STARWOOD

LATE

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 2712 – Relating to Remodeling Tax Credits**
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 2712 – Relating to Remodeling Tax Credits, which provides a ten percent tax credit on costs incurred for the construction or renovation of a hotel or resort property through December 31, 2012.

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.

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