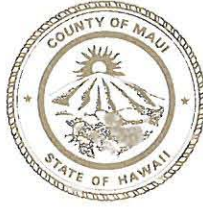


ALAN M. ARAKAWA  
MAYOR




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## OFFICE OF THE MAYOR

Ke'ena O Ka Meia  
COUNTY OF MAUI – Kalana O Maui

TO: The Honorable David Ige, Chair  
Honorable Michelle Kidani, Vice-Chair  
Honorable Members of the Senate Committee on Ways and Means

FR: Alan Arakawa, Mayor   
County of Maui

HEARING: February 24, 2012  
9 a.m.  
Conference Room 211

SUBJECT: TESTIMONY OF MAUI COUNTY MAYOR ALAN ARAKAWA IN  
**SUPPORT OF SB2111 (S.D. 1) RELATING TO FILM AND DIGITAL  
MEDIA INDUSTRY DEVELOPMENT**

Thank you for this opportunity to offer our testimony and support for SB2111 (S.D. 1) relating to Film and Digital Media Industry Development.

My administration **supports** SB2111 (S.D. 1) for the following reasons:

1. It includes a "Motion picture, digital media, and film production infrastructure income tax credit";
2. It includes increases to the "Motion picture, digital media, and film production income tax credit"; and,
3. The proposed infrastructure credit is tied to the hiring of residents of the State of Hawaii.

### Reasons:

- 1) The proposed bill will benefit the entire State of Hawaii by bringing a new industry to the state, and thereby diversifying and stimulating our economy, creating new jobs for our residents, and producing long-term opportunities for our children through training/deeming programs.

- 2) According to presentations made to the legislature during last year's session, (a) each stage built in the State of Hawaii would inject nearly \$140 million into our economy via the hiring of local labor and purchasing materials locally over a two year period; and, (b) Each movie filmed in Hawaii (i.e. \$90 million budget) would create approximately 193 local jobs immediately.
- 3) An infrastructure tax credit is especially important to Maui County (and, the neighbor islands) as outside of the City & County of Honolulu, there isn't a single: soundstage, post-production facility; nor camera equipment rental houses; etc. The absence of any infrastructure makes it difficult for the neighbor-island counties to attract and develop a film and digital media industry. In January of 2012, the Chief Officer of the Creative Industries Division Film Office, released industry numbers at its Hawaii Film & Entertainment Board meeting. These numbers reinforced the disparity between the counties showing: (a) The City & County of Honolulu, with a 15% tax incentive, managed to file \$126,441,000 spending in 2011; while (b) the three neighboring counties, with a 20% tax incentive, filed \$5,183,245. The three neighbor counties combined managed a mere 4.09% of the market.
- 4) Our own research shows that on March 5, 2011, the governor of Puerto Rico signed a new law that increased the amount of its existing tax credits. In passing the law and developing necessary infrastructure, the PR Film Commissioner announced that in 2010, 12 projects were filmed on the island, creating 17,528 jobs and 22,671 hotel nights. Nearly \$70 million was said to have been injected into their local economy through a dozen movies, TV series, and documentaries.

For these reasons, my administration and I **support SB2111**.

# ONE THOUSAND **ONE** STORIES

FEBRUARY 23, 2012

TO: Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair  
Members of the Committee on Ways and Means

DATE: Friday, February 24th, 2012  
TIME: 9:00a.m.  
PLACE: Conference Room 211

Re: SB 2111 RELATING TO CREATIVE MEDIA DEVELOPMENT

DEAR SENATORS & MEMBERS,

I AM IN SUPPORT OF SB 2111. AS A SMALL BUSINESS, 1001 STORIES AND THE PEOPLE WE HIRE FOR OUR PROJECTS, MAKE A LIVING OFF OF BUDGETS AT AND AROUND THE \$50,000 MARK. THE ADDITIONAL FINANCIAL SUPPORT WOULD BENEFIT OUR COMPANY AND THOSE WE HIRE, AS WE ARE ALL THE FUTURE OF THIS THRIVING INDUSTRY. 1001 STORIES HAS BEEN IN BUSINESS FOR 2 YEARS NOW, AND EACH YEAR WE'VE GROWN 40%. AS WE CONTINUE TO GROW ALONGSIDE THE INDUSTRY, THE QUALITY OF JOBS AND AMOUNT OF THEM ARE GOING TO INCREASE. LOWERING THE THRESHOLD WILL DIRECTLY CORRELATE WITH THE ABILITY TO FOSTER MORE OF THIS GROWTH AT A FASTER RATE. PLEASE VOTE YES IN SUPPORT OF THIS MEASURE.

