

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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Friday, March 14, 2014
9:00 AM
State Capitol, Conference Room 312

in consideration of
SB2776, SD2
RELATING TO ECONOMIC DEVELOPMENT

Chair Tsuji, Vice Chair Ward and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) supports the intent of SB2776, SD2 which seeks to establish a creative film and media park as part of the statutory duties of the High Technology Development Corporation (HTDC) to be set in West Oahu. The bill also designates certain properties to be included in the park through TMK numbers listed in the measure.

DBEDT agrees that our state must evaluate all opportunities to support infrastructure development, investment attraction and multi-purpose facilities for high growth sectors such as creative media, technology and film. Recognizing this, the Legislature appropriated \$250,000 to DBEDT's Creative Industries Division in FY14 and the department is in the process of conducting a statewide market analysis which will provide site recommendations and a business plan for a second creative media and film studio complex.

As this feasibility study directly addresses infrastructure development, and while a West Oahu Creative Film and Media Park designation may have benefits as noted, DBEDT would prefer to wait for the recommendations of this study to best determine where to locate such a facility.

The department welcomes the opportunity to collaborate with the Legislature and stakeholders on initiatives that grow our creative and technology sectors. Should this measure pass, both Creative Industries/DBEDT and HTDC would require additional funds to manage this effort.

Thank you for the opportunity to testify on this measure.

ward2-Robin

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, March 13, 2014 8:46 AM
To: edbtestimony
Cc: ddawson@dbedt.hawaii.gov
Subject: Submitted testimony for SB2776 on Mar 14, 2014 09:00AM
Attachments: SB2776_SD2_BED_03-14-14_EDB.pdf

SB2776

Submitted on: 3/13/2014

Testimony for EDB on Mar 14, 2014 09:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Donne Dawson	DBEDT	Comments Only	Yes

Comments: The Department of Business, Economic Development and Tourism (DBEDT) supports the intent of SB2776, SD2 which seeks to establish a creative film and media park as part of the statutory duties of the High Technology Development Corporation (HTDC) to be set in West Oahu. The bill also designates certain properties to be included in the park through TMK numbers listed in the measure. DBEDT agrees that our state must evaluate all opportunities to support infrastructure development, investment attraction and multi-purpose facilities for high growth sectors such as creative media, technology and film. Recognizing this, the Legislature appropriated \$250,000 to DBEDT's Creative Industries Division in FY14 and the department is in the process of conducting a statewide market analysis which will provide site recommendations and a business plan for a second creative media and film studio complex. As this feasibility study directly addresses infrastructure development, and while a West Oahu Creative Film and Media Park designation may have benefits as noted, DBEDT would prefer to wait for the recommendations of this study to best determine where to locate such a facility. The department welcomes the opportunity to collaborate with the Legislature and stakeholders on initiatives that grow our creative and technology sectors. Should this measure pass, both Creative Industries/DBEDT and HTDC would require additional funds to manage this effort.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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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 House Committee on
ECONOMIC DEVELOPMENT AND BUSINESS**

**Friday, March 14, 2014
9:00 A.M.
State Capitol, Conference Room 312**

**In consideration of
SENATE BILL 2776, SENATE DRAFT 2
RELATING TO ECONOMIC DEVELOPMENT**

Senate Bill 2776, Senate Draft 2, proposes to establish a creative film and media park to facilitate economic growth of the creative film and media industry by locating film and media entities in a designated geographic hub. Specifically, Senate Bill 2776, Senate Draft 2, identifies twelve parcels of land in Kapolei, Oahu, for the proposed creative film and media park, three of which are under the jurisdiction of the Department of Land and Natural Resources (the "Department"). **The Department opposes the bill to the extent it seeks to utilize lands currently in the Department's inventory.**

The Department is responsible for managing approximately 1.3 million acres of public lands including the State's unique and limited natural, cultural and historic resources held in public trust for current and future generations of the people of Hawaii nei. 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 duties, the Board of Land and Natural Resources (BLNR) determined that the Department should utilize a portion of the lands it manages to generate revenues to support the Department's operations and programs. The three parcels under the Department's jurisdiction that are identified in this bill have been identified by the Department as long term

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

JESSE K. SOUKI
FIRST DEPUTY

WILLIAM M. TAM
DEPUTY DIRECTOR - WATER

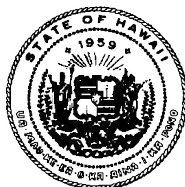
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KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

revenue generating properties that are critical to the Department's ability fulfill its fiduciary responsibilities to protect, preserve and manage Hawaii's natural, cultural and historic resources.

