



**Testimony to the Senate Committees on Economic Development and Taxation and  
Commerce, Consumer Protection, and Affordable Housing  
Thursday, March 13, 2008 at 1:15 p.m.  
Room 224, State Capitol**

**RE: H.B. 2040 Relating to Hawaii's Economy**

Chairs Fukunaga and Kokubun, Vice Chairs Espero and Ige, and Members of the Committees:

My name is Christine H. Camp, Chair of The Chamber of Commerce of Hawaii, Land Use and Transportation Committee. The Chamber of Commerce of Hawaii supports H.B. No. 2040, with a proposed amendment.

The Chamber is the largest business organization in Hawaii, representing 1100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. The organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

H.B. No. 2040, provides an appropriation to the Department of Business, Economic Development, and Tourism to contract with an out-of-state entity to conduct an independent study and analysis of Hawaii's economy, including recommendations for public policy changes that will begin to address the cost of living, affordability, and quality of life issues that Hawaii residents face.

We support the intent of the bill to provide some public policy focus on improve the economy for the future; however, we believe that the bill needs to include specific quantitative goals or milestones to provide some context for measuring the qualitative outcomes such as "quality of life."

In identifying factors that impact the quality of life for existing and future residents in Hawaii, the bill should also contain specific improvement goals for the study such as:

- Problem: Steep housing and property costs that have resulted in commercial, industrial, and tenant rentals among the highest in the fifty states;
  - Goal: What is the root cause of the high rents for commercial and industrial properties in Hawaii, and what can the legislature do to lower or stabilize these rents? Or is the problem of regulating supply to meet demand in the short term?
- Problem: Increased out-of-state investments that result in earnings leaving the State;

- Goal: What can the legislature do to reinvest the out-of-state investments in Hawaii, or provide incentives for more in-state investments? Establish a benchmark of improving investment opportunities specific percentage over the prior year.
- Problem: The resulting cost of living, which is one of the nation's highest, has lead to an increased exodus of Hawaii residents in recent years;
  - Goal: How should the legislature improve the employment opportunities in Hawaii to provide residents with more choices of higher paying, knowledge based opportunities? Establish measurable performance goals for the state to attract new employers such as providing an educated workforce.
- Problem: Various government entities in Hawaii provide services that are among the most extensive in the United States, yet these same government agencies face rising operating and repair and maintenance costs that must be passed on to the public;
  - Goal: Reassess government's role in Hawaii and refocus on basic government services of providing for public health, safety and welfare for it's residents. Identify those services that are currently provided and are not considered public health, safety and welfare programs. Identify the amount of money funding these programs and prioritize based on basic public health, safety and welfare.
- Problem: Hawaii's tax structure affects businesses and consumers alike and has been linked to the difficulty of attracting new investment to the State.
  - Goal: What can be done to improve Hawaii's tax and employment structure to provide more incentives for existing and new businesses to invest in Hawaii? Establish a benchmark of improving investment opportunities specific percentage over the prior year.

Thank you for this opportunity to express our views.

# JAMES W. Y. WONG

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TO: Senator Russell S. Kokubun, Chair, CPH  
Senator David Y. Ige, Vice Chair, CPH  
Senator Will Espero, Member  
Senator Les Ihara, Jr., Member  
Senator Norman Sakamoto, Member  
Senator Brian Taniguchi, Member  
Senator Gordon Trimble, Member

FR: James W. Y. Wong

DT: March 12, 2008

RE: **HB2040 Relating to Hawaii's Economy**

My name is James W. Y. Wong, a real estate developer with investments in Hawaii, Alaska, Idaho and Washington. **I urge your support of HB2040**, which would provide for an independent study and analysis of Hawaii's economy. This study would be performed by an independent entity, but under the oversight of DBEDT.

Although various Hawaii entities have prepared meaningful studies of Hawaii's economy, either the results of these studies aren't clearly focused on solutions, or we just don't have the tools to implement the proposed solutions. This calls for a fresh, independent, and hard look at the floundering state of our economy and either discover a confirmation of previous studies or hopefully, new ways to tackle old problems to put us back on track.

We are faced with crucial decisions on cost of living expenses, quality of life issues, affordable housing and rental, tax policies, the continual "brain drain" of our educated youth who feel they must leave home and cannot return, the exodus of Hawaii's residents to better economic opportunities on the mainland, and an often hostile environment to do business in Hawaii. We can only benefit by tapping into valuable resources and knowledge that is available to us by simply reaching across this isolating ocean.

I humbly ask for your support of HB2040 and further challenge you to take a proactive stand on moving the engine that drives our economy forward and confidently into the future. Thank you for your consideration.

