
A BILL FOR AN ACT

RELATING TO AEROSPACE HIGH TECHNOLOGY DISTRICTS.

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

PART I

1
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 that 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 and has forty
7 thousand square feet of planetarium and exhibition space, which
8 was funded primarily by the National Aeronautics and Space
9 Administration. 'Imiloa means "seek and explore" in Hawaiian and
10 the center seeks to merge Hawaiian and Polynesian culture with
11 astronomy through the one hundred or more exhibits and displays
12 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 The legislature further finds that an aerospace high
7 technology district will create an additional influx of possible
8 research dollars through the nexus that such a park and its
9 participants will have with the university. Through an
10 aerospace high technology district, tenants will engage in
11 activities with each other, and the relationships forged through
12 the district will foster the development and commercialization
13 of unforeseen technologies in a number of diverse areas beyond
14 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, which would help to facilitate
19 development and investment in the district while tying in job
20 creation and other metrics to ensure that the economic
21 activities envisioned occur.



1 out from downtown Hilo, that is eligible for benefits pursuant
2 to this 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 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 subparagraph (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 Credit for qualified business located within an
9 aerospace high technology district. (a) The department of
10 business, economic development, and tourism shall certify
11 annually to the department of taxation the applicability of the
12 tax credit provided in this section for a qualified business
13 against any income taxes imposed under chapter 235. The credit
14 shall be twenty-five per cent of the tax due for the first three
15 taxable years that the business qualifies as a qualified
16 business.

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.

21 § -8 Exemption from general excise tax for qualified
22 business located within an aerospace high technology district.



1 The department of business, economic development, and tourism
2 shall certify annually to the department of taxation that any
3 qualified business shall be exempt from the payment of taxes
4 under chapter 237 on the gross proceeds from the provision of
5 aerospace services. The gross proceeds received by a contractor
6 licensed under chapter 444 shall be exempt from taxation under
7 chapter 237 for construction within an aerospace high technology
8 district performed for a qualified business.

9 § -9 **Exemption from use tax for qualified business**
10 **located within an aerospace high technology district.** The
11 department of business, economic development, and tourism shall
12 certify annually to the department of taxation that any
13 qualified business shall be exempt from the payment of taxes
14 under chapter 238 on the gross proceeds from the provision of
15 aerospace services. The gross proceeds received by a contractor
16 licensed under chapter 444 shall be exempt from taxation under
17 chapter 238 for construction within an aerospace high technology
18 district performed for a qualified business.

19 § -10 **Local incentives.** (a) A county may propose local
20 incentives, including:

- 21 (1) Reduction of permit fees;
- 22 (2) Reduction of user fees; and



- 1 (3) Reduction of real property taxes.
- 2 (b) A county may provide regulatory flexibility in any
- 3 aerospace high technology district, including:
- 4 (1) Special zoning districts;
- 5 (2) Permit process reform;
- 6 (3) Exemptions from ordinances; and
- 7 (4) Other public incentives proposed in the locality's
- 8 application, which shall be binding upon the locality
- 9 upon designation of the aerospace high technology
- 10 district.

11 § -11 **Termination of aerospace high technology district.**

12 Upon designation of an area as an aerospace high technology
13 district, the proposals for regulatory flexibility, tax
14 incentives, and other public incentives specified in this
15 chapter shall be binding upon the governing body of the county
16 for a period of three years. If the governing body of the
17 county is unable or unwilling to provide any of the incentives
18 set forth in section -10 or other incentives acceptable to
19 the department, and the department has not adopted rules
20 pursuant to section -5 that supersede inconsistent
21 ordinances and rules relating to the use, zoning, planning,
22 development of land, and construction in an aerospace high



1 technology district, then the designation by the department of
 2 the aerospace high technology district shall be terminated.
 3 Qualified businesses located in the aerospace high technology
 4 district shall be eligible to receive the tax incentives
 5 provided by this chapter even though the district designation
 6 has been terminated. No aerospace facility may become a
 7 qualified business after the date of aerospace high technology
 8 district termination."

PART II

10 SECTION 3. The director of business, economic development,
 11 and tourism shall designate tax map keys 1-6-146, 1-6-148, 1-6-
 12 151, and 1-6-03 on the island of Hawaii, as the pilot aerospace
 13 high technology district for a period of ten years.

14 SECTION 4. The department of business, economic
 15 development, and tourism, in consultation with the department of
 16 taxation, shall submit a report to the legislature by December
 17 31 of each year, beginning in 2012, regarding the implementation
 18 of the pilot aerospace high technology district in Hawaii
 19 county, including an evaluation of the success or failure of the
 20 pilot aerospace high technology district in fulfilling its
 21 intended purposes.



1 SECTION 5. It is the intent of this Act not to jeopardize
2 the receipt of any federal aid nor to impair the obligation of
3 the State or any agency thereof to the holders of any bond
4 issued by the State or by any agency, and to the extent, and
5 only to the extent, necessary to effectuate this intent, the
6 governor may modify the strict provisions of this Act, but shall
7 promptly report any modification with reasons therefor to the
8 legislature at its next regular session thereafter for review by
9 the legislature.

10 SECTION 6. This Act does not affect rights and duties that
11 matured, penalties that were incurred, and proceedings that were
12 begun, before its effective date.

13 SECTION 7. If any provision of this Act, or the
14 application thereof to any person or circumstance is held
15 invalid, the invalidity does not affect other provisions or
16 applications of the Act, which can be given effect without the
17 invalid provision or application, and to this end the provisions
18 of this Act are severable.

19 SECTION 8. New statutory material is underscored.

20 SECTION 9. This Act shall take effect upon its approval
21 and shall be repealed on June 30, 2022.



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 6/30/2022. (SD2)

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

