

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

NEIL ABERCROMBIE
GOVERNOR
L A T E
RICHARD C. LIM
INTERIM DIRECTOR

No. 1 Capitol District Bldg., 250 South Hotel St., 5th Flr., Honolulu, Hawaii 96813
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STATEMENT OF
RICHARD C. LIM, INTERIM DIRECTOR
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM
BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS
Thursday, February 24, 2011
9:00 a.m.
State Capitol, Conference Room 211
in consideration of
SB1550, SD1
RELATING TO TAX CREDITS

Chair Ige and Vice-Chair Kidani and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of SB1550, SD1, however we do have concerns about any major increases to the existing HRS 235-17 (Act 88) Motion Picture, Television and Digital Media refundable tax credits of 15-20%. We defer to the Department of Taxation on the overall fiscal impacts of this measure and are continuing to further analyze the economic benefits and impacts.

In its current version, SB1550, SD1 we note that the percentages have been left blank to encourage further discussion and look forward to the dialogue with the legislature and industry.

The department agrees improving Hawaii's infrastructure and workforce development programs for the film and creative sectors is a priority.

In 2010, an estimated \$416 million in production expenditures were generated in film and television ; \$395 million through Act 88 and \$21 million in non-Act 88 related production activity, providing over \$683 million in estimated economic impact for our state. This credit remains crucial to Hawaii's competitive advantage in the global entertainment industry.

We agree that the interest and commitment of companies like Relativity Media, RelativityREAL, Shangri-La , Hawaii Animation Studios, Avatar Reality, Blue Water Multimedia, Prox13, Lucent Film Academy and our local production community are helping to define Hawaii as a vibrant hub of creative industry development. Coupled with the creative talent of Hawaii's visual storytellers and our educational programs in creative media, the state has an unprecedented opportunity to build a sustainable sector through a broad spectrum of strategic partnerships for scalable industry growth.

The ideas and programs proposed in SB1550, SD1 contribute to establishing Hawaii as a major production center, as well as other measures this session that enhance support for digital media education, expanded training programs and facilities development.

DBEDT and its Creative Industries Division is committed to further collaboration with lawmakers, the administration and industry leaders to find the appropriate balance between incentivizing industry, overall economic benefits and the resulting fiscal impacts to the state.

Thank you for the opportunity to testify on this measure.

Wai'anae Business Center*Pacific Growth Associates*

Planning Committee

Joseph W. Lapilio III
*Wai'anae Coast
Coalition*

Louis F. Perez III
*The AKAMAI
Foundation*

Naomi Digitaki
*Hawai'i Technology
Institute*

Richard Soo
Retired Fire Captain

Paul Garner
Lucent Film Academy

Dan Gomes
*Leeward Community
Resident*

Bobbie Esperanza
*Leeward Community
Resident*

Candy Suiso
Searider Productions

Tamar deFries
Project Director

Kahealani Poe
*Assistant Project
Director*

February 22, 2011

Honorable David Y. Ige, Chair
WAYS and MEANS COMMITTEE
Hawaii State Capitol
415 South Beretania Street, Room 215
Honolulu, HI 96813

Honorable Michelle Kidani, Vice Chair
WAYS and MEANS COMMITTEE
Hawaii State Capitol
415 South Beretania Street, Room 228
Honolulu, HI 96813

RE: SB1550 SD1 – RELATING TO TAX CREDITS. Motion Picture, Digital
Media, and Film Production Tax Credits.

Dear Chair Ige and Vice Chair Kidani,

Over the past eighteen (18) months, community leaders have been meeting regularly as a planning committee and with the Leeward Coast community to implement a model business incubator that combines education and business in the digital media and interactive entertainment industry. The Waianae Coast Coalition and the City & County of Honolulu Leeward Coast Community Benefits Program have supported our efforts by providing technical support and funding.

