
A BILL FOR AN ACT

RELATING TO AEROSPACE HIGH TECHNOLOGY DISTRICTS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 **PART I**

2 SECTION 1. The legislature finds that the aerospace
3 industry offers great potential for sustainable long-term
4 economic growth that will help drive investment to Hawaii and
5 create high paying, sustainable, green jobs both now and in the
6 future. The legislature further finds that the establishment of
7 an aerospace high technology district in the State that provides
8 a range of county and state incentives will assist the economic
9 growth of the State. Additionally, development of an aerospace
10 high technology district on the island of Hawaii will create an
11 environment where major aerospace and lunar transportation
12 companies will want to come, not only to have access to the
13 analog research site which gives these companies the ability to
14 test equipment and technologies in environments identical to
15 those in outer space, such as on the moon and near Earth
16 objects, but also to have access to the University of Hawaii and
17 to each other.



1 A prime example of the potential of the development of an
2 aerospace high technology district in Hilo is the 'Imiloa
3 Astronomy Center in Hilo, which is an economic development
4 project made possible by the federal American Recovery and
5 Reinvestment Act of 2009. The 'Imiloa Astronomy Center is
6 located above the University of Hawaii Hilo campus. The center
7 has forty thousand square feet of planetarium and exhibition
8 space which was funded primarily by the National Aeronautics and
9 Space Administration. 'Imiloa means "seek and explore" in
10 Hawaiian and the center seeks to merge Hawaiian and Polynesian
11 culture with astronomy through the one hundred or more exhibits
12 and displays presented in English and Hawaiian.

13 The legislature further finds that an aerospace high
14 technology district in Hilo will bring educational and career
15 opportunities to students of the University of Hawaii system,
16 which will make the university more attractive to future
17 students and will help provide opportunities for the
18 commercialization of intellectual property developed at the
19 University of Hawaii through state and federal research dollars
20 invested in the university. The legislature believes that
21 places like Hilo should be designed around the concept of "Main
22 Street" as a place of traditional values. Main Street



1 communities and architecture represent the interests of everyday
2 working-class people and small business owners. In small towns
3 across the United States, Main Street is not only the major road
4 running through town but also the site of all street life and
5 activity.

6 Additionally, the legislature further finds that an
7 aerospace high technology district will create an additional
8 influx of possible research dollars through the nexus that such
9 a park and its participants will have with the university.
10 Through an aerospace high technology district, tenants will
11 engage in activities with each other, and the relationships
12 forged through the district will foster the development and
13 commercialization of unforeseen technologies in a number of
14 diverse areas beyond the aerospace industry.

15 The legislature further finds that the development of and
16 investment in an aerospace high technology district would
17 benefit from certain regulatory tax incentives through an
18 enterprise zone system, would help to facilitate development and
19 investment in the district while tying in job creation and other
20 metrics to ensure that the economic activities envisioned occur.



1 downtown Hilo that is eligible for benefits pursuant to this
2 chapter.

3 "Department" means the department of business, economic
4 development, and tourism.

5 "Establishment" means a single physical location where
6 aerospace high technology services are provided in an aerospace
7 facility. A qualified business may include one or more
8 establishments, any number of which may be in an aerospace high
9 technology district.

10 "Full-time employee" means any employee for whom the
11 employer is legally required to provide employee fringe
12 benefits.

13 "Qualified business" means any aerospace facility that:

- 14 (1) Is authorized to do business in this State;
15 (2) Is located within the aerospace high technology
16 district; and
17 (3) Meets the eligibility requirements set forth in
18 section -6.

19 § -2 **Administration.** (a) The department shall
20 administer this chapter and have the power and duty to:

- 21 (1) Monitor the implementation and operation of this
22 chapter;



- 1 (2) Conduct continuing evaluations of the aerospace high
2 technology district;
- 3 (3) Submit annual reports to the legislature and the
4 governor evaluating the effectiveness of the program
5 and proposing any recommended legislation;
- 6 (4) Administer and enforce rules adopted by the
7 department; and
- 8 (5) Administer this chapter in a manner such that an area
9 designated as an aerospace high technology district
10 provides the most benefit to the area and the State.
- 11 (b) The county of Hawaii shall adopt ordinances or rules
12 to implement the development of an aerospace high technology
13 district.

14 § -3 **Aerospace high technology district designation.**

- 15 (a) The department may designate an aerospace high technology
16 district that shall encompass downtown Hilo, and if possible the
17 University of Hawaii at Hilo, within which district shall be
18 located an aerospace high technology facility or complex. The
19 exact location and boundaries of the aerospace high technology
20 district shall be designated by the department upon receiving
21 public input from the Hawaii county council, Hawaii county
22 mayor, and interested stakeholders of the general public.



1 (b) The county of Hawaii shall develop county incentives
2 to complement any state and federal incentives for the
3 development of an aerospace high technology district.

