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Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS, &
MILITARY AFFAIRS**

Tuesday, March 24, 2009
7:00 a.m.

State Capitol, Conference Room 312

in consideration of

SB 242 SD2

RELATING TO SEAWATER AIR CONDITIONING.

Chair McKelvey, Vice-Chair Choy and Members of the Committee:

Given the current fiscal difficulties, the Department of Business, Economic Development, and Tourism (DBEDT) opposes this measure. This bill adds Seawater Air Conditioning (SWAC) District Cooling Systems to the list of businesses eligible for the Enterprise Zone GET exemption and income tax credits for seven years. We defer to the Department of Taxation on the fiscal impact of this measure.

The list of qualified business in Chapter 209E, HRS, already includes wind energy, which was added in 2000. DBEDT recognizes that adding other alternative energy production such as SWAC District Cooling Systems would further promote the State's goal of lessening our dependency on fossil fuels.

We do note that seawater air conditioning cooling systems are site specific and all installations may not be located in one or more of the 21 Enterprise Zones across the state whose boundaries are determined by the counties. The downtown Honolulu Seawater Air Conditioning Project is located in the Urban Honolulu Zone which includes Downtown and Kaka'ako. However, not all coastal areas, including Waikiki and the Kohala coast, are within existing zones.

The employment growth requirements for the EZ program: increasing jobs by 10% and holding that level for seven years, may also be a challenging requirement for some companies to meet.

Thank you for the opportunity to offer these comments.

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SUBJECT: MISCELLANEOUS, Expand enterprise zone eligibility

BILL NUMBER: SB 242, SD-2

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 209E-2 to amend the definition of “qualified business” in an enterprise zone to include a business engaged in producing air-conditioning from a seawater air conditioning district cooling system.

Makes a conforming amendment to HRS section 209E-11.

EFFECTIVE DATE: January 1, 2050

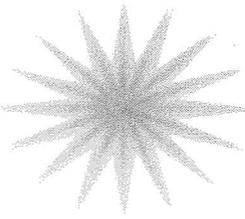
STAFF COMMENTS: This measure proposes to expand enterprise zone laws to include a business that produces air conditioning from a seawater air conditioning district cooling system. In an enterprise zone, businesses are attracted and encouraged to relocate to the zone through tax incentives, bonds, and other appropriate measures. Businesses located in an enterprise zone may claim a credit against taxes paid for a period of seven years and also allows the sale of items sold by such businesses to be exempt from the general excise tax.

While it appears that it is the intent of the legislature to encourage new and existing businesses to expand their employment bases and increase their marketing territories, enterprise zones merely exacerbate what is already considered a poor climate in which to do business. Singling out businesses for preferential treatment merely confers preferences for those businesses at the expense of all other taxpayers.

Concurrent efforts must be made to improve Hawaii’s business climate to enhance the economic prospects for all businesses. Enterprise zones are merely an abdication of government’s responsibility to create a nurturing and supportive business climate so that all businesses can thrive in Hawaii and provide the jobs the people of Hawaii need.

Instead of expanding the enterprise zone program, the program should be repealed in favor of across-the-board tax relief for all businesses in Hawaii. Indeed, has there been a comprehensive evaluation of the program and do lawmakers know exactly how much enterprise zone businesses have benefitted and whether or not they have created the jobs promised when the program was first established?

Digested 3/16/09



Honolulu Seawater Air Conditioning, LLC

Affiliate of Renewable Energy Innovations, LLC, the COOL GREEN & CLEAN™ Company

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Testimony on

S.B. NO. 242, S.D. 2 –

RELATING TO SEAWATER AIR CONDITIONING

Before the
House Committee on Economic Revitalization, Business, and Military Affairs
Tuesday, March 24, 2009, 7:00 a.m., Conference Room 312

By

Tom Wilkolak, Chief Operating Officer
Honolulu Seawater Air Conditioning LLC

Good morning Chair McKelvey, Vice Chair Choy, and members of the Committee. My name is Tom Wilkolak and I am testifying on behalf of Honolulu Seawater Air Conditioning, LLC (HSWAC).

HSWAC **strongly supports** S.B 242, S.D. 2, which allows the sale of cooling from seawater air conditioning district cooling systems to qualify for state enterprise zone benefits.

This amendment adds seawater air conditioning (SWAC) district cooling systems to the definition of “qualified business” to qualify for state enterprise zone benefits in an existing enterprise zone. “Qualified business” already includes another renewable energy technology - wind. Downtown Honolulu and Kakaako (the service area for the Downtown Honolulu SWAC Project) are in an enterprise zone. **This bill does not create a new enterprise zone.**

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 will effectively reduce the costs of such systems to developers and customers.

The downtown Honolulu SWAC project is a near-term, “**shovel-ready**” project that can immediately help to stimulate Hawaii’s economy.

The downtown Honolulu SWAC project will generate millions of dollars in construction project spending. In addition, it will create a significant amount of long-term, gainful employment. Other local economic development benefits will accrue from money that stays in Hawaii and is not exported outside the State to purchase oil.

During the lifetime of this system, local spending would amount to more than \$294 million. The calculated output based on this local spending is \$456 million. This amount of local spending would also generate \$149 million in earnings and 3,516 full-time-equivalent person-years of jobs. This is equivalent to 133 full-time jobs for 26.5 years.

Furthermore, this project will actually generate additional revenues for the State during the next three years, and over its more than twenty-five year life. The downtown Honolulu seawater air conditioning project is a new project which will generate an estimated \$9.6 million in new taxes during the period from 2009 to 2011. During this same period, this project will be eligible for \$5.1 million in enterprise zone benefits. **Therefore, the net fiscal benefit to the State during this period will be \$4.5 million.**

If this project is not completed, there will be a net revenue loss to the State of \$4.5 million. During its lifetime, the system would generate \$24,000,000 in new state taxes.

In addition to helping stimulate the State's economy, the downtown Honolulu SWAC Project will provide the following benefits over its lifetime:

Energy and Environmental Benefits Over SWAC System Lifetime

Electricity Savings	1,990,000,000	kWh
Reduction in Demand for New Fossil Fuel Fired Generation	14,119	kW
Reduction in Crude Oil Use	5,170,000	barrels
Reduction in Potable Water Use	8,400,000,000	gallons
Reduced Sewage Generation	3,300,000,000	gallons

Thank you for this opportunity to testify.



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Actua Land Lease

March 16, 2009

Fax Testimony: 586-8479

Hearing: Tuesday, March 24, 2009; 7:00 am, CR 312

House Committee on Economic Revitalization, Business & Military Affairs

Honorable Representative Angus L.K. McKelvey, and Isaac W. Choy, Vice Chair and Members.

Subject: SB 242 SD1 - Relating to Seawater Air Conditioning

The American Public Works Association Hawaii Chapter represents over one hundred engineering design professionals in public and private sector. **We ask for your Support of SB242 SD-1 - Relating to Seawater Cooling.** This bill proposes to the seawater cooling project to benefit as other enterprises in an Enterprise Zone program and to give out tax credit for this sustainable project planned in the Downtown area where air conditioning of Downtown buildings huge.

Thank you for an opportunity to express our views regarding this bill (IN SUPPORT).

Sincerely,
American Public Works Association, Hawaii Chapter

Lester H. Fukuda, P.E., FACEC