The three parcels under the Department's management include TMK: 9-1-017:097 with an area of 36 acres, over which the BLNR has approved two dispositions to the Honolulu Authority for Rapid Transportation (HART). One is a non-exclusive easement for an overhead guideway for the rail project, and the other is a lease of an area of approximately five acres for a park-and-ride facility. On the balance of the remaining 31 acres, the Department intends to develop commercial or mixed commercial-light industrial uses to support the rail and surrounding community. The two other parcels, TMKs: 9-1-018:005 and 008, are currently leased to Larry Jeffs for agriculture purposes under a revocable permit but are also targeted for development at the appropriate time. All development would occur in accordance with the City's Transit-Oriented Development implementation framework.

For the foregoing reasons, the Department opposes Senate Bill 2776, Senate Draft 2, as it relates to the three parcels under the management of the BLNR.

NEIL ABERCROMBIE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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IN REPLY REFER TO:

WRITTEN ONLY

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

March 14, 2014 at 9:00 a.m.
State Capitol, Room 312

In consideration of
S.B. 2776, S.D. 2
RELATING TO ECONOMIC DEVELOPMENT.

The HHFDC **offers the following comments** on S.B. 2776, S.D. 2. We defer to the High Technology Development Corporation on the overall merits of this bill. However, HHFDC is willing to provide any consultation or other assistance that may be needed by the High Technology Development Corporation or any other agency as proposed in this bill.

Thank you for the opportunity to provide written comments on this bill.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Economic Development & Business
March 14, 2014 at 9:00 a.m.

by
Sherry Proper
Director of Strategic Initiatives
University of Hawai'i – West O'ahu

SB 2776 SD2 – RELATING TO ECONOMIC DEVELOPMENT

Chair Tsuji, Vice Chair Ward, and Members of the House Committee on Economic Development & Business:

Thank you for the opportunity to express our support and concerns on this measure.

The University of Hawai'i - West O'ahu supports the intent of SB 2776 SD2. We would very much like to be a part of such an innovative opportunity to further the film production and creative media industries in Hawai'i. The creation of a Film and Media Park near the University of Hawai'i - West O'ahu campus, in conjunction with our new Academy for Creative Media academic programming, will establish a strong connection between education and high-technology industry in Hawai'i.

A Film and Media Park near our campus would encourage highly talented high school students in programs like Searider productions to continue their education and pursue a bachelor's degree in creative media at the University of Hawai'i - West O'ahu. This hub of activity and creativity would be a showcase of university student talent. Hands-on opportunities in a dedicated Film and Media Park at the University of Hawai'i - West O'ahu will better prepare baccalaureate students for professional work in the industry. The collaborative nature of the park will also draw attention to the innovative academic programs in our State's high schools and University system – a win-win situation for our State.

While we are supportive of the initiative, we are concerned about the governance of the park and decisions regarding location of the park. Providing employment opportunities for high school graduates is beneficial to Hawai'i, but we also believe workforce needs could be addressed even more broadly and robustly through a strong partnership between the park and University of Hawai'i – West O'ahu. Other state initiatives, such as improving degree completion, could be supported with a joint governance approach. We respectfully request that the governance of the park include representation by University of Hawai'i – West O'ahu officials to ensure a connection to the University through academic programming, internship opportunities, and other collaborative ways in which we can serve workforce needs in the broadest way possible.

We are also seriously concerned about the designation of specific lands to be included in the park. The list of parcels in the bill appears to be intended to cover significantly more land than needed, including significant University of Hawai'i – West O'ahu lands. If the list is intended only to designate the general area in which a site is to be located, we

would respectfully suggest clarification of that intent. We also note that the Board of Regents has formed a task group to plan for University of Hawai'i – West O'ahu lands, which they expect to have in August. The University of Hawai'i has long planned to include a science and technology park in the future development of lands adjacent to the campus and to include creative media in mission of the park. We welcome discussion of that vision with other interested parties to achieve the greatest possible economic and educational impact. However, until the task group's planning process is complete, the University cannot support any transfer of University of Hawai'i – West O'ahu lands or designation of specific University land for the Film and Media Park.

