

TESTIMONY ON HB 446 RELATING TO A STATE HOTEL

Submitted by:

Dr. Daniel M. Spencer, Director
School of Travel Industry Management
University of Hawaii at Manoa
Honolulu, Hawaii

January 24, 2025

The School of Travel Industry Management at the University of Hawaii at Manoa greatly appreciates the laudable intentions of those proposing the planning and construction of a state hotel to be jointly managed by the Hawaii Tourism Authority and the School. However, after careful consideration of, and discussions about, this proposal, we feel obliged to raise the following concerns:

1. The construction of this hotel would be very expensive and use funds that are needed to deal with more urgent issues in Hawaii, such as homelessness, shoreline erosion resulting from rising sea levels, and traffic congestion, and would occupy land that would be better utilized to meet other urgent needs, such as the construction of additional affordable housing for Hawaii residents.
2. A basic objective of the proposed state hotel would be to provide TIM students with practical, hands-on work experience in hotel management. However, such experience is already provided to our students through our extensive and highly regarded internship program. Students who aspire to work in the lodging sector can intern with many hotels on this island, and the experience often sets them up for job offers upon their graduations.
3. The construction and operation of this hotel would be subsidized by public funds, which will likely be considered unfair competition by the lodging sector of the state's travel industry. As the operator of this facility, the School would be perceived as the facilitator of this unfair competition, which would likely harm its excellent relationships with hoteliers that it has nurtured over the course of many years. This, in turn, could jeopardize the support the School receives from hoteliers in the form of donations for scholarships, sponsorship of internships, and service on the School's Advisory Council and Alumni Association. Such donations of time and money are vital to the School fulfilling its mission of providing the State's visitor industry with the graduates it urgently needs to fill middle management positions.
4. Several of the administrators of collegiate hospitality and tourism programs in the United States that operate training hotels staffed by their students have informed us that this has been a huge drain on their time and budget. Even if provision were made for an Assistant Director of the TIM School, who would be charged with overseeing everything related to the hotel, or if a management firm could be engaged to supervise the student employees, it would inevitably take a significant amount of the School Director's time, and diminish the time available to her or him to refine our curriculum, expand our outreach to the visitor industry,

and conduct applied research to help industry professional make more informed strategic decisions.

5. One of the stated purposes of the proposed state hotel is to “better allow the State to promote regenerative tourism for visitors”. “Regenerative tourism” is tourism that has the effect of making a destination more, rather than less, “green”. This requires, at the very least, that tourism be managed such that its negative sociocultural and environmental impacts are minimized. There are many ways that this can be accomplished without the construction and operation of a state hotel. For example, the state could consider developing, in Waikiki, a welcome center featuring educational exhibits and videos on how to be a responsible visitor, as well as kiosks and booths for booking attractions and activities. This center would increase visitors’ environmental and cultural sensitivities, as well as their length of stay, spending, safety, trip satisfaction, and positive word-of-mouth communication about Hawaii as a destination. In addition, the State could also subsidize progressively higher levels of environmental certification of tourism-related entities by one of the leading global eco-certification organizations. Such certification involves sustainability experts with the eco-certification organizations scrutinizing a tourism-related enterprise from top to bottom in terms of its energy consumption and generation of solid waste and pollution, and making recommendations for reducing these impacts.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2025**

ON THE FOLLOWING MEASURE:
H.B. NO. 446, RELATING TO A STATE HOTEL.

BEFORE THE:
HOUSE COMMITTEE ON TOURISM

DATE: Tuesday, January 28, 2025 **TIME:** 10:00 a.m.

LOCATION: State Capitol, Room 423 and Videoconference

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Candace J. Park, Deputy Attorney General

Chair Tam and Members of the Committee:

The Department of the Attorney General provides the following comments.

This bill requires the University of Hawaii School of Travel Industry Management at Manoa and the Hawaii Tourism Authority to collaborate and plan for the design, construction, and operations and management of a state hotel.

Article X, section 6, of the Hawai'i Constitution gives the Board of Regents of the University of Hawai'i "exclusive jurisdiction over the internal structure, management, and operation of the university." Section 6 further provides: "This section shall not limit the power of the legislature to enact laws of statewide concern. The legislature shall have the exclusive jurisdiction to identify laws of statewide concern." If the Committee decides to pass this bill, we recommend an amendment that adds a statement identifying this bill as a law of statewide concern.

Thank you for the opportunity to provide these comments.



TESTIMONY OF DANIEL NĀHO'OPI'I
INTERIM PRESIDENT & CEO, HAWAII TOURISM AUTHORITY
BEFORE THE HOUSE COMMITTEE ON TOURISM
TUESDAY, JANUARY 28, 2025, 10:00 a.m.
In consideration of
HB 446
RELATING TO A STATE HOTEL

Aloha Chair Tam, Vice Chair Templo, and Members of the Committee,

The Hawai'i Tourism Authority (HTA) appreciates the opportunity to offer comments on HB446, an exciting proposal for HTA and the School of Travel Industry Management at the University of Hawai'i at Mānoa (TIM School) to collaborate to plan for the design, construction, and operations and management of a state hotel.