## Support for HB1075 HD1 & HD2040

March ~~12~~<sup>13</sup>, 2008

Ben Villaflor  
To: ~~Jason Watts~~ (Sergeant-at-Arms)  
Fax No.: 808-586-6659

I wholeheartedly support HB1075 HD1 and HB 2040. In my opinion, these bills will help the Hawaii economy and all the people of Hawaii. HB 1075 HD1 will help keep the cost of living in Hawaii more manageable. Hopefully HB 2040 will identify new methods to keep the cost of living in Hawaii under control.

With what appears to be the early stages of a recession in Hawaii, these bills are, in my opinion, essential to cope with a Hawaii economy that could be headed to bad economic times.

I am a sandwich lessee in Hawaii, who hears from my tenants, even the very strongest, that they are worried about the recession which has begun to take effect in Hawaii. Because they have the ground rent pass through, they feel that if "fair and reasonable rent" which is part of their/my master lease is not "fair and reasonable rent to both of the parties to the lease" then their business will no longer be able survive.

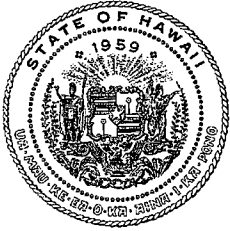
Please pass both bills with this modification.

Please let me know if you have any questions regarding this matter.

Mahalo,

Stan Solomon

Stanley B. Solomon  
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**DEPARTMENT OF BUSINESS,  
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Statement of

**THEODORE E. LIU**

**Director**

Department of Business, Economic Development, and Tourism

before the

**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TAXATION**

And

**SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND  
AFFORDABLE HOUSING**

Thursday, March 13, 2008

1:15 PM

State Capitol, Conference Room 224

in consideration of

**HB 2040**

**RELATING TO HAWAII'S ECONOMY**

Chair Fukunaga, Chair Kokubun, and Members of the Senate Committees on Economic Development and Taxation, and Commerce, Consumer Protection, and Affordable Housing.

DBEDT offers these comments on HB 2040, which would appropriate funds for an independent study and analysis of Hawaii's economy by an out-of-state entity. There have been many good ideas introduced this legislative session that support the State's economic development goals. We note, however, that this appropriation was not included in the Executive's Supplemental Budget, and request that this appropriation not displace the priorities contained in that budget.

HB 2040 is somewhat vague about what the focus of the study should be. In addition to a general study and analysis of the economy the bill also mentions the cost of housing, cost of doing business, government costs, tax structure and quality of life issues. This is quite a scope

for one study. There have been a number of studies recently on various aspects of Hawaii's economy and there are some studies currently underway. For your information, we have attached a list of recent and current studies we know about that you may find useful.

The cost implications of this proposal are a concern. It is difficult to accurately estimate the cost until a more specific scope of services is developed. However, under new research activity directed by Act 148 of last year, DBEDT is currently working with the Hawaii Science and Technology Council and their consultant to profile the technology sector in Hawaii. This study is costing about \$135,000.

Another concern would be the time allotted for the study. HB 2040 currently requests that the results of the study be presented before the 2009 legislative session. However, we would suggest that several more months be allotted for such a study.

Finally, we have concerns about the time away from our ongoing research that administering the study will require. We are working very hard right now on building capacity, data bases, and analysis to address Act 148 passed by the legislature last year. We fear that administering this study will detract from that.

Thank you for the opportunity to provide comments on this bill.

## **ADDENDUM**

### **Significant Studies of Hawaii's Economy in Recent Years and In-Progress**

- One of the most significant efforts to identify emerging economic activity and support policies was the Comprehensive Economic Development Strategy (CEDS) completed in 2004. This involved targeted industry identification by each county economic development board.
- Another important study was conducted by a National Governor's Association sponsored project in 2004-2005 called Pathways to Advancement. This study assessed Hawaii's workforce and economic situation and identified numerous problems and solutions related to transitioning Hawaii's economy to one that is more high-wage and technically based.
- In 2003 and 2005 the Hawaii Institute for Public Affairs (HIPA) prepared comprehensive studies on Hawaii's economic structure and challenges, and provided metrics and recommendations to improve that structure.
- In 2005 the Economic Momentum Commission assessed Hawaii's economic condition and submitted three dozen recommendations for improving our economy and prospects for the future.
- An extensive study, commissioned by DBEDT, was the 2005 Sustainable Tourism Study. This series of studies featured an analysis of tourism's impact on the economy using the more recent techniques of Computerized General Equilibrium Modeling. DBEDT is using techniques developed in that project to explore the impact of other industries, changes and shocks to Hawaii's economy.
- DBEDT has also conducted and published a number of analyses of the economy in recent years ranging from technical reports on inter-industry trade, to long-range economic and population projections.
- Most recently, the 2050 Sustainability Task Force released its report in December 2007.