THANK YOU FOR YOUR CONSIDERATION.

FROM: ALEXANDRA SIROIS, ASSOCIATE PRODUCER  
1001 STORIES

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [charisse@hyperspective.com](mailto:charisse@hyperspective.com)  
**Subject:** Testimony for SB2111 on 2/24/2012 9:00:00 AM  
**Date:** Thursday, February 23, 2012 7:51:45 PM

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Testimony for WAM 2/24/2012 9:00:00 AM SB2111

Conference room: 211  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Charisse Lindsey  
Organization: Hyperspective Studios  
E-mail: [charisse@hyperspective.com](mailto:charisse@hyperspective.com)  
Submitted on: 2/23/2012

Comments:

I am in support of SB2111 RELATING TO RELATING TO CREATIVE MEDIA DEVELOPMENT. Passing this bill will provide opportunities for small business to continue to operate in Hawaii and will promote growth within the media industry. Passing this bill will open doors for companies as well as Hawaii residents. Our creative media students have been subjected to moving away in order to utilize their skills and talent. Supporting the creative media industry in Hawaii will bring many more opportunities for our students.

TO: Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair  
Members of the Committee on Ways and Means

DATE: Friday, February 24th, 2012  
TIME: 9:00a.m.  
PLACE: Conference Room 211

Re: SB 2111 RELATING TO RELATING TO CREATIVE MEDIA DEVELOPMENT.

FROM: David Hotniansky, Technical Lead  
Hyperspective Studios

I would like to voice my support for SB2111 as it relates to creative and digital media. Digital media is an industry with enormous potential for growth and sustainability here in Hawaii. The inclusions of independent and emerging medias as well as the lower threshold can be a great stimulus for this market helping smaller studios grow and get a strong foothold in this market.

I was born, raise, and educated here in the Hawaii and I am a product of the University of Hawaii at Manoa and the ACM program. Over the past six years I've established a career in digital media working developing video games, visual effects, and several forms of interactive media.

Due to the nature of digital media and the digital medium it is something that can be produced anywhere; as a result the clientele we cater to is not limited strictly to Hawaii. While I have maintained residency here my entire life most of the work I produce is funded by contracts from out of state. Out of state projects produced by studios rooted here in the islands stimulates not just the digital media industry but the Hawaii economy as a whole. The money I've made here has stay here in the community.

The tax credits made available to our industry through SB2111 can act as a catalyst to allow us to grow and become even more competitive and by doing so will lead to greater number of stable, high-tech jobs, and an additional stream of income to the residents of Hawaii.



February 23rd, 2012

TO: Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair  
Members of the Committee on Ways and Means

DATE: Friday, February 24<sup>th</sup>, 2012  
TIME: 9:00 A.M.  
PLACE: Conference Room 211

Re: SB 2111 RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT.

FROM: Erich Nemcek, Multimedia Specialist  
Hyperspective Studios, Inc.

I am in support of the intent of SB 2111 relating to film and digital media industry development because I believe that such a bill will foster expanded growth of the film industry as well as development of a new and emerging digital media industry in Hawaii.

As an employee of a small Hawaii-based production company, I wear multiple hats as a multimedia specialist and have experience as a camera operator, editor, and writer. I believe this bill will not only allow me to continue working in Hawaii, but also provide significant opportunities for growth in my career.

The video game industry itself has already surpassed the music and film industries in terms of overall revenue, so there is clearly an enormous potential for success and growth in the emerging digital media industry. I believe this bill will help Hawaii's media companies and talent realize that potential and become viable, competitive companies on an international level.

# ONE THOUSAND ONE STORIES

February 23<sup>rd</sup>, 2012

TO: Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair  
Members of the Committee on Ways and Means

DATE: Friday, February 24<sup>th</sup>, 2012

TIME: 9:00 am

PLACE: Conference Room 211, State Capitol

Re: SB 2111 RELATING TO CREATIVE MEDIA DEVELOPMENT

FROM: Johnathan Walk, COO of 1001 Stories, LLC.

1001 Stories LLC is in support of SB 2111 relating to film and digital media industry development because we believe that this measure would allow Hawaii to become more competitive in the film industry, thus encouraging the growth of the local film market in both the areas of production and post-production (3D, Visual Effects, Animation, Graphics, etc) that can be offered to any production coming to film in Hawaii.

