

JAN 23 2015

A BILL FOR AN ACT

RELATING TO THE ECONOMY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. In light of heightened economic competitiveness
2 from other states and countries, the legislature finds that it
3 is important for Hawaii's leaders to have a clear understanding
4 of the global forces that influence the State's economy, the
5 State's relative competitiveness, and the available policies and
6 opportunities that will place Hawaii on an optimal development
7 path. To achieve this economic understanding, it is necessary
8 to conduct an objective study of Hawaii's economic conditions,
9 its economic prospects, and its existing economic challenges
10 including the high cost of living and doing business, high costs
11 of housing and consumables, outward migration of skilled and
12 knowledgeable works, and outward investment.

13 The legislature further finds that a review of past and
14 present taxation in Hawaii is a necessary part of studying the
15 State's economy. Taxation provides revenue for programs and
16 operations, reflects the goals and values of the community, and
17 provides incentives and deterrents for human and corporate



1 behavior. Over time, changing economic and social conditions
2 call into question the relevance, effectiveness, and
3 applicability of certain taxes. Thus, it is essential to review
4 and evaluate state and local taxation as they have evolved over
5 the years, as they exist currently, and as they compare to
6 taxation in other states.

7 Finally, the legislature finds that an assessment of the
8 State's economic condition should include a current evaluation
9 of the challenges faced by commercial lessees and the economic
10 effects of fee simple versus leasehold land tenure on the
11 businesses and people of Hawaii. Many of the State's commercial
12 properties have remained for years in the hands of a few large
13 landowners who maintain a system of leasehold tenure and
14 continue to establish long-term leases. A 2003 report by the
15 Legislative Reference Bureau indicated that the local market
16 lacked available fee simple commercial properties, and that
17 supply and demand posed the primary challenge for lessees in
18 Hawaii. Since 2003, there has been an increase of fee simple
19 zoned properties in the outlying areas of Oahu which allows for
20 a comparative analysis of market behaviors for fee simple and
21 leasehold properties. Ground rents have been identified as a



1 major expense to businesses, and have continued to increase at
2 rates that may inhibit economic growth. Sustained economic
3 growth is an important goal for the State's economy, and an
4 economic analysis is necessary to determine whether a nexus
5 exists between high lease rents and the stagnation of Hawaii's
6 economy.

7 The purpose of this Act is to appropriate matching funds to
8 the city and county of Honolulu for an independent study of the
9 economic conditions, challenges, and opportunities facing the
10 State and the State's most populated county, the city and county
11 of Honolulu.

12 SECTION 2. (a) The city and county of Honolulu shall
13 contract, pursuant to chapter 103D, Hawaii Revised Statutes,
14 with one or more institutions to assess and analyze economic
15 data and provide a written report of its findings and
16 recommendations on Hawaii's economy. Examples of institutions
17 that conduct this type of analysis include but is not limited to
18 the following:

- 19 (1) Brookings Institution;
20 (2) SRI International;
21 (3) Massachusetts Institute of Technology;



1 (4) Hoover Institution; or

2 (5) Cato Institute.

3 (b) The independent study shall evaluate the economic
4 conditions, challenges, and opportunities facing Hawaii, and
5 include the following:

6 (1) A benchmark of Hawaii's key assets and liabilities;

7 (2) An analysis of the key groupings of industries that
8 drive Hawaii's economy;

9 (3) An assessment of the key competitive forces, such as
10 cost of living, cost of doing business, globalization
11 and outsourcing, consumer trends, and new
12 technological developments, that affect Hawaii and its
13 industries;

14 (4) An initial analysis of key policies that affect
15 Hawaii's economic global position;

16 (5) A comparative analysis of the history of Hawaii's tax
17 sources and resources, its current status, and how
18 Hawaii's current status compares to other states' tax
19 sources and resources;

20 (6) An assessment of the relationship between the sources
21 of Hawaii's state tax revenue, the sources of the city



1 and county of Honolulu's tax revenue, and how the tax
2 revenues are put to use;

3 (7) A comparative analysis of state lands, city and county
4 of Honolulu lands, and private lands, and how each
5 contribute to the well-being of Hawaii's citizens; and

6 (8) A comparative analysis of the contrast of land tenure,
7 fee simple versus leasehold, and how each type of land
8 tenure affects the well-being and general welfare of
9 the people and businesses of Hawaii and the city and
10 county of Honolulu.

11 (c) The city and county of Honolulu shall submit a report
12 of the study's findings and recommendations, including any
13 proposed legislation, to the legislature no later than twenty
14 days prior to the convening of the regular session of 2017. The
15 report shall include an overall strategy for addressing the
16 economic challenges facing Hawaii and how to use the State's
17 advantages and strengths to meet those challenges.

18 SECTION 3. There is appropriated out of the general
19 revenues of the State of Hawaii the sum of \$200,000 or so much
20 thereof as may be necessary for fiscal year 2015-2016 and the
21 same sum or so much thereof as may be necessary for fiscal year



1 2016-2017 as a grant-in-aid for the city and county of Honolulu
2 to contract for an independent study on the economic conditions,
3 challenges, and opportunities facing Hawaii and the city and
4 county of Honolulu pursuant to this Act; provided that no funds
5 shall be made available to the city and county of Honolulu
6 unless the city and county of Honolulu provides matching funds
7 equal to the amount appropriated for the purposes of this Act.

8 The sums appropriated shall be expended by the department
9 of business, economic development, and tourism for the purposes
10 of this Act.

11 SECTION 4. This Act shall take effect on July 1, 2015.

12

INTRODUCED BY: *Shirane Chun*



Report Title:

Economic Conditions; Economic Opportunities; Taxation;
Commercial Leases; City and County of Honolulu; Appropriation

Description:

Requires the City and County of Honolulu to contract with an institution to conduct an independent study of the economic conditions, challenges, and opportunities facing Hawaii and the City and County of Honolulu. Establishes guidelines for the study, including evaluation of competitive forces that influence the State's economy, taxation in Hawaii, and land tenure and ground leases for businesses in Hawaii. Appropriates matching funds to the City and County of Honolulu for the study.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