There also have been studies by organizations outside Hawaii that have contributed to our understanding of the economy.

- In 2002 Professor Michael Porter, of the Harvard Institute for Strategy and Competitiveness, produced an analysis of Hawaii's industries based on the emerging cluster analysis approach. That approach has been updated several times since by various studies.
- Over the last two years the National Center for Higher Education Management Systems (NCHEMS) has conducted research and presented several analyses of Hawaii's labor force and how educational institution can better produce skilled and work-ready graduates for emerging high skilled industries.

- During the first half of this year, the University of Minnesota's Capstone Project will update the Michael Porter analysis of Hawaii and study the state's renewable energy industry prospects for emerging opportunities. This is an exercise by graduate students of the program and is at no cost to the State.
- Again, during the first half of this year, the national consultant organization, Council for Community and Economic Research (C2ER) will be studying clusters, workforce and policy prescriptions for the Innovation sector, including technology and other creative industries. C2ER has been engaged by the Hawaii Science and Technology Council with the help of a state grant-in-aid and DBEDT is participating fully in the project.



**Hawaii Habitat for Humanity Association  
1164 Bishop St., Suite 510  
Honolulu, HI 96813**

Senate Committee on Economic Development and Taxation  
Senate Committee on Commerce, Consumer Protection and Affordable Housing  
Thursday, March 13, 2008 1:15 p.m.  
Conference Room 224

**Testimony in Support of HB 2040: Relating to Hawaii's Economy**

Hawaii is in a state of crisis. We, as a state, can no longer provide housing for a large number of Hawaii's residents.

- A legislative affordable housing task force last year estimated that about 44,190 new housing units would be needed statewide by 2009.
- Nearly half of those would be needed for low-income families, families earning less than about \$54,250, which is 80% of the annual median income for a family of four.

44,190 new houses and apartments by next year! No wonder we see so many homeless people everywhere. No wonder working people are feeling worried and stressed.

There is no mystery as to how it has happened and what the effects are. A combination of factors:

- Most of Hawaii's land is held by a relatively few entities who can therefore charge the highest the market can bear.
- We have sold off a significant portion of Hawaii real estate to outside investors.
- In just 3 years, between 2003-2006, some 5,000 rental apartments were converted for sale as condos.
- In the 9 years preceding 5,600 apartments were converted.

There just aren't enough places for people to live. More than 44,000 too few.

If the displacement of people into severely overcrowded residences, into the beach parks and the parks in every neighborhood had happened overnight by a hurricane or earthquake help would be flooding in from all over the world.

The question is what we are going to do about it. If Hawaii continues on this path it may become like so many other island nations, which have been taken over by outside interests and where local people can no longer afford to live.

For this reason, among others, we must get a handle on where our current policies and economy are leading us and how we can change them to benefit all of Hawaii's people.

Please support this measure.

Kathleen Hasegawa  
Executive Director

**testimony**

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**From:** Alohasstates1@aol.com  
**Sent:** Thursday, March 13, 2008 2:23 AM  
**To:** testimony  
**Cc:** Alohasstates1@aol.com  
**Subject:** Re: HB 2040 Committees EDT & CPH to hear on 3-13-2008 at 1:15pm conf. Rm 224

March 13, 2008

Re: HB 2040

The committees on EDT and CPH has scheduled a public hearing on 3-13-2008 at 1:15pm in conference room 224

Senator Carol Fukunaga, Chair, EDT Email: [senfukunaga@capitol.hawaii.gov](mailto:senfukunaga@capitol.hawaii.gov)  
Sen. Will Espero, Vice Chair [senespero@capitol.hawaii.gov](mailto:senespero@capitol.hawaii.gov)  
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Sen. Russell S. Kokubun, Chair, CPH Email: ([senkokubun@capitol.hawaii.gov](mailto:senkokubun@capitol.hawaii.gov))  
Sen. Will Espero ([senespero@capitol.hawaii.gov](mailto:senespero@capitol.hawaii.gov))  
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Sen. Gordon Trimble ([sentrimble@capitol.hawaii.gov](mailto:sentrimble@capitol.hawaii.gov))

Dear Sen. Fukunaga and EDT Committee Members; and,  
Sen. Kokubun and CPH Committee Members,

It is clear that if we continue to do the same things over (and over) again, that we will continue to receive the same results.

There has to be a better way. It is in all of our best interest to seek a broader knowledge base, to assist in making Hawaii a better and more prosperous place to live.

Please pass HB 2040.

Thank you.

Rick Krystoff  
Email: [alohasstates1@aol.com](mailto:alohasstates1@aol.com)

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3/13/2008