I also believe that SB 2111 can support local film makers to own a market share of the film industry by means of *Intellectual Property* (IP). More often than not, when mainland productions come to Hawaii, most of the above the line talent/crew (Producers/Directors/Actors) are also from the mainland. Most of the jobs created for the local film workforce are below the line (Production Coordinators, Grips, Electricians). Once the production finishes shooting in Hawaii, the production leaves and in its wake a workforce of skillful laborers are generated but not a group of skillful creatives.

We have a strong workforce of below the line crew, but we must encourage the growth of above the line talent so Hawaii starts owning its share of IP. Local talent above the line also equals a majority of local hires below the line. Peter Jackson (Director: Lord of the Rings) of New Zealand, Tyler Perry (Director: Medea Films) of Georgia and Robert Rodriguez (Director: Desperado, Sin City) of Texas all represent major above the line, IP producing film makers who have helped to create an industry in their local film markets that not only support the workforce of their residing states/countries, but now have made their local markets more attractive to other film productions. All these film makers received help from their residing state or country to grow their markets with government support.

SB 2111 will function as an infrastructure for local IP to become produced with some of the proposed changes I have listed below. Specifically, my interest is lowering the threshold qualifying value to make a production tax credit eligible as it would most support local film makers. As of now, the qualifying value is much too high for most local film makers to take advantage of.

It must also be noted that there is a symbiotic relationship with production and post-production: offering incentives in both areas is crucial for local film makers to produce their films. With the new

digital workflows emerging, post-production represents anywhere between 40-60% of total costs on big feature films and about 20-40% of total costs on independent films. These costs represent a large percentage of the cost of any production, thereby making SB 2111 an attractive bill to any production doing business or looking to do business in Hawaii.

If we want to grow Hawaii to a standard that rivals film communities like New Zealand in the areas of above the line and below the line talent, we must be in favor of SB 2111.



**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [shidekigonomo@gmail.com](mailto:shidekigonomo@gmail.com)  
**Subject:** Testimony for SB2111 on 2/24/2012 9:00:00 AM  
**Date:** Thursday, February 23, 2012 7:17:04 PM

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Testimony for WAM 2/24/2012 9:00:00 AM SB2111

Conference room: 211  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Mychal Okuhara  
Organization: Individual  
E-mail: [shidekigonomo@gmail.com](mailto:shidekigonomo@gmail.com)  
Submitted on: 2/23/2012

Comments:

TO: Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair  
Members of the Committee on Ways and Means

DATE: Friday, February 24th, 2012  
TIME: 9:00a.m.  
PLACE: Conference Room 211

Re: SB 2111 RELATING TO RELATING TO CREATIVE MEDIA DEVELOPMENT.

FROM: Mychal Okuhara

As a young college graduate beginning my career in the creative media industry, I would like to voice my support for Senate Bill 2111. As written, this bill will encourage investment in the state, build our economy and keep creative, educated individuals working in Hawaii. While we all hope that the state's burgeoning film industry will bring in dollars from large studios, SB2111 helps ensure that small businesses (that will hire and spend locally) can survive and thrive. It is my sincerest hope that SB2111 will be passed into law.

TO: Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair  
Members of the Committee on Ways and Means

DATE: Friday, February 24th, 2012  
TIME: 9:00a.m.  
PLACE: Conference Room 211

Re: SB 2111 RELATING TO RELATING TO CREATIVE MEDIA DEVELOPMENT.

FROM: Richard M. Hirata, Multimedia Artist  
Hyperspective Studios, Inc.

My name is Richard Hirata and I am a multimedia artist currently employed at Hyperspective Studios. As an industry professional here in Hawaii, I strongly support SB 2111. My support for this bill is motivated directly from my employment experiences. I received my Digital Animation degree in 2006 from the University of Hawaii at Manoa and I also attended digital arts courses at Kapiolani Community College with high hopes of finding stable work locally. The reality that hit me after graduating was that there was no strong creative media industry here in Hawaii, and that students were often being encouraged by career counselors to move out of their home state to find employment on the mainland. Unable to find work here in Hawaii, I moved to California in 2008 with the intent of finding any kind of work related to my field. What struck me then was that Hawaii's standards in digital media, film, and computer graphics were far behind that of the mainland. I struggled to learn more and better my skills to find work, but the reality was that unless communities back an industry, young professionals find themselves left behind as they do not have access to experience-building opportunities.

