



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

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Statement of  
**LUIS P. SALAVERIA**  
**Director**  
Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION  
AND  
ECONOMIC DEVELOPMENT & BUSINESS**

Thursday, February 15, 2018  
8:30 a.m.  
State Capitol, Conference Room 325

in consideration of  
**HB 584, HD1**  
**RELATING TO ECONOMIC DEVELOPMENT.**

Chairs Lee and Evans, Vice Chairs Lowen and Keohokalole, and Members of the Committees.

The Department of Business, Economic Development, and Tourism (DBEDT) **supports the intent** of HB 584, HD1, which expands the types of business activity eligible for participation in Hawaii's Enterprise Zone Program to include production of electricity from a biomass energy facility.

DBEDT appreciates that self-sufficiency in energy production is an important state goal, which this bill may encourage. For the purposes of the Enterprise Zone Program, DBEDT does not currently know how many companies would join the program under this business activity or how many jobs would be created.

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

Thank you for the opportunity to provide this written testimony.

**HB-584-HD-1**

Submitted on: 2/13/2018 7:05:50 PM

Testimony for EEP on 2/15/2018 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	OCC Legislative Priorities Committee of the Democratic Party of Hawaii	Support	No

Comments:

**PRESENTATION OF THE  
OAHU COUNTY COMMITTEE ON LEGISLATIVE PRIORITIES  
DEMOCRATIC PARTY OF HAWAII  
TO THE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION  
AND  
THE COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS  
THE HOUSE OF REPRESENTATIVES  
TWENTY-NINTH LEGISLATURE  
REGULAR SESSION OF 2018  
Thursday, February 15, 2018  
8:30 a.m.**

Hawaii State Capitol, Conference Room 325

**RE: Testimony in Support** of HB 584 HD1, RELATING TO ECONOMIC DEVELOPMENT

To the Honorable Chris Lee, Chair; the Honorable Nicole E. Lowen, Vice-Chair and the Members of the Committee on Energy and Environmental Protection:

To the Honorable Cindy Evans, Chair; the Honorable Jarrett Keohokalol, Vice-Chair and the Members of the Committee on Economic Development and Business:

Good morning. My name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") Legislative Priorities Committee of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on House Bill No.584 HD1 relating to the production of electricity from a biomass energy facility to be located at the Hawaii Enterprise Zone.

The OCC Legislative Priorities Committee is in favor of House Bill No. 584 HD1 and supports its passage as the purpose of this Act is to promote the diversification and development of Hawaii's economy by expanding the types of business activity eligible for participation in Hawaii's enterprise zone program to include the production of electricity from a biomass energy facility.

House Bill No.2448 HD1 is in accord with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it expands the types of business activity eligible for participation in Hawaii's enterprise zone program to include the production of electricity from a biomass energy facility.

The DPH Platform states that a "diversified and healthy economy in Hawai'i requires a well-educated and healthy citizenry. To encourage existing and new enterprise, we need to develop a combination of tax policies and credits, lending programs, and financial incentives that will attract the business community. The creation of intellectual property and new start-ups should be a part of the curriculum of our business schools. Business training should stress ethical company management that is responsive to customer needs.

State and county governments have a key role to play in setting reasonable standards for industry and trade. As market conditions change, government agencies must adapt and revise regulations to promote "green" sustainable industries that are compatible with preserving the natural and scenic beauty of Hawai'i. In this regard, we must find ways to stimulate recycling and biodegradable packaging to minimize landfill needs. We must move from carbon-based power to electric power. (Platform of DPH, P. 1, Lines 38-48 (2016)).

We support energy independence, self-sufficiency, affordability and reliability for Hawai'i through the development of renewable alternative energy sources. Specifically, we need to support policies that foster the development of energy production methods that de-emphasize carbon-based fuels and promote renewable sources such as wind, solar, wave, geothermal and Ocean Thermal Energy Conversion (OTEC).

Electricity rates in Hawaii are among the highest in the nation despite the fact that we enjoy an abundance of sunshine year round. Electric utility companies and cooperatives must open the grid to alternative power sources including solar panels and geothermal energy. We support the effort of our government officials to require utilities to provide for the maximum, comprehensive, integrated use of renewable energy and associated technologies such as storage and smart grid technologies. (Platform of DPH, P. 9, Lines 452-462 (2016)).

