

SB 2703

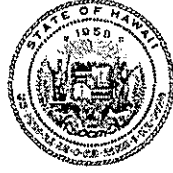
Measure Title: RELATING TO SEAWATER AIR CONDITIONING.

Report Title: Seawater Air Conditioning District Cooling Systems; Enterprise Zones

Description: Enables the production of air conditioning in an area or district from a seawater air conditioning cooling system to benefit as an "eligible business activity" under the State's enterprise zones program.

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
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To: The Honorable Mike Gabbard, Chair
and Members of the Senate Committee on Energy and Environment

The Honorable Donovan M. Dela Cruz, Chair
and Members of the Senate Committee on Economic Development, Government
Operations, and Housing

Date: Wednesday, February 5, 2014
Time: 2:50 p.m.
Place: Conference Room 016, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

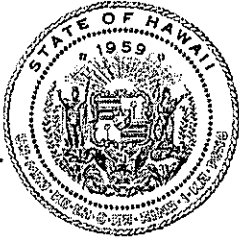
Re: S.B. No. 2703 Relating to Seawater Air Conditioning

The Department of Taxation (Department) appreciates the intent of S.B. 2703 and provides the following comments for your consideration.

S.B. 2703 qualifies the production of air conditioning in an area or district, from a seawater air conditioning cooling system, as an "eligible business activity" under the State's enterprise zones program so that it would be eligible for various tax incentives established in the enterprise zone program. The measure would take effect upon its approval.

The Department defers to the Department of Business, Economic Development, and Tourism on the merits of this measure, but notes that the business would still need to be located in an enterprise zone within the State in order to qualify for the benefits. In addition, even if a business qualifies as an enterprise zone business, in order for the business to be eligible for the general excise tax exemption, the delivery of any service must also occur within an enterprise zone in order to qualify for the exemption. The delivery of a service to customers outside of an enterprise zone would not qualify for the exemption.

Thank you for the opportunity to provide comments.



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

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Statement of
RICHARD C. LIM
Director

Department of Business, Economic Development, and Tourism
before the
**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT,
GOVERNMENT OPERATIONS AND HOUSING**

Wednesday, February 5, 2014
2:50 p.m.
State Capitol, Conference Room 016

in consideration of
SB 2703
RELATING TO SEAWATER AIR CONDITIONING.

Chairs Gabbard and Dela Cruz, Vice-Chairs Slom and Ruderman and Members of the
Committees.

The Department of Business, Economic Development, and Tourism (DBEDT) offers the
following comments on SB 2703, which adds “production of air conditioning in an area or
district from a seawater air conditioning system” to the list of business activities eligible for the
Enterprise Zone GET exemption and income tax credits for seven years. The technology is in
alignment with Hawaii’s Clean Energy Initiative, which supports renewable energy activities.

However, DBEDT has concerns because the proposed bill cites only one business
example, which is project, site, and zone specific.

The primary mission of the Enterprise Zone program is to encourage the development of
long-term, full-time jobs for local residents in Hawaii’s economically disadvantaged areas.

We defer to the Department of Taxation on the fiscal impact of this measure.

Thank you for the opportunity to provide these comments.



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Affiliate of Renewable Energy Innovations, LLC

Testimony on
S.B. NO. 2703
RELATING TO SEAWATER AIR CONDITIONING
Before the
Hawaii State Senate
COMMITTEE ON ENERGY AND ENVIRONMENT
And
COMMITTEE ON ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND
HOUSING
Wednesday, February 5, 2014
By
Eric Masutomi, CEO and President
Honolulu Seawater Air Conditioning, LLC

Good afternoon Chairs Gabbard and Dela Cruz and members of the Committees.

Honolulu Seawater Air Conditioning, LLC (HSWAC) strongly supports S.B. 2703, which would allow the sale of chilled water service from seawater air conditioning district cooling systems to qualify for state enterprise zone benefits.

We do, however, recommend that SECTION 1 of the bill be amended to clarify the intended applicability of the measure to all potential seawater air conditioning projects in an enterprise zone.

Deepwater district cooling systems have been successfully implemented in numerous localities throughout the U.S., Canada and Europe – with many in operation for over twenty years. Despite this proven record of success, our experience has shown that when district energy systems such as that being developed by HSWAC are newly introduced in a community, potential customers are frequently wary about the costs of converting to the new system, the risk of higher costs in the initial years of operation and the uncertainties of adapting to a new system. The enterprise zone qualification would significantly assist customers in offsetting the perceived costs and risk inherent in converting to this green technology.

If passed, this bill will assist potential customers of seawater air conditioning district cooling systems in making the critical decision to eliminate existing inefficient cooling systems – currently responsible for more than forty percent of a building's electricity consumption - in favor of utilizing a district cooling system that takes benign advantage Hawaii's abundant surrounding ocean waters. With the potential to reduce electricity consumption used for air conditioning by up to 75%, this technology promises to significantly contribute to the State's sustainability objectives and reduce our dependence on imported fossil fuels.

With proper maintenance, the infrastructure supporting these systems has a useful life of more than 60 years. In addition to the compelling environmental and renewal energy benefits associated with deep water cooling, a seawater air conditioning project in the Downtown Honolulu – Kakaako Enterprise Zone would generate close to \$250 million of dollars in construction spending and create more than 1,500 construction jobs in 2014 through 2016. In addition, it would create a long-term, gainful employment and establish the State as a leading authority on the development and installation of seawater air conditioning systems throughout the Asia-Pacific region. Other local economic benefits would accrue from money that stays in Hawaii and is not exported outside the State to purchase oil.

The purpose of providing benefits to qualified businesses in enterprise zones is to stimulate business and industrial growth by means of regulatory flexibility and tax incentives. Tax incentives include exemption of qualified businesses from the GET, and State income taxes (on a declining basis), for a period of seven years. Providing these benefits would effectively reduce the costs of such systems to customers and would help tremendously in introducing this promising technology to Hawaii.

Thank you for this opportunity to testify.

From: mailinglist@capitol.hawaii.gov
To: [EGHTestimony](#)
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB2703 on Feb 5, 2014 14:50PM*
Date: Thursday, January 30, 2014 9:17:42 PM

SB2703

Submitted on: 1/30/2014

Testimony for EGH/ENE on Feb 5, 2014 14:50PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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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