4 § -4 **Duplicative tax incentives; prohibition.** There
5 shall be no duplication of existing state tax incentives to
6 qualified businesses that are located in an aerospace high
7 technology district.

8 § -5 **Rules.** (a) The department, in consultation with
9 the department of taxation, shall adopt rules pursuant to
10 chapter 91 to implement this chapter, including rules relating
11 to health, safety, building, planning, zoning, and land use.
12 Rules adopted pursuant to this section shall supersede all other
13 inconsistent ordinances and rules relating to the use, zoning,
14 planning, development of land, and construction in an aerospace
15 high technology district; provided that rules adopted pursuant
16 to this section shall conform to existing law, rules, and
17 ordinances as closely as possible to comply with minimum
18 standards for energy efficiency, health, and safety.

19 (b) The department shall provide by rule that lands within
20 an aerospace high technology district shall not be developed
21 beyond existing uses or that improvements thereon shall not be
22 demolished or substantially reconstructed, or provide by rule



1 other restrictions on the use of an aerospace high technology
2 district.

3 § -6 Eligibility; qualified business; sale of property
4 or services. (a) Any aerospace facility may be eligible to be
5 designated a qualified business for purposes of this chapter if:

6 (1) The aerospace facility begins operations in an
7 aerospace high technology district and:

8 (A) During each taxable year has at least twenty-five
9 per cent of gross receipts attributable to
10 operations within the aerospace high technology
11 district;

12 (B) Increases its average annual number of full-time
13 aerospace professional employees by at least
14 twenty-five per cent by the end of its first
15 taxable year of participation; and

16 (C) During each subsequent taxable year maintains or
17 exceeds the level of employment described in
18 paragraph (B); or

19 (2) The aerospace facility:

20 (A) Is actively engaged in the operation of an
21 aerospace facility in an area immediately prior



1 to the area being designated as an aerospace high
2 technology district;

3 (B) Meets the requirements of paragraph (1)(B); and

4 (C) Increases its average annual number of full-time
5 employees employed at the aerospace facility's
6 establishment or establishments located within
7 the aerospace high technology district by at
8 least ten per cent annually.

9 (b) After the department's establishment of an aerospace
10 high technology district, each qualified business in the
11 aerospace high technology district shall annually complete and
12 submit to the department, on an application prescribed by the
13 department, the information necessary for the department to
14 determine whether the aerospace facility qualifies or continues
15 to qualify as a qualified business. If the department
16 determines that the aerospace facility qualifies as a qualified
17 business, the department shall approve the application and
18 notify the department of taxation and the relevant governing
19 body of the county.

20 (c) A completed application form approved by the
21 department, pursuant to subsection (b), shall be prima facie



1 evidence of the eligibility of an aerospace facility for the
2 purposes of this section.

3 (d) Any operations or services provided by an aerospace
4 facility outside of the aerospace high technology district shall
5 not be included for the purposes of determining gross receipts
6 attributable to the operations within the district pursuant to
7 subsection (a).

8 § -7 **Tax benefits.** A qualified business shall be
9 entitled to the income tax credits under section 235- , excise
10 tax exemption under section 237- , and use tax exemption under
11 section 238- .

12 § -8 **Local incentives.** (a) A county may propose local
13 incentives, including:

- 14 (1) Reduction of permit fees;
15 (2) Reduction of user fees; and
16 (3) Reduction of real property taxes.

17 (b) A county may provide regulatory flexibility in any
18 aerospace high technology district, including:

- 19 (1) Special zoning districts;
20 (2) Permit process reform;
21 (3) Exemptions from ordinances; and



1 (4) Other public incentives proposed in the locality's
2 application, which shall be binding upon the locality
3 upon designation of the aerospace high technology
4 district.

5 § -9 **Termination of aerospace high technology district.**

6 Upon designation of an area as an aerospace high technology
7 district, the proposals for regulatory flexibility, tax
8 incentives, and other public incentives specified in this
9 chapter shall be binding upon the governing body of the county
10 for a period of three years. If the governing body of the
11 county is unable or unwilling to provide any of the incentives
12 set forth in section -8 or other incentives acceptable to the
13 department, and the department has not adopted rules pursuant to
14 section -5 that supersede inconsistent ordinances and rules
15 relating to the use, zoning, planning, development of land, and
16 construction in an aerospace high technology district, then the
17 designation by the department of the aerospace high technology
18 district shall be terminated. Qualified businesses located in
19 the aerospace high technology district shall be eligible to
20 receive the tax incentives provided by this chapter even though
21 the district designation has been terminated. No aerospace



1 facility may become a qualified business after the date of
2 aerospace high technology district termination."