Given that House Bill No.584 HD1 codifies sustainable development goals based on the United Nations' Global Goal nine, relating to industry, innovation, and infrastructure, it is the position of the OCC Legislative Priorities Committee to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,

**/s/ Melodie Aduja**

Melodie Aduja, Chair, OCC Legislative Priorities Committee

Email: [legislativepriorities@gmail.com](mailto:legislativepriorities@gmail.com), Tel.: (808) 258-8889

**HB-584-HD-1**

Submitted on: 2/14/2018 8:28:54 AM

Testimony for EEP on 2/15/2018 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Nonie Toledo	Honua Ola	Support	No

Comments:

Submitting for Owen

# Honua Ola

BIOENERGY LLC

**Testimony to the House Committee on Energy and Environmental Protection  
And the House Committee on Economic Development & Business**  
Thursday, February 15, 2018 8:30 a.m.  
Conference Room 325, State Capitol  
RE: House Bill 584 HD1

Chair Lee, Vice Chair Lowen, and Members of the Committee on Energy and Environmental Protection,  
Chair Evans, Vice Chair Keohokalole, and Members of the Committee on Economic Development & Business,

I would like to provide the following comments in **support** of HB 584.

The Hawaii State goal of achieving 100% renewable energy by 2045 will be very difficult to achieve unless a diverse portfolio of technologies is fostered in the state. In addition, we recommend that the state needs renewable firm power, which biomass energy generation provides and we support the addition of biomass technology into this bill.

Biomass generation facility adds to the resiliency and redundancy of power generation that will be crucial for citizens and ratepayers in the event of a natural or manmade disaster. Our approach is thoughtful and meaningful especially in the sustainability of feedstock. The feedstock is a renewable source that is grown, harvested and replanted to provide for sustainable supply of renewable fuel. We are also doing R&D to utilize invasive such as *Albizia* for feedstock, which will help the community and the environment.

A biomass energy generation facility will also create positive economic impacts for our state. It is an endeavor that costs millions of dollars to develop. Much of this money will be invested in the area and will create a ripple effect in the community. Creating jobs is a challenge in economically depressed areas such as Pepeekeo. Once a thriving area, it has gone into decline with the demise of the sugar industry. A biomass facility is anticipated to create 200 jobs in the construction phase and 30 high paying jobs to run the facility for the next 30 years. These jobs will require a high level of education as well.

We have done extensive outreach in the community and have engaged many stakeholders who support this type of economic driver in the area.

We stand in strong support of HB584 HD1.

Thank you for the opportunity to testify.



Kevin Owen  
General Manager

# Hawai'i Construction Alliance

**LATE**

P.O. Box 179441  
Honolulu, HI 96817  
(808) 348-8885

February 14, 2018

The Honorable Chris Lee, Chair  
The Honorable Nicole E. Lowen, Vice Chair  
and members  
House Committee on Energy and Environmental  
Protection  
415 South Beretania Street  
Honolulu, Hawai'i 96813

The Honorable Cindy Evans, Chair  
The Honorable Jarrett Keohokalole, Vice Chair  
and members  
House Committee on Economic Development  
and Business  
415 South Beretania Street  
Honolulu, Hawai'i 96813

**RE: Support for HB584, HD1**

Dear Chairs Lee and Evans, Vice Chairs Lowen and Keohokalole, and Members:

The Hawai'i Construction Alliance is comprised of the Hawai'i Regional Council of Carpenters; the Operative Plasterers' and Cement Masons' Union, Local 630; International Union of Bricklayers & Allied Craftworkers, Local 1; the Laborers' International Union of North America, Local 368; and the Operating Engineers, Local Union No. 3. Together, the member unions of the Hawai'i Construction Alliance represent 15,000 working men and women in the basic crafts of Hawai'i's construction industry.

We write in support of HB584, HD1, which would expand the types of business activity eligible for participation in Hawaii's enterprise zone program to include production of electricity from a biomass energy facility. Including biomass energy facilities would expand the enterprise zone program beyond just wind energy projects, providing another avenue for the state to achieve its ambitious goal of 100 percent clean energy generation by 2045.

We have long been supportive of this goal because our members and their families are ratepayers subject to Hawai'i's high energy costs, and because the construction industry is collectively one of the largest users of energy in the state.

An example of a project that could utilize the enterprise zone program should HB584, HD1 pass would be the Hū Honua plant proposed on the Hāmākua Coast. Hū Honua will generate firm renewable energy using biomass grown on Hawai'i Island, helping to replace approximately 250,000 barrels of polluting oil each year. This is positively a step in the right direction toward promoting clean energy and economic self-sufficiency for Hawai'i Island.

Specific to the construction industry, it is estimated that completion of plan construction will generate 200 jobs. Once the plant is operational, it is estimated that the plant will host 30 permanent jobs and generate more than 130 indirect jobs in supportive industries, including forestry and trucking. Each of these jobs will help to support a local family on Hawai'i Island.

Mahalo,



Tyler Dos Santos-Tam  
Executive Director  
Hawai'i Construction Alliance

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

**LATE**

SUBJECT: MISCELLANEOUS, Expand enterprise zone eligibility

BILL NUMBER: HB 584, HD-1

INTRODUCED BY: House Committee on Economic Development & Business

EXECUTIVE SUMMARY: Expands the types of business activity eligible for participation in Hawaii's enterprise zone program to include production of electricity from a biomass energy facility.

