



EXECUTIVE CHAMBERS  
HONOLULU

DAVID Y. IGE  
GOVERNOR

**GOV. MSG. NO. 1395**

July 10, 2019

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Thirtieth State Legislature  
State Capitol, Room 409  
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,  
Speaker and Members of the  
House of Representatives  
Thirtieth State Legislature  
State Capitol, Room 431  
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

Re: SB33 SD3 HD2 CD1

Pursuant to Section 16 of Article III of the State Constitution, SB33 SD3 HD2 CD1, entitled "A BILL FOR AN ACT RELATING TO ECONOMIC DEVELOPMENT" became law as ACT 275 on July 10, 2019.

This bill will: (1) increase the annual rolling cap for the motion picture, digital media, and film production income tax credit to \$50,000,000; and (2) require the University of Hawaii, West Oahu (University) and the Hawaii Technology Development Corporation (HTDC) to execute a memorandum of understanding by December 31, 2020, that will commit the parties to enter, by December 31, 2021, a no-cost lease agreement for a thirty-acre parcel of University land that is adjacent to Farrington Highway and Kapolei Golf Course Road. The bill further requires the lease agreement to be for a term of not less than sixty years, and include a provision requiring that within six years, the title of the parcel will be transferred from the University to the HTDC.

The legislature received testimony from the Department of Business, Economic Development, and Tourism and the private sector in strong support of this bill's increase of the income tax credit for the motion picture, digital media, and film production industries. The increased tax credit was viewed as essential to sustaining and

The Honorable Ronald D. Kouchi  
The Honorable Scott K. Saiki  
July 10, 2019  
Page Two

continuing the growth of these industries in Hawaii, which in turn strengthens job creation and continued employment for the people of the State of Hawaii.

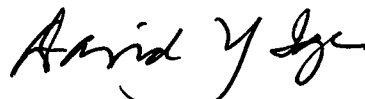
However, in addition to the tax credit increase, the bill also requires the University to enter into a memorandum of understanding with the HTDC for the eventual transfer of a parcel of University land to the HTDC. This part of the bill creates challenges, which should be addressed before DBEDT takes any action.

Notwithstanding the requirement for a University-HTDC memorandum of agreement, and the concerns it raises, the income tax credit established by this bill is hugely beneficial to our state. One of the goals of this administration is to create an environment that encourages and supports its citizens to remain and thrive in Hawaii. Accordingly, to that end, this administration is fully committed to strengthening the local economy through job creation and industry support. The motion picture, digital media, and film production industries are strong players in the local economy and must continue to be supported. The increased tax credit provided by this bill will further that purpose.

Since the University-HTDC memorandum of agreement does not need to be executed until December 31, 2020, my administration will be working closely with the legislature next session to reevaluate this requirement and make the necessary changes to restore the university's autonomy.

For the foregoing reasons, I allowed SB33 SD3 HD2 CD1 to become law without my signature.

Sincerely,

A handwritten signature in black ink, appearing to read "David Y. Ige". The signature is fluid and cursive, with a large loop at the end.

DAVID Y. IGE  
Governor, State of Hawaii

# A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

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

1 PART I

2 SECTION 1. The legislature finds that the film industry in  
3 Hawaii is an important component of a diversified economy. The  
4 legislature also finds that the motion picture, digital media,  
5 and film production income tax credit has been effective in  
6 stimulating the economy and creating quality jobs while  
7 promoting Hawaii as a visitor destination.

8 The purpose of this Act is to increase the annual cap on  
9 the motion picture, digital media, and film production income  
10 tax credit and require the University of Hawaii, West Oahu  
11 campus and the Hawaii technology development corporation to  
12 execute a memorandum of understanding no later than December 31,  
13 2020, that commits the parties to enter into a no-cost lease  
14 agreement by December 31, 2021, for no less than sixty years and  
15 provides for the transfer within six years to the Hawaii  
16 technology development corporation of title to a certain parcel  
17 of University of Hawaii, West Oahu campus land.

18 PART II



1 SECTION 2. Section 235-17, Hawaii Revised Statutes, is  
2 amended by amending subsection (1) to read as follows:

3 "(1) The total amount of tax credits allowed under this  
4 section in any particular year shall be [~~\$35,000,000,~~  
5 \$50,000,000; however, if the total amount of credits applied for  
6 in any particular year exceeds the aggregate amount of credits  
7 allowed for such year under this section, the excess shall be  
8 treated as having been applied for in the subsequent year and  
9 shall be claimed in such year; provided that no excess shall be  
10 allowed to be claimed after December 31, 2025."

11 PART III

12 SECTION 3. No later than December 31, 2020, the University  
13 of Hawaii, West Oahu and the Hawaii technology development  
14 corporation shall execute a memorandum of understanding that  
15 commits the parties to enter into a no-cost lease agreement by  
16 December 31, 2021, for no less than sixty years, and which  
17 includes a provision for the transfer within six years to the  
18 Hawaii technology development corporation of title to the  
19 thirty-acre parcel of University of Hawaii, West Oahu campus  
20 land adjacent to the intersection of Farrington Highway and



1 Kapolei Golf Course Road, generally described by the following  
2 parameters within tax map key (TMK) #1-9-1-016-179-0000:

3 (1) Segment 1: 1145 feet north along the western boundary  
4 of the TMK beginning at the westernmost point along  
5 Farrington Highway;

6 (2) Segment 2: 1145 feet east along the southern boundary  
7 of the TMK beginning at the westernmost point along  
8 Farrington Highway and the southernmost point of  
9 segment 1;

10 (3) Segment 3: The parallel of segment 1 connecting to  
11 the easternmost point of segment 2; and

12 (4) Segment 4: The parallel of segment 2 connecting the  
13 northernmost point of segment 3 and segment 1.

14 The executive director of the Hawaii technology development  
15 corporation shall promptly notify the director of taxation upon  
16 successful transfer of title to the parcel described herein to  
17 the Hawaii technology development corporation.

18 PART IV

19 SECTION 4. This Act does not affect rights and duties that  
20 matured, penalties that were incurred, and proceedings that were  
21 begun before its effective date.



1 SECTION 5. The provisions of this Act are not severable.

2 SECTION 6. Statutory material to be repealed is bracketed  
3 and stricken. New statutory material is underscored.

4 SECTION 7. This Act shall take effect upon its approval;  
5 provided that part II, upon taking effect, shall apply to  
6 taxable years beginning after December 31 of the calendar year  
7 prior to the year in which part II takes effect.

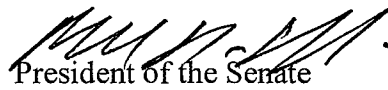
APPROVED this                      day of                      , 2019

GOVERNOR OF THE STATE OF HAWAII

**THE SENATE OF THE STATE OF HAWAI'I**

Date: April 30, 2019  
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Thirtieth Legislature of the State of Hawai'i, Regular Session of 2019.

  
President of the Senate

  
Clerk of the Senate

SB No. 33, SD 3, HD 2, CD 1

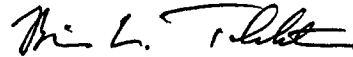
THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: April 30, 2019  
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirtieth Legislature of the State of Hawaii, Regular Session of 2019.



Scott K. Saiki  
Speaker  
House of Representatives



Brian L. Takeshita  
Chief Clerk  
House of Representatives