Growing and educating Hawai'i's hospitality workforce is a priority for HTA, as evidenced by efforts like our existing partnership with the TIM School on the Ho'oilina Scholarship program. We will continue to collaborate with the TIM School and others, including opportunities provided by the school at existing hotels.

Our colleagues at the TIM School express a number of concerns about this proposal in testimony submitted by the school's director. That testimony also outlines the opportunities provided by the school at existing hotels.

Developing a training hotel is not currently a statutory duty or core priority for HTA and undertaking the proposal would require an expansion of HTA's purpose, staff and resources. Studies to understand the scope of such a project may be appropriate.

In 2025, HTA is preparing a number of planning documents: the State Tourism Functional Plan, our five-year HTA Strategic Plan, and three-year Destination Management Action Plans for each county. We are happy to bring the concept of a state hotel to each of these planning processes for vetting by stakeholders, and return with that input to the Legislature.

Mahalo for the opportunity to provide these comments on HB446.



HAWAI'I LODGING & TOURISM
ASSOCIATION

Testimony of
Mufi Hannemann
President & CEO
Hawai'i Lodging & Tourism Association

Committee on Tourism
Tuesday, January 28, 2025

HB 446 – Relating to the Establishment of a State-Owned Hotel

Chair Tam, Vice Chair Templo, and Members of the Committee:

On behalf of the Hawai'i Lodging & Tourism Association, the state's oldest and largest private sector tourism organization, representing 700 members, nearly 50,000 hotel rooms, and 40,000 lodging workers, appreciates the opportunity to provide comments on House Bill 446.

HLTA strongly supports workforce development and recognizes the importance of creating more career pathways in Hawai'i's visitor industry. We also want to commend Chair Tam for looking at innovative ways to build synergy among various tourism stakeholders and for prioritizing workforce development initiatives that support the future of our industry.

However, we have concerns regarding the proposal to establish a state-owned hotel, as this falls outside the core responsibilities of the Hawai'i Tourism Authority (HTA). HTA's primary role is in tourism marketing, destination management, visitor education, tourism sustainability, and workforce development not hotel development and operations. Running a hotel requires significant expertise and financial resources, which would shift HTA's focus away from its intended purpose.

We fully support the goal of strengthening workforce pathways for Hawai'i's hospitality industry, but we urge the Legislature to further assess whether a state-owned hotel is the most appropriate vehicle to achieve this goal. Instead, we encourage collaborative discussions with all stakeholders to identify practical, industry-driven solutions that meet the needs of both students and the broader visitor industry. Expanding public-private partnerships with existing hotels could be a more practical and sustainable solution to meet this need.

Thank you for the opportunity to provide testimony.

HB-446

Submitted on: 1/23/2025 4:30:10 PM

Testimony for TOU on 1/28/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Cat Orlans	Individual	Oppose	Written Testimony Only

Comments:

On the surface, this may seem like a beneficial idea. However, there is a glaring contradiction when considering the state’s track record in managing large properties and complex infrastructure, such as the Hawaii Convention Center and Aloha Stadium.

The hypocrisy becomes clear when you consider these points:

- 1. The State's Struggles with Existing Infrastructure:** The Hawaii Convention Center, a state-owned facility, has faced ongoing issues with maintenance and upkeep. It has been reported that the Convention Center struggles to keep up with necessary repairs, updates, and operational efficiency, leading to calls for better management and accountability. If the state cannot effectively manage the maintenance and operations of a large facility like the Convention Center, how can they possibly take on the responsibility of operating a hotel—another complex, service-oriented business?
- 2. Lack of Proven Management Ability:** The proposal suggests that the state could successfully run a hotel, but the reality is that state-run entities often face bureaucratic hurdles, slow decision-making processes, and a lack of nimbleness that private businesses rely on. The hospitality industry is notoriously fast-paced, requiring constant attention to customer satisfaction, market trends, and maintaining quality services. If the state cannot adequately manage a facility like the Convention Center, it’s hard to see how it would be able to compete in the fast-moving hotel industry, which often requires a level of flexibility and innovation not commonly found in government-run operations.
- 3. Economic and Fiscal Concerns:** The bill suggests significant appropriations for the planning, design, construction, and management of the hotel. Given Hawaii’s existing budget challenges, it’s questionable whether the state should be spending public funds on such a project when other essential services (like the upkeep of the Convention Center) seem to be underfunded or mismanaged. Investing in a state-run hotel could divert resources from more pressing needs, especially when the state’s track record of successful management in similar areas is not strong.
- 4. Overpromising Workforce Development:** The bill claims that the hotel could create workforce development opportunities and reduce the need to recruit top management from outside Hawaii. However, the actual track record of using state-owned and operated facilities to develop local talent has been mixed at best. It’s worth questioning whether a state-run hotel could truly provide the kind of hands-on, competitive opportunities needed to develop world-class hospitality management talent, especially if the hotel struggles to

remain profitable or efficient due to bureaucratic inefficiencies. It may be better for the state to invest in our people through scholarships to help develop the needed workforce.