SYNOPSIS: Amends HRS section 209E-2 to amend the definition of “eligible business activity” in an enterprise zone to include production of electricity from a biomass energy facility.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The enterprise zone program was enacted as a cooperative program between the state and the counties to promote jobs in areas of high unemployment. Certain areas are designated as enterprise zones through joint action of the state and counties. In a zone, the state offers an income tax credit for the tax attributable to the eligible business conducted in the zone, which is normally applied on a sliding scale – 80% for the first year, 70% for the second, and so on until the credit is 20% for the seventh and last year in the program. It also offers an unemployment tax credit for the tax attributable to employees doing the eligible business in the zone, on the same sliding scale. Finally, the state offers a general excise tax exemption for the eligible business attributed to the zone. The counties also offer incentives, which vary by county. In return, the business commits to either maintain or increase the number of employees in the zone doing the eligible activity, depending on whether it was already in the zone upon designation or moved to the zone.

As business incentives go, the enterprise zone program is better than most. The incentive applies to a specific activity (here, creating and maintaining employment) targeted to the problem the program seeks to address. The incentive tapers off over time and then stops. It requires accountability, namely required reports to DBEDT for a business to retain its eligibility. The business itself may need a different kind of assistance, such as financing, but the state is here focusing on creating and maintaining jobs in areas that need them.

One criticism of the program is that the designated eligible activities do not seem to have a common thread running through them except that the various activities seem to have been the Flavor of the Month at one time or other. Eligible activities at present are:

- Agricultural production or processing
- Manufacturing
- Wholesaling/Distribution
- Aviation or maritime repair or maintenance

- Telecommunications switching and delivery systems
- Information technology design and production
- Medical research, clinical trials, and telemedicine
- For-profit training programs in international business management or environmental remediation
- Biotechnology research, development, production, or sales
- Repair or maintenance of assisted technology equipment
- Certain types of call centers
- Wind energy producers

The enterprise zone program has been around since 1986. Has there been a comprehensive evaluation of the program and do lawmakers know exactly how much bang they have gotten for their bucks? If the program works, great; if it doesn't work, scrap it. In either event, concurrent efforts must be made to improve Hawaii's business climate to enhance the economic prospects for all businesses.

Digested 2/14/2018

**HB-584-HD-1**

Submitted on: 2/12/2018 8:39:28 PM

Testimony for EEP on 2/15/2018 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Erica Scott	Individual	Support	No

Comments:

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**Testimony to the House Committee on Energy and Environmental Protection  
And the House Committee on Economic Development & Business**

Thursday, February 16, 2018 8:30 a.m.

Conference Room 325, State Capitol

RE: House Bill 584 HD1

Chair Lee, Vice Chair Lowen, and Members of the Committee on Energy and Environmental Protection,  
Chair Evans, Vice Chair Keohokalole, and Members of the Committee on Economic Development & Business,

I would like to provide the following comments in **support** of HB 584.

I am Warren Lee and a long-time resident of Hawaii Island. I have held various positions on the Island, including President of Hawaii Electric Light Company, and the Director of Public Works for the County of Hawaii.

I know first hand the difficulty of creating a viable economic engine in economically depressed zones. The Island of Hawaii has 5 Enterprise Zones, and in 2015 Governor Ige approved the 20-Year re-designation of three (3) new Hawaii County Enterprise Zones: Hamakua, Hilo-Puna, and Kau.

There are not many eligible business activities that qualify for the Enterprise Zone designation. There are no renewable energy electricity production technologies that are eligible for this qualification except wind energy production. Biomass energy is a renewable, sustainable electric power generation that is worthy of being designated an eligible business activity because of jobs created where they are most needed. The decline of jobs along the Hamakua coastline has devastated the community and the surrounding areas, and a biomass facility can help to stimulate business activity in that area and revitalize a depressed zone.

Besides the economic advantages, the facility will also be contributing to the state's goal of 100% renewable energy by providing renewable firm power to the grid.

I stand in strong support of HB584 HD1.

Thank you for the opportunity to testify.



Warren Lee

**Testimony to the House Committee on Energy and Environmental Protection  
And the House Committee on Economic Development & Business**

Thursday, February 16, 2018 8:30 a.m.

Conference Room 325, State Capitol

RE: House Bill 584 HD1

Chair Lee, Vice Chair Lowen, and Members of the Committee on Energy and Environmental Protection,  
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**I was born and raised on the sugar plantation of Hakalau and my Dad worked at Pepeekeo Sugar Mill that is currently being converted to the biomass facility. I visited the operation and was amazed to see some of my friend's children working to build the facility. It brought back memories being in the sugar mill where my Dad worked. It also brought back memories of growing up on the plantation and I feel this is what the biomass operation will also bring to our island.**

We have done extensive outreach in the community and have engaged many stakeholders who support this type of economic driver in the area.

We stand in strong support of HB584 HD1.

Thank you for the opportunity to testify.