3 **PART II**

4 SECTION 3. Chapter 235, Hawaii Revised Statutes, is
5 amended by adding a new section to be appropriately designated
6 and to read as follows:

7 "§235- Credit for qualified business located within an
8 aerospace high technology district. (a) The department of
9 business, economic development, and tourism shall certify
10 annually to the department of taxation the applicability of the
11 tax credit provided in this section for a qualified business, as
12 defined in section -1, against any income taxes imposed under
13 this chapter. The credit shall be twenty-five per cent of the
14 tax due for the first three taxable years that the business
15 qualifies as a qualified business. Any tax credit not used in a
16 taxable year shall not be applied to future taxable years.

17 (b) If a partnership is eligible for a tax credit under
18 this section, each partner shall be eligible for the tax credit
19 in proportion to that partner's income tax liability from the
20 partnership. Any qualified business earning taxable income from
21 the provision of the qualified business's services, both within
22 and without the aerospace high technology district, shall



1 allocate and apportion its taxable income attributable to the
2 respective location of the provision of services within or
3 without the district. Tax credits provided for in this section
4 shall only apply to taxable income of a qualified business
5 attributable to the services provided within the aerospace high
6 technology district.

7 (c) In addition to any other tax credit authorized under
8 this section, a qualified business shall be entitled to a tax
9 credit against any taxes due the State in an amount equal to a
10 percentage of unemployment taxes paid pursuant to chapter 383.
11 The amount of the credit shall be equal to twenty-five per cent
12 of the unemployment taxes paid for during the first three
13 taxable years that the business qualifies as a qualified
14 business.

15 (d) Tax credits provided for in subsection (c) shall only
16 apply to the unemployment tax paid on employees employed at the
17 qualified business's establishment or establishments located
18 within the aerospace high technology district. Any tax credit
19 not used in a taxable year shall not be applied to future tax
20 years."



1 SECTION 4. Chapter 237, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§237- Exemption for qualified business located within
5 an aerospace high technology district. The department of
6 business, economic development, and tourism shall certify
7 annually to the department of taxation that any qualified
8 business, as defined in section -1, is exempt from the
9 payment of taxes under this chapter on the gross proceeds from
10 the provision of aerospace services. The gross proceeds
11 received by a contractor licensed under chapter 444 shall be
12 exempt from taxation under this chapter for construction within
13 an aerospace high technology district performed for a qualified
14 business within an aerospace high technology district."

15 SECTION 5. Chapter 238, Hawaii Revised Statutes, is
16 amended by adding a new section to be appropriately designated
17 and to read as follows:

18 "§238- Exemption for qualified business located within
19 an aerospace high technology district. The department of
20 business, economic development, and tourism shall certify
21 annually to the department of taxation that any qualified
22 business, as defined in section -1, is exempt from the



1 payment of taxes under this chapter on the gross proceeds from
2 the provision of aerospace services. The gross proceeds
3 received by a contractor licensed under chapter 444 shall be
4 exempt from taxation under this chapter for construction within
5 an aerospace high technology district performed for a qualified
6 business within an aerospace high technology district."

7 **PART III**

8 SECTION 6. The director of business, economic development,
9 and tourism shall designate tax map keys 1-6-146, 1-6-148, 1-6-
10 151, and 1-6-03 on the island of Hawaii, as the pilot aerospace
11 high technology district for a period of ten years.

12 SECTION 7. The department of business, economic
13 development, and tourism, in consultation with the department of
14 taxation, shall submit a report to the legislature by December
15 31 of each year, beginning in 2012, regarding the implementation
16 of the pilot aerospace high technology district in Hawaii
17 county, including an evaluation of the success or failure of the
18 pilot aerospace high technology district in fulfilling its
19 intended purposes.

20 SECTION 8. It is the intent of this Act not to jeopardize
21 the receipt of any federal aid nor to impair the obligation of
22 the State or any agency thereof to the holders of any bond



1 issued by the State or by any agency, and to the extent, and
2 only to the extent, necessary to effectuate this intent, the
3 governor may modify the strict provisions of this Act, but shall
4 promptly report any modification with reasons therefore to the
5 legislature at its next regular session thereafter for review by
6 the legislature.

7 SECTION 9. This Act does not affect rights and duties that
8 matured, penalties that were incurred, and proceedings that were
9 begun, before its effective date.

10 SECTION 10. If any provision of this Act, or the
11 application thereof to any person or circumstance is held
12 invalid, the invalidity does not affect other provisions or
13 applications of the Act, which can be given effect without the
14 invalid provision or application, and to this end the provisions
15 of this Act are severable.

16 SECTION 11. New statutory material is underscored.

17 SECTION 12. This Act shall take effect upon its approval
18 and shall be repealed on June 30, 2015.



Report Title:

Aerospace High Technology District

Description:

Authorizes the establishment of an aerospace high technology district in Hilo. Provides tax incentives to qualified businesses. Repeals 6/30/2015. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