5. **Tourism Strategy Contradiction:** One of the stated goals of this project is to promote regenerative tourism. However, managing a large hotel with the kind of state-run oversight proposed might run counter to the principles of regenerative tourism, which focuses on sustainability, community involvement, and reducing environmental impacts. Government-run projects are often more prone to inefficiency and lack of innovation, making it difficult to achieve the regenerative goals touted in the bill.

In conclusion, while the idea of a state-run hotel in Hawai‘i may have some potential benefits on paper, it’s clear that the state has not demonstrated the necessary ability to effectively manage large-scale operations like a hotel or convention center. Until the state can improve its track record of maintaining and operating its existing properties, it’s hard to take this new venture seriously without expecting a repeat of past management issues. There’s a clear disconnect between the state’s grand ambitions for a state-run hotel and its inability to properly manage similar existing assets. Rather than diving into the business of managing a hotel, the legislature should focus on supporting Hawaii’s tourism industry by reviewing and acting upon the recommendations from the government studies already conducted by the Hawaii Tourism Authority (HTA). These studies likely contain valuable insights into how the state can better foster a sustainable and thriving tourism economy without the need for direct government involvement in running a hotel. By implementing these recommendations into state policies, the legislature can provide meaningful support to the industry while avoiding the risks of overreach and mismanagement.

The focus should be on enhancing existing strategies and structures, not micromanaging the industry by adding yet another complex and potentially inefficient state-run business to the mix.

This approach would be a more effective and responsible way to support Hawaii’s tourism sector while safeguarding taxpayer dollars and ensuring that state resources are used wisely.

Catherine Orlans

Born & raised on O‘ahu with a passion for Destination Management and Marketing

B.S. Travel Industry Management

HB-446

Submitted on: 1/24/2025 7:55:17 AM

Testimony for TOU on 1/28/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Victor K. Ramos	Individual	Oppose	Written Testimony Only

Comments:

State tax should not be used to purchase and operate all the concept of a "hotel" as described in this bill.

How will this hotel benefit the common citizen of Hawaii?

I strongly oppose the passage of HB446.

HB-446

Submitted on: 1/27/2025 3:46:03 PM

Testimony for TOU on 1/28/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Master Shelby "Pikachu" Billionaire	Kingdom of The Hawaiian Islands	Oppose	Written Testimony Only

Comments:

Subject: Testimony in Opposition to H.B. No. 446 - State Hotel Initiative

Dear Members of the Hawaii House of Representatives,

I am writing to express my strong opposition to House Bill No. 446, which proposes the planning, construction, and management of a state-owned hotel. While the bill's intentions to support education and local economies are admirable, my concerns lie with the practical implications, potential misuse of public funds, and the lack of direct benefits for the average citizen.

Concerns Regarding the Bill:

1. Government Expansion into Business:
 - o The state venturing into hotel management introduces risks of inefficiency and mismanagement often seen in government-run enterprises. This could result in a subpar service experience for guests, ultimately harming Hawaii's tourism reputation.
2. Profit Over Public Good:
 - o The bill seems more geared towards creating a new revenue stream for state agencies than directly benefiting the public. There's a significant risk that the focus will shift to profit generation for HTA and UH rather than ensuring the project serves wider community interests.
3. Opportunity Cost:
 - o The allocation of public funds for this project means less money for critical areas like healthcare, education, and infrastructure, which directly impact the quality of life for all residents. This could be seen as a misallocation of resources, especially in times of economic strain.

4. Limited Direct Benefits:
 - The benefits touted, such as job creation and educational opportunities, are likely to be narrow in scope. This bill does not address pressing issues like housing affordability or general employment opportunities for all citizens, instead focusing on a select group linked to the university or hospitality industry.
5. Risk of Financial Loss:
 - There's no guarantee this venture will be profitable. If it fails, it would become a financial burden on taxpayers, who would have to bear the cost of bailouts or ongoing subsidies to keep the hotel afloat.
6. Lack of Transparency and Accountability:
 - The bill does not detail how profits, if any, will be used to benefit the public directly. Without clear mechanisms for accountability, this could become another instance of public funds being used for what might become a self-serving project.

Recommendations:

- Instead of investing in a state-run hotel, focus on legislation that supports small businesses, affordable housing, and sustainable tourism practices across the board, not just within a single state-controlled entity.
- If there's a desire to link education with industry, consider expanding existing programs or creating partnerships that don't require the state to become a direct competitor in the market.
- Enhance public oversight and require more stringent reporting to ensure any project funded by taxpayer money genuinely serves the public interest.

In conclusion, while the idea of integrating education with industry is commendable, this bill risks prioritizing agency interests over those of the general public. I urge you to reconsider or amend this legislation to ensure it aligns more closely with the broad needs of Hawaii's citizens rather than creating another bureaucratic venture.

Thank you for considering this testimony.

Sincerely,

Master Shelby "Pikachu" Billionaire

Kingdom of The Hawaiian Islands

& Graduate of UH Manoa

HB-446

Submitted on: 1/27/2025 9:16:32 PM

Testimony for TOU on 1/28/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Alice Abellanida	Individual	Oppose	Written Testimony Only

Comments:

I oppose this legislation.