The business incubator for emerging digital media businesses will feature classrooms equipped with smart technology and production facilities that will also serve as a home to primary, secondary, and higher educational institutions. The design will accommodate 15 to 20 start-up companies, while providing them with networking opportunities to expand their company.

The primary target population of the business incubator will be low- to moderate-income Leeward Coast residents, by allowing residents the opportunity to enter into the media and technology fields through the development of a start-up company in the digital media and interactive entertainment industry, being employed by a company in such an industry, or through educational opportunities provided on-site in the fields of media and technology.

The incubator will be a significant strategy towards poverty alleviation. Each incubator tenant will be provided with competitive lease rates and services ranging from basic business consulting to marketing and advertising, human resources, accounting, web and promotional design and access to capital. Additional services are developed as the needs of the tenant business are identified. The primary point to be made is that the incubating business and students have support on site and are assisted as needed.

The space will provide a much-needed location to situate emerging entrepreneurial companies to start and grow. Trainings, seminars, conferences, symposiums, job fairs, trade shows, and networking events will be planned and implemented on an on-going basis. The incubator will be a vibrant and cutting edge working space of world-class companies, professionals, and students that are afforded opportunities to learn, collaborate, and partner in creative and financial ways to grow, flourish, and compete globally.

The planning committee kindly submits the following amendments to SB1550 SD1, as we firmly believe the intent of the legislation is not to exclude any community efforts, but to include our community, businesses, and residents who have been working diligently towards securing a future for our children in this industry:

- Page 4, line 5 and 6 to read: (a) beginning on July 1, 2011, and ending on December 31, 2016, the following credits shall apply:
- Page 6, line 9 through 12 to read: (A) Construction of the infrastructure project can begin anytime between July 1, 2011 and December 31, 2016 once certified and shall be one hundred per cent completed within a five year time frame from the start of the infrastructure project;
- Page 8 and 9, line 18 through 2 to read: There shall be a qualified local crew training program rebate that shall be equal to ____ per cent of the hourly wages of each resident participant in a qualified local crew training program that works in conjunction with an existing non-profit organization that currently provide industry training and technical assistance, and if incurred by a qualified production in any county of the State, shall be reimbursed up to the first physically worked by the qualifying crew member in a specialized craft position.
- Page 11, line 5 and 6 to read: (4) Provide evidence of reasonable efforts to hire local talent and crew including and not limited to non-profit organizations that currently provide industry training and technical assistance; and
- Page 11, line 7 through 12 to read: Provide evidence of financial or in-kind contributions of educational or workforce development efforts, in partnership with related local industry labor organizations, educational institutions, non-profit organizations that currently provide industry training and technical assistance, or any combination of, toward the furtherance of the local film and television and digital media industries.

Waianae Business Center
SB-1550SD1

We look forward to working with you on all legislation pertaining to the motion picture, digital media, and film production industry to demonstrate our commitment to providing opportunities for residents and our children of Hawaii in this industry. Please feel free to contact us anytime at (808) 696-1217.

Sincerely,

Tamar R. P. deFries S.

Tamar deFries
Project Director

cc: Honorable Calvin Say, Speaker of the Hawaii State House of Representatives
Honorable Marcus Oshiro, Finance Chair
Honorable Marilyn B. Lee, Finance Vice Chair
Honorable Angus McKelvey, Economic Revitalization & Business Chair
Honorable Isaac Choy, Economic Revitalization & Business Vice Chair
Honorable Carol Fukunaga, Economic Development & Technology Chair
Honorable Glenn Wakai, Economic Development & Technology Vice Chair
Honorable Donna Mercado Kim, Tourism Chair
Honorable Ronald D. Kouchi, Tourism Vice Chair
Mr. Richard Lim, DBEDT Director

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 23, 2011 8:17 PM
To: WAM Testimony
Cc: threetomake2@hotmail.com
Subject: Testimony for SB1550 on 2/24/2011 9:00:00 AM

