-G Loan agreement; interest rates and fees.** (a) The  
2 corporation shall negotiate the terms of a loan agreement with  
3 the approved project sponsor.

4           (b) Interest earnings and origination fees required to re-  
5 capitalize the bank and to offset a portion of the cost of its  
6 administration shall be set on an annual basis. There shall be  
7 no interest free loans. However, interest payments may be  
8 delayed for up to two years, and all accrued interest can be  
9 capitalized into the principal outstanding balance. In  
10 addition, an origination fee to partially offset the cost of  
11 administering the bank may be assessed. If such fee is  
12 assessed, the calculated amount can be added to principal and be  
13 repaid according to the agreed upon amortization schedule.

14           (c) The annual interest rate for loans from the bank shall  
15 be established and adopted by the corporation by resolution no  
16 later than June 30 of each year for the ensuing fiscal year.  
17 The interest rate shall correspond to a rate equal to or less  
18 than the market rate.

19           (d) A fee may be charged to reimburse the corporation for  
20 reasonable expenses incurred while administering the bank. No  
21 later the June 30 of each year, the corporation shall determine



1 whether or not to assess an origination fee for the ensuing  
2 fiscal year. If assessed, the origination fee schedule shall be  
3 as follows:

4 (1) A maximum of one per cent for loan proceeds up to  
5 \$1,000,000;

6 (2) Three-quarters per per cent for loan proceeds over  
7 \$1,000,000 and up to \$2,500,000;

8 (3) One-half per cent on the amount of loan proceeds over  
9 \$2,500,000 and up to \$5,000,000; and

10 (4) One-quarter per cent on the amount of loan proceeds  
11 over \$5,000,000.

12 **§201H-H Repayment of loans; payback period.** Financial  
13 assistance in the form of a loan shall be amortized, and simple  
14 interest shall be applied to the outstanding principal of each  
15 loan. Amortization schedules shall be issued to borrowers on an  
16 annual basis. The payback period for financial assistance shall  
17 be not more than ten years. The term of a loan requested by a  
18 project sponsor shall be one of the criteria used for  
19 evaluation.

20 **§201H-I Remedies** (a) If a recipient of financial  
21 assistance from the bank fails to meet any of the terms or





1 conditions of the loan, the corporation may bring a right of  
2 action against the recipient in circuit court to seek any  
3 applicable legal or equitable remedy, including reasonable  
4 attorney's fees.

5 (b) If the recipient is a government entity and defaults  
6 on repayment of a loan from the bank, the corporation may  
7 withhold funds that it would otherwise disburse to the recipient  
8 in an amount that does not exceed what a recipient owes to the  
9 fund. The funds shall be deposited in the bank account from  
10 which the recipient received the loan and credited toward the  
11 amount due from the recipient.

12 **§201H-J Affordable housing infrastructure revolving fund.**

13 (a) There is established in the state treasury the affordable  
14 housing infrastructure revolving fund to be administered by the  
15 corporation. The revolving fund shall consist of federal,  
16 state, or private grants and all moneys that may be transferred  
17 or appropriated by the legislature or that may otherwise be made  
18 available to the fund pursuant to law. All interest or other  
19 return on the investment of moneys in the revolving fund and all  
20 payments of principal and interest credited to the revolving  
21 fund as repayment of loans and other financial assistance



1 provided from the revolving fund pursuant to this section shall  
2 be credited to the revolving fund. The state treasurer shall be  
3 authorized to invest moneys in the revolving fund in such manner  
4 as allowed by law so long as such moneys are not needed for the  
5 purpose of the revolving fund. Moneys in the revolving fund  
6 shall be used for the purposes set forth in this section. Any  
7 moneys credited to the revolving fund shall remain in the  
8 revolving fund and shall not revert to the general fund at the  
9 end of any given fiscal year.

10 (b) The corporation shall adopt rules pursuant to chapter  
11 91 that include:

- 12 (1) The eligibility requirements for financial assistance  
13 from the revolving fund;
- 14 (2) The disbursement of revolving fund moneys;
- 15 (3) The interest rates to be charged on loans made from  
16 the revolving fund; and
- 17 (4) The repayment of loans made from the revolving fund.

18 (c) Moneys in the revolving fund may be used for the  
19 following purposes:

- 20 (1) To provide assistance to public and private entities  
21 for the acquisition, improvement, or construction of



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1           affordable housing infrastructure in the State. Such  
2           assistance includes but is not limited to the making  
3           of loans and other forms of financial assistance for  
4           qualified projects;

5           (2) To pay the costs incurred by the State and the  
6           corporation in the performance of duties pursuant to  
7           this section; and

8           (3) Any other purpose consistent with this section.

9           (d) In addition to requiring interest to be paid on loans  
10          made from the revolving fund, the corporation may charge to and  
11          collect from public and private entities receiving assistance  
12          from the revolving fund fees and charges sufficient to reimburse  
13          the corporation for reasonable expenses incurred in processing  
14          and reviewing applications and in recommending loans and  
15          financial assistance.

16          (e) If a recipient of financial assistance from the  
17          revolving fund fails to meet any of the terms or conditions of  
18          the loan or other form of assistance, the corporation may bring  
19          a right of action through the state attorney general against  
20          such recipient in circuit court to seek any applicable legal or  
21          equitable remedy, including reasonable attorney's fees.



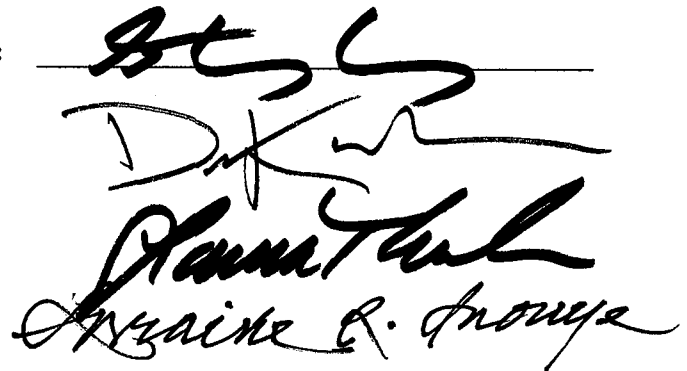
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1 (f) In addition to the remedies provided under subsection  
 2 (e), if the recipient is a government entity and defaults on the  
 3 repayment of any loan made from the revolving fund, the  
 4 corporation may withhold funds that it would otherwise disburse  
 5 to the recipient. In no event shall the amount withheld exceed  
 6 the amount that a recipient owes to the revolving fund. Funds  
 7 withheld from a defaulting recipient shall be deposited in the  
 8 account of the revolving fund from which the recipient received  
 9 financial assistance and credited towards the amount due to such  
 10 fund from the recipient."

11 SECTION 3. In codifying the new sections added by section  
 12 2 of this Act, the revisor of statutes shall substitute  
 13 appropriate section numbers for the letters used in designating  
 14 the new sections in this Act.

15 SECTION 4. This Act shall take effect on July 1, 2019.  
 16

INTRODUCED BY:



The text shows three handwritten signatures in black ink over a horizontal line. The top signature is the most prominent and appears to be 'D. K. ...'. Below it is another signature, and at the bottom is a signature that reads 'Alyssa E. Brown'.



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**Report Title:**

State Infrastructure Bank

**Description:**

Establishes a state infrastructure bank and affordable housing infrastructure revolving fund to provide financial assistance for affordable housing infrastructure projects.

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

