WHEREAS, during the Regular Session of 2010, the Legislature considered House Bill No. 2643 which proposed to establish a clean energy bond program utilizing the concept of Property Assessed Clean Energy (PACE); and

WHEREAS, the Legislature finds that the initial capital investment required by property owners to install renewable energy systems and energy efficiency improvements on residential or commercial properties is a significant financial barrier to homeowners and businesses participating in the State's clean energy targets; and

WHEREAS, PACE programs in other states are underwritten by municipalities and H.B. No. 2643 would require the proceeds from the sale of a state bond to be deposited into a clean energy bond loan revolving fund administered by the Department of Business, Economic Development, and Tourism, which would then make loans to property owners for energy efficiency improvements and small renewable energy systems; and

WHEREAS, the loans would be repaid through a special assessment added to the property owners' county real property taxes, and the properties would serve as security for the loans; and

WHEREAS, the proposed clean energy bond program has a laudable purpose, which is the promotion of renewable energy and energy efficiency in Hawaii in order to reduce dependence upon
imported fossil fuel, keep local dollars within the state economy, and decrease air pollution; and

WHEREAS, discussion and testimony on H.B. No. 2643, however, have revealed many practical problems that need to be addressed before such a measure may be enacted; and

WHEREAS, among the problems are the following:

1. What is the true burden on the counties with respect to administering the program -- for example, without limitation, the upgrading of software, separating the collection of regular real property taxes from loan repayments, and the handling of liens;

2. What jurisdiction should be responsible for underwriting loans and foreclosing on those loans when property owners default -- county or State;

3. Whether property owners with clean energy loans fully understand that their loan repayments will be in addition to their regular real property taxes and that they should not expect to be shielded from probable real property tax increases in the future;

4. Whether the interest rates on the loans will be affordable to most homeowners, given that the loan repayments must cover the entire debt service on the bonds plus state and county administrative expenses;

5. What type of government bonds should be issued for the program, given that the bonds changed from general obligation bonds to reimbursable general obligation bonds to revenue bonds through the different committee drafts of H.B. No. 2643;

6. Whether the interest rate, terms, and conditions of clean energy loans will in actuality be more advantageous than home equity loans to fund renewable energy systems; and

7. What the effect will be of prioritizing the clean energy loan lien above mortgage liens -- for example, what will be the impact of such priority on the
position and policy of the Federal Housing Finance Agency and government-sponsored enterprises such as Fannie Mae, Freddie Mac, and the twelve Federal Home Loan Bank Boards and their willingness to purchase residential mortgage loans in Hawaii, and will the subordination of mortgage loans result in higher mortgage interest rates and larger down payment requirements in participating counties; and

WHEREAS, state law does not preclude the counties from enacting a PACE program at the county level and there may be numerous advantages to having the State secure the bond; and

WHEREAS, an area of utmost concern would be the reluctance of the counties to fully support a statewide PACE program since they would be at the forefront of administering the program; and

WHEREAS, the Legislature finds that these problems are not insurmountable and should be addressed during the 2010 interim so that a more feasible, practical, and acceptable proposal may be introduced during the Regular Session of 2011; now, therefore,

BE IT RESOLVED by the House of Representatives of the Twenty-fifth Legislature of the State of Hawaii, Regular Session of 2010, that the Department of Business, Economic Development, and Tourism is requested to work with the counties and other affected parties to resolve the problems with implementing a clean energy bond Property Assessed Clean Energy program, as established in the several drafts of H.B. No. 2643; and

BE IT FURTHER RESOLVED that the Department of Business, Economic Development, and Tourism is requested to submit a report of its findings and recommendations, including any proposed legislation, to the Legislature at least twenty days prior to the convening of the Regular Session of 2011; and

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the Director of Business, Economic Development, and Tourism; the Director of Finance; and the Mayor and Chairperson of the Council of each county.