

THE WESTIN KA'ANAPALI OCEAN RESORT VILLAS
6 Kai Ala Drive, Lahaina, HI 96761 United States
F 808 667 3200
westin.com/kaanapali

Honorable David Ige, Chair
Honorable Michelle Kidani, Vice Chair
Senate Committee on Ways and Means

RE: **SB3048 SD1, Relating to Travel and Tourism Stimulus Initiatives –
SUPPORT**
Conference Room 211, February 24, 2012, 9:00 a.m.

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

Mahalo for the opportunity to offer testimony in support of these bills intended to provide incentives for hotel construction and renovation.

Our visitor arrivals are recovering from previous years of economic downturn, which led many hotels to decrease room prices and to offer other incentives in order to remain competitive among other destination markets. In the meantime, our fixed costs have not diminished while the cost of doing business in the state significantly spiked. We are paying more in transient accommodations taxes, the cost of utilities continues to rise and we are paying some of the highest county property tax rates in the nation. We are doing the best we can, but the squeeze in added costs to our industry at this time is overly burdensome.



We know our inventory needs renovation and rejuvenating. On average our visitor facilities are more than 40 years old. Hawaii must continue to compete aggressively for the tourist dollar against other destination markets that have upgraded their inventories. That's why this improvement tax credit is a welcome relief to our beleaguered hospitality industry.

We believe this tax credit will stimulate additional construction resulting in a multiplying effect for the GET, personal income and corporate income taxes. We also support the consideration of this improvement tax credit with a mix of other state and county incentives to stimulate construction, the creation of new jobs and the increase of operations for the state's travel and vacation industry.

In order for us to market Hawaii to be sustainable as the largest long-haul leisure destination, we need to invest funds in marketing to take advantage of increasing airlift out of Asia, a lackluster demand for cruises and currency growth overseas. In comparison to other leisure destinations, Hawaii is susceptible to changes in global economies, the cost of oil, airlift and other factors that impact our market. Therefore, when we see markets developing in new destinations and we need create and to sustain momentum to support this grow.

In closing, as the cost of marketing continues to go up 4-5% each year, we also need to maintain growth in marketing funds that matches the growth.

For these reasons, we urge the committee's support for this bill.

Sincerely,

Angela Nolan
General Manager
Westin Kaanapali Ocean Resort Villas

1065 Ahua Street
Honolulu, HI 96819
Phone: 808-833-1681 FAX: 839-4167
Email: info@gcahawaii.org
Website: www.gcahawaii.org



GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

February 24, 2012

TO: HONORABLE SENATORS DAVID IGE, CHAIR,
MICHELLE KIDANI, VICE CHAIR AND MEMBERS OF THE
SENATE COMMITTEE ON WAYS AND MEANS

SUBJECT: **OPPOSITION TO S.B. 3048, SD1 & RECOMMENDED AMENDMENT, RELATING TO TRAVEL AND TOURISM STIMULUS INITIATIVES.** Provides an employer tax credit of 4.5 per cent of the wages paid by a qualified employer to certain employees for seven years after completion of hotel and resort construction and renovation; provides a general excise tax exemption for hotel and resort construction and renovation and for the operation of these hotels and resorts for seven years after substantial completion of construction and renovation; requires construction and renovation of a hotel facility or resort facility to be completed by 6/30/2017 to be eligible for the exemption; employer tax credit applies to taxable years beginning after 12/31/2011; hotel and resort construction and renovation general excise tax exemption applies to taxable periods beginning after 6/30/2012. (SD1)

DECISION-MAKING ONLY

DATE: Friday, February 24, 2012
TIME: 9:00 A.M.
PLACE: Conference Room 211

Dear Chair Ige, Vice Chair Kidani and Members of the Committee:

The General Contractors Association (GCA) is an organization comprised of over six hundred (600) general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is celebrating its 80th anniversary this year; GCA remains the largest construction association in the State of Hawaii. **GCA is in opposition to S.B. 3048, SD1 Relating to Taxation, particularly page 7 Lines 10-14, which we recommend should be removed from the bill in its entirety because such terms of an agreement should be made voluntarily and not by government mandate. However if this provision is removed, GCA would support this measure.**

We respectfully recommend that the following language be **removed**:

[(2) The general contractor and any subcontractors of the construction or renovation are signatory parties to collective bargaining agreements with the appropriate construction trade unions covering construction work in the State of Hawaii.]

S.B. 3048, SD1 includes two parts which propose to provide a stimulus, through tax relief as follows: (1) Employers can receive tax credit of 4.5 per cent paid by qualified employer to certain employees for seven years after completion of hotel and resort construction and renovation; and (2) Provides a general excise tax (GET) exemption for hotel and resort construction and renovation and for the operation of these hotels and resorts for seven years after substantial completion of construction and renovation. However, this bill also mandates that in order to qualify for the GET exemption the general and any subcontractors must be signatory parties to a collective bargaining agreement.

GCA **opposes** the abovementioned section because it is interfering with private projects and private negotiations between parties involved in a project that involves no government financing. Terms of an agreement should be voluntary and not mandated. GCA understands the intent behind the bill in providing an incentive for hotel owners and developers to benefit from this GET exemption for a period of seven years, however to tie a general contractor's hands by requiring them to be a signatory to a collective bargaining agreement is unnecessary and could be a potential roadblock to hotel construction and renovation for many local companies. Such mandates and conditions would deter some private contractors from taking on such a project.

Entering into terms of a collective bargaining agreement **should be voluntary and not mandated by the government.** In the practice involving use of union labor, contractors and/or subcontractors and building trade unions mutually agree, they then negotiate mutually acceptable terms and conditions to be used as the basis for bidding and performing the work. However, a government mandated labor agreement is not optional and is often motivated by political considerations.

For the abovementioned reasons, GCA respectfully requests that this Committee remove the section mentioned above. Upon removal of this particular section, GCA would be in support of this measure.

Thank you for the opportunity to present our views on this bill.