Again, thank you for the opportunity to express our support in concept and our concerns on this measure.

Testimony to
House Committee on Economic Development and Business
Friday, March 14, 2014
By: Stephan D. Smith
President, SHM Partners/Film Studio Group

SB 2776, SD 2—Relating to Economic Development

Rep. Clift Tsuji, Chair; Rep. Gene Ward, Vice Chair

As Section 1 of SB 2776, SD2 correctly states:

- 1) Film and television production companies continue to invigorate the media sector which benefits the State as well as the community. The primary reason that there's not more of it is the lack of studio space. Given a stable production tax credit regime, there's no reason that production expenditures in Hawaii would not meet or exceed the high-water level of 2010, over \$400 million, every year if the proper infrastructure were built.
- 2) The State has an embarrassment of riches when it comes to talented, media-savvy young people, and most of them have to leave Hawaii to find employment elsewhere. An integrated film and media campus would create opportunities for many of them.
- 3) "A creative film and media park would attract international investments in film and media production" as well as other creative companies, whether start-ups or expanding. There would be a multiplier effect on infrastructure development, employment, workforce housing and supporting services and retailing.

Such a high tech park should be located in an area where significant expansion is possible so that growth and potential integration is not hampered by available space. In addition, adjacency to an educational institution makes sense as each "campus" will support the other with shared resources, be it intellectual capital, manpower or physical infrastructure. These obvious synergies will feed innovation and opportunities on both sides.

This endeavor will need to be heavily supported by the State in the initial stages. We recommend a team approach of public, quasi-public, educational and private entities to kick off the project under the auspices of DBEDT. If undertaken collaboratively, planned and initially executed properly, this project should be not only self-sustaining, but "profitable", by the completion of the first phase.

Thank you for your time and consideration.

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Written Statement of
ROBBIE MELTON
Executive Director & CEO
High Technology Development Corporation
before the
HOUSE COMMITTEE ON
ECONOMIC DEVELOPMENT & BUSINESS

Friday, March 14, 2014
9:00 a.m.
State Capitol, Conference Room 312
In consideration of

SB 2776 SD2 RELATING TO ECONOMIC DEVELOPMENT.

Chair Tsuji, Vice Chair Ward, and Members of the Committee on Economic Development and Business.

The High Technology Development Corporation (HTDC) offers **comments** on SB 2776 SD2 relating to Economic Development. HTDC supports innovation and technology development in any industry, including creative film and media. Today, creative media is inseparable from technology with companies in this sector developing applications, games, and multimedia productions. HTDC comments that our agency has a core competency in technology and manufacturing and works closely with the Department of Business, Economic Development and Tourism (DBEDT) Creative Industries Division in this sector. HTDC has statute to develop technology parks through HRS 206M-2 paragraph (1) and suggest section 2 of this bill is redundant and unnecessary. HTDC does not have resources to explore private sector partnerships in this area.

Though we support the intent of this measure, HTDC will need \$500,000 to research and build expertise in this focus areas, dedicate resources to explore partnership opportunities, and solicit proposals to ensure the best use of State resources. This would be a project specific appropriation and should not replace or adversely impact the Administration's budget request.

HTDC does not offer comment on the location selected as identified by the TMK (UH West Oahu) and further suggests that DBEDT CID is conducting a feasibility study for a Creative Media/Film Studio Facility.

Thank you for the opportunity to offer these comments.

TESTIMONY IN SUPPORT OF THE INTENT OF SB 2776 SD 2

Committee on Economic Development and Business
Rep. Clift Tsuji, Chair
Rep. Gene Ward, Vice Chair

Friday
9:00 am
Conference Room 312
State Capitol

Chair Tsuji, Vice Chair Ward, Members of the Committee,

Mahalo for the opportunity to testify today in support of the intent of SB 2776 SD 2– RELATING TO ECONOMIC DEVELOPMENT.

