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LATE TESTIMONY

HOUSE COMMITTEE ON TRANSPORTATION

TESTIMONY REGARDING HB 2745 RELATING TO MASS TRANSIT ROUTE ECONOMIC ZONES

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: JANUARY 28, 2008

TIME: 9:00AM

ROOM: 309

This legislation creates a taskforce to study the viability of economic zones surrounding mass transit locations.

The Department of Taxation **supports the approach taken in this legislation.**

I. THE DEPARTMENT PREFERS THIS MEASURE TO HB 2744.

The Department prefers the tempered approach taken in this measure, rather than that of HB 2744. The concept of the current economic zone plan administered by DBEDT is to provide tax relief to encourage business to relocate to distressed areas. The Department understands that basic economic theory (if not history) suggests that businesses will locate in mass transit stops notwithstanding any government economic assistance. Simply, the Department does not see the need for tax incentives when logic suggests that businesses will flock to mass transit stops without any stimulus. Importantly, however, the concept deserves a study and the taskforce proposed in this legislation will accomplish that end.

II. THE DEPARTMENT WILL PARTICIPATE.

The Department will assist in any way possible with this taskforce in discerning the need for such economic zones.

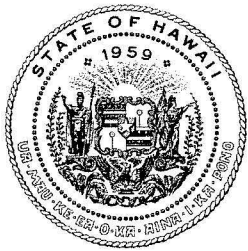
The Department recommends that the Committee pass this measure for further discussion and hold HB 2744, as the measure is premature and likely unnecessary given the economic vitality surrounding mass transit stops.

III. THE DEPARTMENT PREFERS THE APPROACH OF HB 2745

Finally, the Department suggests that this Committee hold this measure in favor of the approach contained in HB 2745, which creates a task force to study the need for whether economic zones surrounding mass transit lines is appropriate. The Department is more than willing to participate in a fact-finding task force to determine the need for such legislation and any accompanying tax incentive.

IV. REVENUE IMPACT

This legislation will result in an indeterminate revenue loss because the credit amount is unspecified.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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LATE TESTIMONY

Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON TRANSPORTATION

Monday, January 28, 2008

9:00 A.M.

State Capitol, Conference Room 309

in consideration of

HB 2745

RELATING TO MASS TRANSIT ROUTE ECONOMIC ZONES

Chair Souki, Vice Chair Nishimoto, and Committee members: The Department of Business, Economic Development, and Tourism (DBEDT) supports the concept of HB 2745 to create a task force within DBEDT to examine the feasibility of establishing economic zones near routes of any future mass transit system on the island of Oahu.

There have been many good ideas introduced this legislative session that support the State's economic development goals. We hope the legislature will see it fit to support, pass and fund these ideas, together with the priorities of the Executive's Supplemental Budget.

We recognize the need for the state, the University of Hawaii and the City and County of Honolulu to participate in determining the best use of land and facilities near guideway stations and the necessary mechanisms to bring this about. We also recognize that along the mass transit routes, there may be some negatively impacted businesses. It is also important that affordable workforce housing be near these stations, and convenient

LATE TESTIMONY

parking and shopping clearly make a mass transit system more viable. These are just some of the important issues for the task force to address.

I note that the Hawaii Community Development Authority (HCDA) currently administers lands in Kakaako and Kalaeloa which may be included in the alignment of the county's proposed mass transit system. The task force should note that in Kakaako, the HCDA currently has responsibilities for accommodating transit oriented development (TOD) in its master planning and improvement district projects. While administrative rules are being formulated for the Kalaeloa district, the task force should consider the effects of an economic zone on the current planning and development activities in these two districts. The task force should ensure that the structure of any economic zone which is established does not create overlapping authorities or purpose.

This bill does not provide funding for the taskforce. In order to accomplish the tasks as specified, we estimate additional funding needs of \$50,000.

Thank you for the opportunity to offer these comments.