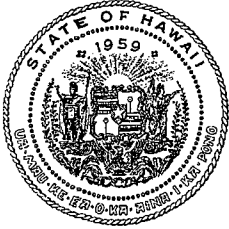
Testimony for WAM 2/24/2011 9:00:00 AM SB1550

Conference room: 211
Testifier position: support
Testifier will be present: No
Submitted by: Bob Silva
Organization: Individual
Address:
Phone:
E-mail: threetomake2@hotmail.com
Submitted on: 2/23/2011

Comments:

The quality jobs that will be provided to Maui County are very important. Bringing in motion picture and TV production can only help the entire state of Hawaii. I believe you must plan for the future. Please make this a win win situation for everyone involved .

Malama Pono,
Bob Silva



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GOVERNOR

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DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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RICHARD C. LIM, INTERIM DIRECTOR
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM

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Thank you for the opportunity to testify on this measure.



Testimony of Clyde T. Hayashi
Director
Hawaii LECET
1617 Palama Street
Honolulu, HI 96817

L A T E

SENATE COMMITTEE ON WAYS AND MEANS
Thursday, February 24, 2011
9:00 a.m., Conference Room 211

SB1550 SD1 - RELATING TO TAX CREDITS

Aloha Chair Ige, Vice-Chair Kidani, and Members of the Committee:

My name is Clyde Hayashi and I am the director of Hawaii LECET (Laborers-Employers Cooperation and Education Trust). Hawaii LECET is a partnership between the Hawaii Laborers' Union, Local 368 and our union contractors.

I am submitting this testimony in **strong support** of the intent and purpose of SB 1550 SD1.

SB 1550 SD1 will provide the needed incentives that will allow for an expansion and development of our important film industry, an industry with tremendous potential.

SB 1550 SD1 will allow for expansion of the film industry to a point that it will have the infrastructure and facilities which will provide a much more attractive package to producers and film companies. This package added to the lure of our beautiful state will attract many more to film here.

As the film industry is built & expanded, construction opportunities and jobs will be created. This comes at a time when our industry is struggling. Our benches are filled with unemployed construction workers and our contractors are struggling to survive the awful construction downturn. We also expect a stable and growing film industry to continue to provide construction opportunities and jobs over the coming years.

SB 1550 SD1 will help establish training programs so that Hawaii can provide the film industry with the trained, skilled workforce that it needs.

SB 1550 SD1 will help to provide a needed boost to our economy and create a stable film industry to which will benefit Hawaii over the coming years.

Thank you for the opportunity to submit this testimony.

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 1:25 AM
To: WAM Testimony
Cc: tamardefries@hotmail.com
Subject: Testimony for SB1550 on 2/24/2011 9:00:00 AM
Attachments: SB1550SD1 Amendments.pdf

L A T E

Testimony for WAM 2/24/2011 9:00:00 AM SB1550

Conference room: 211
Testifier position: comments only
Testifier will be present: No
Submitted by: Tamar deFries
Organization: Waianae Business Center: Pacific Growth Associates
Address:
Phone:
E-mail: tamardefries@hotmail.com
Submitted on: 2/24/2011

Comments:

Aloha Honorable Ige and Honorable Kidani,

The Waianae Business Center: Pacific Growth Associates on behalf of the "Digital Business Incubator" community planning committee respectfully submits the following thoughts and amendments to SB1550 SD1 (HB1551HD1): Relating to Tax Credits (Motion Picture, Digital Media, and Film Production Tax Credits) for your consideration, as we firmly believe the intent of the legislation is not to exclude any community efforts, but to include our community, businesses, and residents who have been working diligently towards securing a future for our children in this industry.

We look forward to working with you on all legislation pertaining to the motion picture, digital media, and film production industry to demonstrate our commitment to providing opportunities for residents and our children of Hawaii in this industry. Please feel free to contact us anytime at (808) 696-1217.

Me ka ha`aha`a,

Tamar deFries
Project Director