My name is Chris Lee and I am the Founder and Director of the Academy for Creative Media System at the University of Hawaii. I testify today as an individual and not on behalf of the University.

Hawaii is blessed with a vibrant and growing entertainment economy. The motion picture, television, and digital media industry employs our people with living wage jobs, keeps our graduates of the Academy for Creative Media here in the islands in the career of their choice, doesn't pollute or endanger our fragile ecology, and dramatically compliments our visitor industry providing priceless marketing exposure on a global scale throughout the year.

Production in all its forms is a leading new growth industry even when the overall economy falters due to external forces. For example, in 2010 during the depths of the recent Great Recession, the motion picture and television industry in Hawaii reached a high water mark of over \$400 million in direct spend.

Recently, the Honolulu Star Advertiser reported that, "spending by film and television productions in Hawaii dropped 7 percent last year ... (to) an estimated \$228.2 million statewide last year, said state Film Commissioner Donne Dawson. In 2012 that figure was \$245.6 million, she said," generating "2,852 jobs in 2013 compared with 3,168 jobs for 2012."

Walea Constantinou, Honolulu Film Office commissioner, noted "Oahu typically attracts 75 percent of the production money spent in the state. Last year film and TV productions spent an estimated \$171.1 million on Oahu, she said. The year before, that figure was higher: \$184.2 million."

“That kind of robustness benefits a lot of people, according to the state's Department of Business, Economic Development and Tourism, which tracks how production dollars flow through the community — in other words, how much additional spending the money generates.

The agency's so-called "multiplier" formula estimates that production spending resulted in \$399.3 million powering Hawaii's economic engine.”

Last year the Legislature raised the Production Tax Credit which has kept Hawaii competitive with film and television friendly production hubs around the globe. But we continue to limit the amount of business we could realize for the simple reason that we do not have a proper studio complex capable of handling multiple shows and the interior production that big budget pictures need to complement the location shooting they do here.

For example, *Pirates of the Caribbean*, *Battleship*, and *Journey to the Center of the Earth* all came and did their exteriors here in Hawaii, but then headed to Los Angeles, London, and North Carolina to build their massive and expensive sets because there are no available stages to accommodate productions of their size. Similarly, *Jurassic Park 4* will soon come to Hawaii to shoot their exteriors, but the interiors will be done in Louisiana. Quite simply, we are missing out on half the pie when all we can offer is our jungles and beaches.

Actually, we're missing out on more than half the pie, because where there are stages, there is post-production. The tertiary industries of large set construction, post-production sound, visual effects and the living wage jobs they create all follow from the foundation of a studio complex. The Diamond Head Studio, owned by the State, has been a valuable resource for, most recently, *Hawaii Five-0* and before that *Lost*. But it has only one stage and can only accommodate one show at a time and has no post-production capabilities. Moreover, none of the big budget films mentioned above could have done their interiors on that single, relatively small stage. And neither *Hawaii Five-0* nor *Lost* nor virtually any tv show or movie has ever done their post-production here in Hawaii.

While specific details for this “film and media park” are not exactly clear from the current wording of the bill, the intent of supporting such a complex essentially on or near the University of Hawaii West Oahu makes a great deal of sense in both the context of growing industry where Hawaii's population is growing fastest and where the land rich new campus plans to make creative media a central focus of curriculum for Hawaii's students.

As Director of ACM System working with the leadership and faculty at UHWO, and LCC, KCC, HCC, programs at Manoa, and soon the neighbor island community colleges, we are currently implementing last session's SB 1273 which provides the resources to create a new, seamless, articulated pathway to a BA in

Creative Media at UHWO to maximize the number of Hawaii students pursuing careers in the field.

There is with this bill the opportunity to broaden the state's incentives beyond the traditional studio and network legacy model to the broadband driven digital industries such as transmedia, computer animation, mobile game production, social media platforms and smart phone applications.

Hawaii has wisely invested in this industry, both through educational efforts and the existing Production Tax Credits. The results are clear and positive. SB 2776 is a chance to build upon this rare economic diversification success story.

Mahalo for the opportunity to testify.