

**HB 2338, HD 2
EDT-WLH**



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY AND
SENATE COMMITTEE ON WATER LAND AND HOUSING**
Wednesday, March 14, 2012
1:15 p.m.
State Capitol, Conference Room 016
in consideration of
HB2338 HD2
RELATING TO CREATIVE MEDIA INDUSTRY

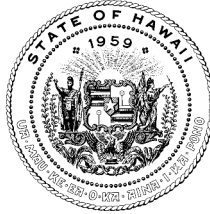
Chairs Fukunaga and Dela Cruz, and Members of the Committees.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of HB 2338 HD2 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. However, 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.

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 HD2 offers an opportunity to further assist 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**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

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

**Before the Senate Committees on
ECONOMIC DEVELOPMENT AND TECHNOLOGY
and
WATER, LAND, AND HOUSING**

**Wednesday, March 14, 2012
1:15 PM**

State Capitol, Conference Room 016

**In consideration of
HOUSE BILL 2338, HOUSE DRAFT 2
RELATING TO THE CREATIVE MEDIA INDUSTRY**

House Bill 2338, House Draft 2 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 has serious concerns about 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.



HB2338 HD2

RELATING TO CREATIVE MEDIA INDUSTRY

Senate Committee on Economic Development and Technology
Senate Committee on Water Land and Housing

March 14, 2012

1:15 p.m.

Room 016

The Office of Hawaiian Affairs (OHA) offers the following comments on HB2338 HD2, which would create special rules for creative media industry leases, including allowing for 50 year leases by direct negotiation without public auction at lease rent less than appraised value.

The state has a fiduciary duty that it must uphold when leasing our public lands. Chapter 171, Hawaii Revised Statutes, provides a framework to ensure that the state carries out its duties while allowing for thoughtful use of public lands. While circumventing these laws may be the quickest and easiest means to lease land, it is not the prudent inquiry demanded by the state's fiduciary position.

Chapter 171, Hawaii Revised Statutes, currently allows agencies to consider lease rent at less than appraised value, giving agencies flexibility in negotiating rent while carrying out their fiduciary duties. Chapter 171 also allows for appropriate lease terms without encumbering public land with long-term leases that exceed the length of a generation. Long-term leases tie the hands of communities and future generations of land and resource managers and unduly restrict their ability to make sound decisions.

Mahalo for the opportunity to testify on this important measure.



University of Hawai'i – West O'ahu

Legislative Testimony

Testimony Presented to the
Joint Senate Committee on Economic Development and Technology
and Water, Land, and Housing
March 14, 2012 at 1:15 p.m.

HB 2338, HD2
By Gene I. Awakuni
Chancellor, University of Hawaii – West Oahu

UH West Oahu supports the intent of HB 2338, HD2 relating to the Creative Media Industry, to foster the growth of the creative media industry in Hawaii by allowing the Department of Land and Natural Resources to “lease public land for purposes of developing creative media facilities.”

As a soon to open, new four year academic campus in Kapolei, we are also pursuing creative media programs that support the academic interests of our students, many who reside in the leeward, central and north shore communities of Hawaii.

TESTIMONY IN SUPPORT OF HB 2338, HD2
Relating to The Creative Media Industry

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair

COMMITTEE ON WATER, LAND, AND HOUSING

Senator Donovan M. Dela Cruz, Chair
Senator Malama Solomon, Vice Chair

NOTICE OF HEARING

DATE: Wednesday, March 14, 2012
TIME: 1:15pm
PLACE: Conference Room 016

State Capitol

415 South Beretania Street

Chairs Fukunaga and Dela Cruz, Vice Chairs Wakai and Solomon, Members of the Committees,

Thank you for the opportunity to testify today in support of HB 2388,HD2 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 will help them to fully realize that dream.

Thank you for the opportunity to testify today.