



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

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Statement of  
**RICHARD C. LIM**  
Director

Department of Business, Economic Development, and Tourism  
before the

**HOUSE COMMITTEE ON FINANCE**

Monday, February 27, 2012

1:00 p.m.

State Capitol, Conference Room 308

in consideration of

**HB2338 HD1**

**RELATING TO THE CREATIVE MEDIA INDUSTRY**

Chair Oshiro, Vice Chair Lee and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) offers these comments on HB 2338 HD1 which authorizes the Department of Land & Natural Resources (DLNR) to lease public lands for purposes of developing creative media facilities by negotiation, without public auction. We defer to the Department of Land & Natural Resources on the technical aspects and impacts of this measure.

Hawaii's computer and digital media production industries are a strong emerging industry sector, with an 18% growth rate from 2001-2011, based on the department's 2011 Creative Industries report. Coupled with Hawaii's film industry, these sectors collectively need increased infrastructure capacity in order to grow exponentially.

Public-private partnerships are important to the state to help leverage assets to support creative sector industry growth, particularly in these lean economic times. HB 2338 HD1 offers an opportunity to further develop the film, digital and creative media industries, by providing infrastructure that can deliver high-paying jobs, generates tax revenue, and strengthens Hawaii's creative economy. Thank you for the opportunity to testify on this measure.

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

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**Testimony of  
WILLIAM J. AILA, JR  
Chairperson**

**Before the House Committee on  
FINANCE**

**Monday, February 27, 2012  
1:00 PM  
State Capitol, Conference Room 308**

**In consideration of  
HOUSE BILL 2338, HOUSE DRAFT 1  
RELATING TO THE CREATIVE MEDIA INDUSTRY**

House Bill 2338, House Draft 1 proposes to authorize the Department of Land and Natural Resources (Department) to lease public lands by direct negotiation and without recourse to public auction, public lands for the purposes of developing creative media facilities. If the Department elects to do so, the bill requires the Department receive lease rents that are less than appraisal value. The Department supports the intent of making public lands available for lease to develop creative media facilities, but opposes the mandate that public lands be leased for less than fair market rent.

The Department is responsible for managing approximately 1.3 million acres of public lands comprised of sensitive natural, cultural and recreational resources. The Department's responsibilities include managing and maintaining the State's coastal lands and waters, water resources, conservation and forestry lands, historical sites, small boat harbors, parks, and recreational facilities; performing public safety duties (e.g., flood and rockfall prevention); issuing and managing leases of public lands (agriculture, pasture, commercial, industrial, and resort leases); maintaining unencumbered public lands; and enforcing the Department's rules/regulations.

To properly perform these fiduciary duties, the Board of Land and Natural Resources determined that the Department should utilize a portion of the lands it manages to generate revenues to support the Department's operations and management of public lands/programs. This is especially critical at this time due to the current condition of the State's economy. The bill's requirement that the Department lease public lands for less than fair market rent, as determined by appraisal, would adversely impact the Department's ability to perform its fiduciary duties.

WILLIAM J. AILA, JR.  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

GUY H. KAULUKUKUI  
FIRST DEPUTY

WILLIAM M. TAM  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

Finally, the Department is already authorized to issue leases for certain purposes by direct negotiation pursuant to Section 171-59(b), Hawaii Revised Statutes (HRS). If the Legislature determines that leases for creative media facilities warrant exclusion from the public auction requirement, the Department suggests incorporating this class of lessee into Section 171-59(b), HRS, rather than creating a new and separate section of Chapter 171, HRS.

The Department appreciates this opportunity to provide testimony.

TESTIMONY IN SUPPORT OF HB 2338 HD 1  
Relating to The Creative Media Industry

COMMITTEE ON FINANCE

Rep. Marcus R. Oshiro, Chair

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Rep. Gil Riviere

Rep. Gene Ward

DATE: Monday, February 27, 2012

TIME: 1:00 P.M.

PLACE: Conference Room 308

State Capitol

415 South Beretania Street

Chair Oshiro and Vice Chair Lee, Members of the Committee,

Thank you for the opportunity to testify today in support of HB 2388 HD1, relating to the Creative Media Industry.

My name is Chris Lee and as a private citizen, motion picture producer, and the Founder and Director of the Academy for Creative Media at UH, I thank you for your past efforts to build this vital industry through our existing incentives and workforce development such as the ACM.

