

Honolulu, Hawaii

MAR 24 2022

RE: H.B. No. 2088
H.D. 3
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committees on Energy, Economic Development, and Tourism and Agriculture and Environment, to which was referred H.B. No. 2088, H.D. 3, entitled:

"A BILL FOR AN ACT RELATING TO FINANCING,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish an at- or below-market interest loan program and authorize property assessed financing for environmental, economic recovery, and economic diversification projects and initiatives;
- (2) Establish the Environmental and Economic Development Revolving Loan Fund; and
- (3) Appropriate and authorize funds to provide loans or other financial assistance to eligible property owners and for other purposes allowed by the Hawaii Green Infrastructure Authority (HGIA), including implementation costs.

Your Committees received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; Department of Health; Department of Hawaiian Home Lands;



Hawaii Green Infrastructure Authority; City and County of Honolulu Office of Climate Change, Sustainability, and Resiliency; Hawai'i Reef and Ocean Coalition; Maui Chamber of Commerce; Petros PACE Finance; Hawaii Solar Energy Association; Zero Waste Kauai; Nuveen Green Capital; Center for Biological Diversity; Surfrider Foundation - Hawai'i Region; Holu Hou Energy; C-PACE Alliance; and three individuals. Your Committees received testimony in opposition to this measure from Mortgage Bankers Association of Hawaii and Hawaii Credit Union League. Your Committees received comments on this measure from the Department of the Attorney General, Department of Budget and Finance, Public Utilities Commission, Department of Commerce and Consumer Affairs Division of Consumer Advocacy, Tax Foundation of Hawaii, Hawaii Financial Services Association, Hawaii Banker's Association, and one individual.

Your Committees find that, although the coronavirus disease 2019 pandemic demonstrated the importance of ensuring the health of our people and economy, it is equally important to invest resources sufficient to ensure Hawaii's environmental health. Your Committees further find that there is a compelling interest for state government to provide non-traditional financing options to assist certain property owners to voluntarily undertake projects for the upgrade, conversion, or connection to municipal or private wastewater systems, installation of energy conservation, or renewable energy retrofits because properties that are not protected from harmful environmental health hazards contribute to the overall environmental health burdens affecting the State.

During the hearing, HGIA and local stakeholders, including the Hawaii Bankers Association, Hawaii Financial Services Association, and representatives of commercial property assessed clean energy (PACE) programs, residential PACE programs, and local banks, confirmed that they met and agreed on three amendments to propose to your Committees, which are as follows:

- (1) Limiting the scope of the measure to apply only to commercial properties;
- (2) Strengthening the language to allow each existing mortgage holder or servicer the sole and absolute discretion to withhold lender consent for the property



owner to enter into a property assessed financing assessment contract; and

- (3) Expanding the definition of a property assessed financing lender to automatically include the members of the Hawaii Bankers Association and Hawaii Financial Services Association.

According to testimony received by your Committees, HGIA also requests a further amendment to allow non-ad valorem special tax assessments to be billed and collected on stand-alone tax bills so that the counties will not be burdened by additional work and will not require additional resources to upgrade its billing systems to accommodate this special tax assessment.

Accordingly, your Committees have amended this measure by:

- (1) Inserting language to:
 - (A) Allow the non-ad valorem special tax assessment to be billed and collected on a stand-alone tax bill;
 - (B) Allow existing mortgage holders of the benefitted or improved commercial property the discretion to withhold lender consent; and
 - (C) Include financial institutions defined under section 412:1-109, Hawaii Revised Statutes, relating to the Code of Financial Institutions, to the definition of a commercial property assessed financing lender;
- (2) Removing language that:
 - (A) Relates to the assessed financing of residential property to narrow the scope of the measure to commercial property;
 - (B) Establishes the Environmental and Economic Development Revolving Loan Fund; and
 - (C) Appropriates and authorizes funds to provide loans or other financial assistance to eligible property

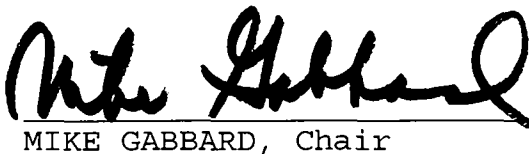


owners and for other purposes allowed by HGIA,
including implementation costs;

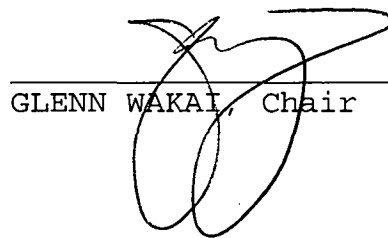
- (3) Making conforming amendments to the remaining references to property to refer only to commercial property;
- (4) Expanding the definition of commercial property;
- (5) Inserting a severability clause;
- (6) Amending section 1 to reflect its amended purpose; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Energy, Economic Development, and Tourism and Agriculture and Environment that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 2088, H.D. 3, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 2088, H.D. 3, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Energy, Economic
Development, and Tourism and
Agriculture and Environment,



MIKE GABBARD, Chair

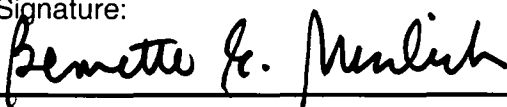


GLENN WAKAI, Chair




The Senate
Thirty-First Legislature
State of Hawai'i

Record of Votes
Committee on Energy, Economic Development, and Tourism
EET

Bill / Resolution No.:*	Committee Referral:	Date:
HB 2088 HD3	EET/AEN, WAM	3/21/22
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____		
The Recommendation is:		
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310
<input type="checkbox"/> Recommit 2313		
Members	Aye	Aye (WR)
Nay	Excused	
WAKAI, Glenn (C)	✓	
MISALUCHA, Bennette E. (VC)	✓	
LEE, Chris	✓	
RIVIERE, Gil	✓	
FEVELLA, Kurt	✓	
TOTAL	5	0
0	0	0
Recommendation:		
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted		
Chair's or Designee's Signature:		
		
Distribution:		
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency
Goldenrod Committee File Copy		

*Only one measure per Record of Votes

Record of Votes
Committee on Agriculture and Environment
AEN

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 2088 HD3	EEA (AEN), WAM	03/21/22		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	/			
NISHIHARA, Clarence K. (VC)	/			
ACASIO, Laura	/			
RHOADS, Karl		/		
FEVELLA, Kurt	/			
TOTAL	4	1	-	-
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes