

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

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Statement of  
**THEODORE E. LIU**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION**  
Tuesday, March 17, 2009  
8:30 a.m.  
State Capitol, Conference Room 325  
in consideration of  
**SB 242 SD2**  
**RELATING TO SEAWATER AIR CONDITIONING.**

Bill No. 242  
Support **Y N**  
Date 3/16/09  
Time 12:54  
Cat AF  AS  AX  B  C  
Type (1)2 WI

Chair Morita, Vice-Chair Coffman and Members of the Committee:

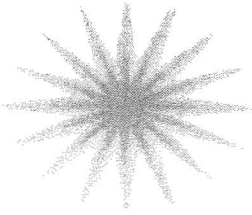
Given the current fiscal difficulties, the Department of Business, Economic Development, and Tourism (DBEDT) opposes this measure. This bill adds Seawater Air Conditioning (SWAC) District Cooling Systems to the list of businesses eligible for the Enterprise Zone GET exemption and income tax credits for seven years. We defer to the Department of Taxation on the fiscal impact of this measure.

The list of qualified business in Chapter 209E, HRS, already includes wind energy, which was added in 2000. DBEDT recognizes that adding other alternative energy production such as SWAC District Cooling Systems would further promote the State's goal of lessening our dependency on fossil fuels.

We do note that seawater air conditioning cooling systems are site specific and all installations may not be located in one or more of the 21 Enterprise Zones across the state whose boundaries are determined by the counties. The downtown Honolulu Seawater Air Conditioning Project is located in the Urban Honolulu Zone which includes Downtown and Kaka'ako. However, not all coastal areas, including Waikiki and the Kohala coast, are within existing zones.

The employment growth requirements for the EZ program: increasing jobs by 10% and holding that level for seven years, may also be a challenging requirement for some companies to meet.

Thank you for the opportunity to offer these comments.



# Honolulu Seawater Air Conditioning, LLC

Affiliate of Renewable Energy Innovations, LLC, the COOL GREEN & CLEAN™ Company

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Bill No. 242

Support  Y  N

Date 3/16/09

Time 8:15

Cat AF AS AX  BC

Type  1  2 WI

Testimony on

## S.B. NO. 242, S.D. 2 –

### RELATING TO SEAWATER AIR CONDITIONING

Before the  
House Committee on Energy & Environmental Protection  
Tuesday, March 17, 2009, 8:30 a.m., Conference Room 325

By

David Rezachek, Consultant  
Honolulu Seawater Air Conditioning LLC

Good morning Chair Morita, Vice Chair Coffman, and members of the Committee. My name is David Rezachek and I am testifying on behalf of Honolulu Seawater Air Conditioning, LLC (HSWAC).

HSWAC **strongly supports** S.B 242, S.D. 2, which allows the sale of cooling from seawater air conditioning district cooling systems to qualify for state enterprise zone benefits.

**This amendment adds seawater air conditioning (SWAC) district cooling systems to the definition of “qualified business” to qualify for state enterprise zone benefits in an existing enterprise zone.** “Qualified business” already includes another renewable energy technology - wind. Downtown Honolulu and Kakaako (the service area for the Downtown Honolulu SWAC Project) are in an enterprise zone. **This bill does not create a new enterprise zone.**

The purpose of providing benefits to qualified businesses in enterprise zones is to stimulate business and industrial growth by means of regulatory flexibility and tax incentives. Tax incentives include exemption of qualified businesses from the GET, and State income taxes (on a declining basis), for a period of seven years. Providing these benefits will effectively reduce the costs of such systems to developers and customers.

The downtown Honolulu SWAC project is a near-term, “**shovel-ready**” project that can immediately help to stimulate Hawaii’s economy.

The downtown Honolulu SWAC project will generate millions of dollars in construction project spending. In addition, it will create a significant amount of long-term, gainful employment. Other local economic development benefits will accrue from money that stays in Hawaii and is not exported outside the State to purchase oil.

During the lifetime of this system, local spending would amount to more than \$294 million. The calculated output based on this local spending is \$456 million. This amount of local spending would also generate \$149 million in earnings and 3,516 full-time-equivalent person-years of jobs. This is equivalent to 133 full-time jobs for 26.5 years.

Furthermore, this project will actually generate additional revenues for the State during the next three years, and over its more than twenty-five year life. The downtown Honolulu seawater air conditioning project is a new project which will generate an estimated \$9.6 million in new taxes during the period from 2009 to 2011. During this same period, this project will be eligible for \$5.1 million in enterprise zone benefits. **Therefore, the net fiscal benefit to the State during this period will be \$4.5 million.**

If this project is not completed, there will be a net revenue loss to the State of \$4.5 million. During its lifetime, the system would generate \$24,000,000 in new state taxes.

In addition to helping stimulate the State's economy, the downtown Honolulu SWAC Project will provide the following benefits over its lifetime:

**Energy and Environmental Benefits Over SWAC System Lifetime**

<b>Electricity Savings</b>	<b>1,990,000,000</b>	<b>kWh</b>
<b>Reduction in Demand for New Fossil Fuel Fired Generation</b>	<b>14,119</b>	<b>kW</b>
<b>Reduction in Crude Oil Use</b>	<b>5,170,000</b>	<b>barrels</b>
<b>Reduction in Potable Water Use</b>	<b>8,400,000,000</b>	<b>gallons</b>
<b>Reduced Sewage Generation</b>	<b>3,300,000,000</b>	<b>gallons</b>

Thank you for this opportunity to testify.

**TAXBILLSERVICE**Support **Y N**Date 3/16/09

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

Time 114

SUBJECT: MISCELLANEOUS, Expand enterprise zone eligibility

Cat AF AS AX **(B)C**

BILL NUMBER: SB 242, SD-2

Type **(1)** ...