I returned to Hawaii in 2009 as I was unable to find steady work in California. I was employed with Hawaii Animation Studios in 2010, only to have my hopes of stable employment crushed again as the company shutdown in 2011. We were told it was due to financial reasons. I do not pretend to understand the logistical aspects of business, but I do understand that computer graphics and creative media are both steadily growing, lucrative industries. I fail to comprehend why Hawaii, a focal point in the Pacific that functions as a media hub for Asian and U.S. Markets, has not been keen on taking advantage of this industry by supporting new businesses here run by local professionals and people. The greatest shame, however, is that our state is losing so much of its talented professionals who are willing to find work, pay their taxes, and thus contribute to the local economy. Why does the state encourage academic programs such as the Academy for Creative Media at UH or New Media Arts Program at KCC when it fails to aid an industry these young graduates can work in? I have so many friends and colleagues right now who are very talented and willing to work, but are unable to find work locally. Many of them are ultimately planning to leave Hawaii.

The reality we face is that Hawaii is being left behind in technology and media, and we are rapidly losing talented professionals who could be supporting a strong, lucrative industry here. A personal testimony coming from a mere artist like myself may mean little in the grand scheme of things, but my experiences and employment challenges I have faced thus far are painfully genuine. I am always in favor of finding and maintaining a career, and if SB 2111 will be helping me help Hawaii in some way through my profession, it has my full support. Thank you very much for your consideration.

Richard M. Hirata

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [skykiyabu@gmail.com](mailto:skykiyabu@gmail.com)  
**Subject:** Testimony for SB2111 on 2/24/2012 9:00:00 AM  
**Date:** Friday, February 24, 2012 12:54:51 AM

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Testimony for WAM 2/24/2012 9:00:00 AM SB2111

Conference room: 211  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Sky Kiyabu  
Organization: Individual  
E-mail: [skykiyabu@gmail.com](mailto:skykiyabu@gmail.com)  
Submitted on: 2/24/2012

Comments:

I am in support of SB2111 in relation to the digital media industry in Hawaii. The game industry in particular has surpassed film in terms of revenue and shows little sign of slowing down in the near future. Currently there is an entire generation of people reaching adulthood who have not known a life without video games. The game industry is now in a position to produce entertainment, not just for children, but adults. This new market is not just local, but global, producing billions of dollars in revenue. Location does not matter in this new marketplace. A small team or even an individual can produce content from any country, any city, or even from a home office and produce works that can reach a global audience. A studio or team in Hawaii has the opportunity to sell not only locally, but to the world, bringing revenue into the state as well as keeping talented local professionals from moving to areas where the industry is currently thriving. Digital media is poised to become the future of not only entertainment, but also the future of storytelling and art. Computer animation has produced characters and worlds impossible to create in reality while video games have allowed people to experience narrative interactively and are starting to explore deeper stories, issues, and emotions that have long been the mainstay of film. This is the future of media, and I believe this bill will create opportunities not only for myself, but also the next generation of digital artists and technicians. Thank you for the opportunity to testify.



**Tetris Online, Inc.**  
55 Merchant Street, Suite 2100  
Honolulu, Hawaii 96813

February 24<sup>th</sup>, 2012

TO: Senator David Ige, Chair  
Senator Michelle Kidani, Vice Chair  
Members of the Committee on Ways and Means

DATE: Friday, February 24<sup>th</sup>, 2012  
TIME: 9AM  
PLACE: Conference Room 211, State Capitol

RE: S.B. No. 2111 S.D. 1 – Relating to Film and Digital Media Industry Development

FROM: Dean Hirata, CFO, Tetris Online, Inc.  
Michael J.W. Chun, Marketing Manager, Tetris Online, Inc.

Tetris Online, Inc. continues to support the intent of S.B. No. 2111 S.D. 1 – Relating to Film and Digital Media Industry Development

Founded in January 2006 by Minoru Arakawa, Henk Rogers and Alexey Pajitnov, Tetris Online, Inc. is a developer and publisher of social games and other electronic entertainment properties. Tetris Online is privately held and headquartered in downtown Honolulu.

As of January 2012, Tetris Online has grown to become a top 5 social games developer on Facebook, trailing only such large, publicly traded companies as Zynga and Electronic Arts. Tetris Online's biggest game, Tetris Battle, is currently ranked in the top 10 of highest performing games on Facebook, and users of Tetris Battle play more than 50 million games each day.

