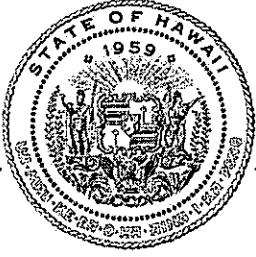


**SB 745**



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

NEIL ABERCROMBIE  
GOVERNOR

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Statement of  
**RICHARD C. LIM**  
Director

Department of Business, Economic Development, and Tourism  
before the

**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT**

Tuesday, February 1, 2011  
3:30 pm  
State Capitol, Conference Room 225

in consideration of  
**SB 745**

**RELATING TO SEAWATER AIR CONDITIONING**

Chair Gabbard, Vice Chair English, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of Senate Bill 745, which 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 as the technology is in alignment with Hawaii's Clean Energy Initiative which supports renewable energy activities. We, however, defer to the Department of Taxation on the fiscal impact of this measure.

The list of qualified businesses in Chapter 209E, 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. Thank you for the opportunity to provide these comments.

**Testimony of Thomas J. Smyth, CEcD  
Before the  
Committee on Energy and Environment**

**Tuesday, February 1, 2011 3:30 p.m. Conference Room 225  
On  
SB 745 Relating to Seawater Air Conditioning**

Chair Gabbard, Vice Chair English and Committee Members:

**As the former manager of the DBEDT Enterprise Zone Partnership Program, I strongly support adding Seawater Air Conditioning (SWAC) District Cooling Systems to the types of businesses eligible to participate in the EZ Program.**

Since its creation in 1986 the EZ Program has been relatively successful in helping more than 250 firms start and grow their workforce in areas that meet certain economic distress criteria. The counties have been active partners in the program by designating zones and establishing their own economic incentives.

To date the only alternative energy activities eligible for EZ benefits are wind farms. This approach is not consistent with the State's focus on developing a strong alternate energy and energy efficient programs. **Addition of those SWAC facilities that are in any of the existing 22 EZs across will certainly add to our energy independence emphasis.**

We understand that the SWAC District now being developed for the Downtown Honolulu area, an existing EZ, will not only contribute to fossil-fuel energy dependence but allow co-located state and C&C buildings to save money on their air conditioning costs. Coupled with other energy efficiency efforts this will help them with their budget difficulties. **It should be noted that since EZ firms are granted a GET exclusion, they may not pass any GET tax on to their customers.**

Other sites are being planned, some of which may also be located in currently designated EZs. Since there will not be more than a few such sites, the DBEDT staff effort needed to add them will, in my opinion, be minimal.

Finally, I believe that the exception to the licensed contractor GET exemption in the EZ program is appropriate and will significantly reduce the economic impact on the state. **When coupled with the cost saving for state buildings, the overall dynamic revenue cost-benefit analysis will show a relative balance.**

Thank you for the opportunity to provide comments.