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 209E-2 to amend the definition of "qualified business" in an enterprise zone to include a business engaged in producing air-conditioning from a seawater air conditioning district cooling system.

Makes a conforming amendment to HRS section 209E-11.

EFFECTIVE DATE: January 1, 2050

STAFF COMMENTS: This measure proposes to expand enterprise zone laws to include a business that produces air conditioning from a seawater air conditioning district cooling system. In an enterprise zone, businesses are attracted and encouraged to relocate to the zone through tax incentives, bonds, and other appropriate measures. Businesses located in an enterprise zone may claim a credit against taxes paid for a period of seven years and also allows the sale of items sold by such businesses to be exempt from the general excise tax.

While it appears that it is the intent of the legislature to encourage new and existing businesses to expand their employment bases and increase their marketing territories, enterprise zones merely exacerbate what is already considered a poor climate in which to do business. Singling out businesses for preferential treatment merely confers preferences for those businesses at the expense of all other taxpayers.

Concurrent efforts must be made to improve Hawaii's business climate to enhance the economic prospects for all businesses. Enterprise zones are merely an abdication of government's responsibility to create a nurturing and supportive business climate so that all businesses can thrive in Hawaii and provide the jobs the people of Hawaii need.

Instead of expanding the enterprise zone program, the program should be repealed in favor of across-the-board tax relief for all businesses in Hawaii. Indeed, has there been a comprehensive evaluation of the program and do lawmakers know exactly how much enterprise zone businesses have benefitted and whether or not they have created the jobs promised when the program was first established?

Digested 3/16/09



# AIA Hawaii State Council

A Council of The American Institute of Architects

EEP/HSG/WLO  
3.17.09 9:15 am

March 17, 2009

Honorable Hermina Morita, Chair  
House Committee on Energy & Environmental Protection  
Honorable Rida Cabanilla, Chair  
House Committee on Housing  
Honorable Ken Ito, Chair  
House Committee on Water, Land, & Ocean Resources

Re: **Senate Bill 241 SD 2**  
**Relating to Energy**

Dear Chair Morita, Chair Cabanilla, Chair Ito and Members of the Committees,

My name is Daniel Chun, Government Affairs Chair of The American Institute of Architects (AIA). AIA is **OPPOSED** to SB 241 SD2 that mandates the use of cool roofs on new residential and commercial structures beginning in 2011. The bill as drafted contravenes important concepts that AIA supports:

1. Primary reliance on market-based incentives to encourage consumers to buy more environmentally sustainable buildings.
2. Secondary reliance on the state building code adoption process, and not the legislative process, to more properly assess the effects of upgrades in energy performance.

### Page 3 Definitions

The definitions beginning on Page 3 show a lack of technical sophistication and do not recognize that a "roof" is an assembly of varying building materials and not just the "roofing material." The definition of "low sloped roof" is at variance with established industry terminology. The current text makes nearly every house roof a low slope roof requiring a light-colored roof. The definition of "new construction" does not include government buildings that should take leadership in sustainable design.

### Page 4 Requirements

In the architectural profession, the ability of a roof assembly to keep a building cool is expressed in "R Values." As compared to building codes, this bill has no R-values and therefore is technically deficient. Simply allowing a radiant barrier to be installed does not guarantee performance of a roof assembly.

The light reflective color of cool roofs can be problematic due to aesthetic concerns in visually sensitive areas, the growth of staining algae in rainy areas like Kaneohe, the reroofing of historic buildings, and simply customer choice.

Another challenge not foreseen by the bill is that there may be places in Hawaii where a heat-absorbing roof material is desirable due to local climate. Or a person may desire to collect heat inside a roof attic for heat collection, insulating the ceiling surface plane instead.

The exemption of Page 4 lines 14 through 16 granted to residential structures can be problematic because a building permit is not now required to install air conditioning after construction is complete. This unregulated installation of cooling systems without corresponding roof assemblies that resist heat gain is one of the chief reasons for high electrical consumption in newer residential areas.

Currently re-roofing of residential buildings is exempt from the building permit process, so this bill will have no effect when these buildings are re-roofed.

#### **Page 4 Exemptions**

AIA is opposed to the variance language because it takes more decision-making out of the architect's hands and places it in an agency that processes very few building permits. This bill adds more time consuming and expensive "paper shuffling" when the actual heat resistance of roofs is already governed by building codes.

The language of Page 5 lines 4 through 8 needs to be redrafted. First there needs to be an exemption for installing non-cool roofing based on our preceding comments. Second - the wording of the exemption should be for "non-cool roofing material" that performs as well as "cool roofing material" defined on Page 3. Unlike building codes, this bill has no performance requirements for a roof assembly so it is a big unknown as to what SB 241 is trying to achieve.

#### **Page 5 Enforcement**

SB 241 SD 2 is not only an unfunded mandate upon the counties, it is an unnecessary mandate given building codes already established and subject to periodic updating to improve building performance. The bill seems to allow various counties to adopt differing rules etc. The reference to "guidelines" is nearly meaningless. There is no real state penalty for failing to heed this legislation. The bill shows no understanding that architects design buildings. The legislation, if passed, needs to be enforced by architects and not builders and inspectors.

As you fly over the state of Hawaii you can see that most low slope commercial roofs already have high solar reflectance roofing material without this bill being passed. AIA asks that you hold this poorly drafted bill in your committees. Thank you for this opportunity to OPPOSE SB 241 SD2.

A handwritten signature in black ink, appearing to be "Paul Chen", written in a cursive style.