You will be pleased to know that ACM Manoa has over 235 majors, that numerous digital media companies have been started by our graduates and many have joined the local production unions keeping our students here in the islands.

This bill, and a number of others similar to it introduced this session, has the opportunity to exponentially expand Hawaii's film, television, and digital media

industries providing far more living wage jobs for our talented, local workforce and IP creators.

In 2010, Hollywood spent over \$400 million dollars in Hawaii producing an unprecedented number of films, including the Oscar-nominated *The Descendants*, *Pirates of the Caribbean 4*, *Journey to the Center of the Earth 2*, *Battleship*, *Just Go With It*, *Soul Surfer*, *Hereafter*, and *The Tempest* as well as the television series *Hawaii Five-O* and *Off the Map*.

As impressive as that number is, we left a lot of money and jobs on the table.

Why? Because we did not have the studio space, post production or visual effects facilities to provide the full services this industry demands. Why are we willing to settle for half of the pie?

Big-budget pictures like *Pirates 4*, *Battleship*, and *Journey 2* shot their exteriors here, but then went to places like North Carolina, Los Angeles and Louisiana to build their sets, shoot their interiors, and execute post production, including one of the biggest parts of any blockbuster's budget, special effects. Worse, television shows like Steven Spielberg's *Terra Nova* had to shoot in Australia because we did not have the capacity to accommodate them here.

This \$400 million dollar year was not an anomaly.

This was a clear indication that Hawaii could have a billion dollar industry – generated both from Hollywood and locally – through the right combination of responsible incentives, dedicated infrastructure, broader development of our own IP workforce, and a global perspective.

This industry is not a fad but also not something that will just happen without the active management of our state. It's already a winner for us. The right incentives are an investment that ripple through our economy and provide an international marketing advantage for our number one industry, tourism. We enjoy a natural competitive advantage with our talented local students and a lifestyle that few locations can offer the discerning creative classes.

But to put the question a different way, what else is there? What else can we manufacture that doesn't require the importation of raw materials and the shipping of hard goods? What other industry is both protective of our environment and helps to drive tourism? What else both captivates the imagination of our students and has the ability to keep them in Hawaii?

What other alternative industry that this state has invested in over the last ten years has ever had a \$400 million year?

While everyone's been wondering how Hawai'i builds a sustainable alternative to our government/construction/service-employee economy, it's time to recognize that Hawai'i is already generating and keeping an indigenous creative class.

But we need to grow the pie.

HB 2338 and others like it have the chance to transform our production capacity and move us beyond the "feast or famine" mentality that has characterized our traditional location driven film and television industry.

Hawaii has been blessed with long running shows filmed entirely in our state, starting with Five-0, Magnum, Five-0 2.0 and soon, hopefully, The River. Our blue skies, beaches and jungles along with a great crew base make us the premiere tropical location in the world, and give us a base line of production activity.

But the absence of dedicated studio space save for the single stage at Diamond Head which can only accommodate one show at a time leaves producers scrambling for landlords willing to repurpose existing structures – as with the old Advertiser building being the home of Five-0, the old Comp USA being where they built Queens Hospital for The Descendants, and most recently the new ABC/Sony series setting up shop inside Olelo in Mapunapuna.

But building studio stages doesn't just mean pictures can shoot here longer. It means the whole other side of the industry – carpenters for set building, post production, sound recording, visual effects, all businesses that could be supplied by local vendors to service these studio shoots.

Why are digital companies so important? Because their computer animated output is not based on our tropical locations – indeed, they can be applied to movies not even made in Hawaii.

And it doesn't stop with movies and tv. Video games as an industry are 6 times larger than the movie business. Vancouver, which has previously been known for physical production, now has more business providing visual effects services for films not shot there. Vancouver has specific incentives for post production, over 30 companies providing those services, and probably the best digital cinema and video game school in the world.

We will never grow the pie if our business plan is just to hope that Hollywood green lights a tv show or movie that needs our beaches and jungles. We will never provide the opportunities our students are eminently qualified to execute unless we build the studio infrastructure and the digital companies that drive the growth side of this business.

This legislature had the foresight to fund educational programs like the Academy for Creative Media to give our students the skills to connect to the global entertainment economy and stay in Hawaii.

Our kids have responded with award winning films, starting new businesses, and the foundation of a creative class of workers that is the very basis of America's best hope for the future: an economy based on innovation and intellectual property.

HB 2338 HD 1 will help them to fully realize that dream.

Thank you for the opportunity to testify today.