Social games are experiencing exponential growth in the lucrative online games segment, which has grown from \$1.84 billion in 2009 and is estimated to reach \$8.64 billion in 2014 (Casual Games Association – Social Gaming Report).

Today, Tetris Online employs 57 people in Hawaii. Nationwide, competition for digital media employees is fierce, which makes it increasingly difficult to attract and retain employees, even the ones who have strong family ties to the islands. SB 2111 will help create and retain jobs in Hawaii, while increasing the state's revenues. This bill will support Hawaii's small local companies in the digital media industry so they can continue to flourish and provide jobs for Hawaii's talented workforce.

Once again, Tetris Online supports the intent of S.B. No. 2111 S.D. 1 – Relating to Film and Digital Media Industry Development. Thank you for your time.



February 22nd, 2012

TO: Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair  
Members of the Committee on Ways and Means

DATE: Friday, February 24th, 2012

TIME: 9:00a.m.

PLACE: Conference Room 211

Re: SB 2111 RELATING TO RELATING TO CREATIVE MEDIA DEVELOPMENT.

FROM: Todd J. Robertson, President/CEO  
Hyperspective Studios, Inc.

Hyperspective Studios, Inc. is in support of SB 2111 relating to film and digital media industry development because we believe that such a bill will foster expanded growth of the film industry as well as development of a new and emerging digital media industry in Hawaii.

Hyperspective Studios, founded in April 1996, has been headquartered in Hawaii since 1999 and produces digital media projects including animation, visual effects, interactive media and film. The company has produced award winning media for several Hawaii companies as well as large domestic and international projects, with a large portion of it's revenue coming from the export of digital media.

Hyperspective currently employs 8 to 11 specialists and technicians, and is currently hiring three additional positions. The company regularly hires 10 to 30 or more subcontractors annually within the state of Hawaii. The company expects to increase it's workforce by 40% in 2012, with a steady increase of job openings over the next four years. SB2111 will greatly support and assist that growth and development.

The digital media production workforce largely overlaps and supports the film industry through visual effects, animation, post-production and stereography. I believe that digital media sector shows great potential for growth within the film and digital media industry in Hawaii. Digital media workers are those who are highly skilled and talented individuals. The digital media industry not only requires creative development teams to write scripts, create digital artwork and music, but employes technicians who are skilled in 3D technologies, information technology, computer science, engineering and programming.

The benefits that SB2111 will bring to Hawaii-based companies will help develop a new industry with a massive potential for growth and sustainability. The interactive media/game industry was measured at USD \$10.3 Billion domestically in 2004. The industry has shown rapid growth since then to UDS \$65 Billion in 2011 and is expected to continue this pattern of growth for years. Fostering growth of this industry in Hawaii has the prospective to create a large volume of high quality jobs within an industry that can become a pillar of Hawaii's economy.



Adding definitions for digital media and independent and emerging media in conjunction with a lower qualification threshold of \$50,000 provides expanded opportunity for Hawaii-based companies to develop intellectual property that create potential for successful sales of digital products. Companies that produce digital media and independent media projects typically spend less in initial development than film and television, but have a huge potential for profit. (please see Exhibit A for examples)

Digital media projects are not variable-location-based. They require computer hardware and software infrastructure development and once built, do not quickly move. Therefore, digital media projects provide a long-term, sustainable opportunity for jobs and development of products, while maintaining a work-force of Hawaii residents.

I believe that the added definitions for digital media, digital media projects, independent and emerging media projects in conjunction with a lower qualification threshold for these projects will foster growth of a strong, sustaining digital media industry that will provide opportunities to create high quality jobs within the state of Hawaii.

Thank you very much for the opportunity to testify.

**Exhibit A:**

The following digital media game projects are a few examples of how small teams with relatively low budgets can create large success, illustrating the need to lower the qualification threshold:

Title: *Minecraft*

Two-developer team, under one year of development.  
1,717,096 sales as of march 28th 2011, USD\$32 million.  
Current valuation of property is USD\$84.2 million.

Title: *Amnesia: Dark Descent*

Two-developer team.  
391,102 units sold, USD\$7.8 million.

Title: *Terraria*

Two-developer team.  
Over 1,000,000 copies sold, USD\$10-15 million.

Title: *Limbo*

Two-developer team.  
Over 1 million copies sold, USD\$15 million.