

February 2, 2010

To: Honorable Clarence Nishihara, Chair
Senate Committee on Tourism

From: Keith Vieira, Senior Vice President of Operations
Starwood Hotels & Resorts-Hawaii & French Polynesia

RE: **SB 2125 – Relating to Taxation – Support Intent**
TSM Committee – February 2, 2010, Conference Room 229, 2:45 PM

Aloha Chair Nishihara, Vice Chair Galuteria and Committee Members,

My name is Keith Vieira, senior vice president of operations for Starwood Hotels & Resorts-Hawaii & French Polynesia. Thank you for the opportunity to speak in support of SB 2125, which would provide a tax credit for hotel renovations.

It is no surprise that Hawaii's tourism industry is struggling to remain afloat while economic recovery gets underway. Since the downturn, our visitor arrivals are down significantly from previous years. This led many hotels to decrease room prices and to offer other incentives in order to remain competitive among other destination markets. In the meantime, our fixed costs have not diminished while the cost of doing business in the state significantly spiked. We are paying more in transient accommodations taxes, the cost of utilities continues to rise and we are paying some of the highest county property tax rates in the nation. We are doing the best we can, but the squeeze in added costs to our industry at this time is overly burdensome.

We know our inventory needs renovation and rejuvenating. On average our visitor facilities are more than 40 years old. Hawaii must continue to compete aggressively for the tourist dollar against other destination markets that have upgraded their inventories. That's why this improvement tax credit is a welcome relief to our beleaguered hospitality industry.

We believe this tax credit will stimulate additional construction resulting in a multiplying effect for the GET, personal income and corporate income taxes.

However, we must consider that the rising costs in other areas such as proposed increases to the GET, the escalation of the TAT and higher county property taxes are all barriers for projects to get underway.

The improvement tax credit should be considered with a mix of other state and county incentives to stimulate construction, the creation of new jobs and the increase of operations for the state's travel and vacation industry.

For these reasons, we respectfully request that you pass this bill. Thank you for the opportunity to share our views on this matter.

February 2, 2010

LATE

Senator Clarence Nishihara, Chair
Senate Committee on Tourism

Hawaii State Capitol
Conference Room 229
415 South Beretania Street
Honolulu, Hawaii 96813

Re: SB 2125 – Relating to Taxation

Chair Nishihara, Vice Chair Galuteria, and members of the Committee:

Thank you for the opportunity to provide testimony on SB 2125, which provides a tax credit for hotel renovations. **The Kobayashi Group is in strong support** of this and other measures that encourage immediate development, spawn construction and visitor industry jobs, and prompt a quicker economic turn-around for Hawaii.

According to the Construction Industry Task Force report, “construction activity in the visitor industry has demonstrated economic multiplier effects due to the maintenance and creation of construction employment and revenues from tourism activities.” Similar tax credits extended in the past have proven worthy of the state’s investment.

The Kobayashi Group wholly appreciates the state’s economic situation and the Legislature’s challenges with respect to funding priorities. However, Hawaii’s tourism and construction industries need exactly the type of investment and support provided in SB 2125.

Thank you for the opportunity to provide comments.

Sincerely,

Bert A. Kobayashi
Kobayashi Group LLP