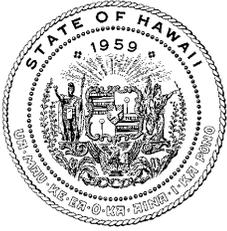


SB

1248

EDT/WTL



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND
TECHNOLOGY
AND
SENATE COMMITTEE ON WATER, LAND, AGRICULTURE
AND
HAWAIIAN AFFAIRS**

Wednesday, February 11, 2009
1:15 P.M.
State Capitol, Conference Room 016

in consideration of
SB 1248
RELATING TO STATE ENTERPRISE ZONES

Chairs Fukunaga and Hee, Vice-Chairs Baker and Tokuda and Committee members:

This bill extends EZ tax credits and exemptions for businesses engaged in the manufacturing of tangible personal property or in the producing or processing of agricultural products, for an additional seven years. It also allows the receipts, sales, and employees of a businesses' establishments in all enterprise zones located within the same county to count towards qualification requirements. The Department appreciates the intent of this measure; however, given the current fiscal difficulties, we oppose its enactment at this time.

Thank you for the opportunity to offer these comments.

LINDA LINGLE
Governor



SANDRA LEE KUNIMOTO
Chairperson, Board of Agriculture

DUANE OKAMOTO
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 Fax: (808) 973-9613

**TESTIMONY OF SANDRA LEE KUNIMOTO
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE SENATE COMMITTEES ON
ECONOMIC DEVELOPMENT & TECHNOLOGY
AND
WATER, LAND, AGRICULTURE AND HAWAIIAN AFFAIRS
WEDNESDAY, FEBRUARY 11, 2009
1:15 PM
CONFERENCE ROOM 016**

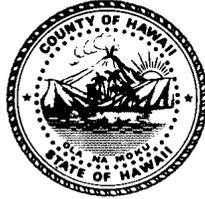
**SENATE BILL NO. 1248
RELATING TO STATE ENTERPRISE ZONES**

Chairpersons Fukunaga and Hee and Members of the Committees:

Thank you for the opportunity to comment on Senate Bill No. 1248. The purpose of this bill is to improve the state enterprise zone program by allowing limited liability companies to be included under the definitions of “qualified businesses” and “service businesses,” by extending the enterprise zone tax credits and exemptions for businesses engaged in the manufacturing of tangible personal property or in the producing or processing of agricultural products for an additional seven years, and by allowing the receipts, sales and employees of a business’s establishments in all enterprise zones located within the same county to count towards qualification requirements.

The Hawaii Department of Agriculture (HDOA) acknowledges the merit of this measure as we believe that agriculture producers would benefit from an extension of enterprise zone tax credits and neighborhood revitalization programs that create agricultural jobs. However, we caution that an extension of tax credits and exemptions in this difficult economic period may be detrimental to the economy.

William P. Kenoi
Mayor



Diane L. Ley
Interim Deputy Director

County of Hawaii

DEPARTMENT OF RESEARCH AND DEVELOPMENT

25 Aupuni Street, Room 109 • Hilo, Hawaii 96720-4252
(808) 961-8366 • Fax (808) 935-1205
E-mail: chresdev@co.hawaii.hi.us

February 11, 2009

The Honorable Carol Fukunaga, Chairperson
And Members of the Senate Committee on Economic Development and Technology
The Honorable Clayton Hee, Chairperson
And Members of the Senate Committee on Water, Land, Agriculture, and Hawaiian
Affairs
Hawaii State Capitol, Conference Room 016
415 South Beretania Street
Honolulu, HI 96813

RE: Senate Bill No. 1248, Relating to State Enterprise Zones

Dear Chairpersons Fukunaga and Hee, and Committee Members:

Thank you for this opportunity to submit testimony regarding Senate Bill 1248, relating to State Enterprise Zones (EZ). The County of Hawaii Department of Research and Development strongly supports Senate Bill 1248, which allows manufacturers and agricultural producers to renew their EZ eligibility for an additional seven (7) years; and allows receipts, sales, and employees of a business establishment located within multiple enterprise zones in the same county to count toward qualification requirements.

Hawai'i Island has, by far, the largest extent of agricultural lands, number of farms and has the highest yield of agricultural products in the state. As a result it, there is also a significant number of manufacturing operations related to this agricultural production. It has been recognized that many crops take years to grow and reach market; thus the seven (7) year timeframe for the EZ program is insufficient for agricultural businesses to take advantage of EZ income tax credit benefits, since frequently there will be no revenues to pay taxes on during the growing out phase. Both agriculture and manufacturing are two business sectors that the Department strongly supports and allowing these businesses to renew their participation for an additional seven (7) in the EZ program, will greatly assist them during this challenging economic period.

The Department also supports allowing a business establishment located in multiple enterprise zones within the same county to qualify for the EZ program. Often operations are located in a rural enterprise zone area where labor and land is more affordable, and the sales and administrative offices may be located in an urban enterprise zone area, such as Hilo and Kona where more professionals and white collar labor is available.

Honorable Carol Fukunaga, Chairperson & Members
Senate Committee on Economic Development and Technology
Honorable Clayton Hee, Chairperson & Members
Senate Committee on Water, Land, Agriculture, and Hawaiian Affairs
February 11, 2009
SB 1248, Relating to State Enterprise Zones
Page 2.

Presently, businesses with split operations are not eligible for the EZ program because they are located in two or more enterprise zones. As land values increase, the practice of utilizing more affordable locations in other designated zones for production purposes will increase in the future.

The proposed amendments in Senate Bill 1248 will serve to modernize the EZ program by addressing these changing business models and allow additional agriculture and manufacturing businesses to participate in this employment-generating program; hence, your Committees' favorable consideration of this bill would be appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Diane Ley".

Diane Ley
Interim Deputy Director



Hawaii Crop Improvement Association

Growing the Future of Worldwide Agriculture in Hawaii

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Alicia Maluafiti

Testimony By: Alicia Maluafiti
SB 1248, Relating to State Enterprise Zones
Senate EDT/WTL Committees
Wednesday, Feb.11, 2009
Room 016, 1:15 pm

Position: Strong Support

Chairs Fukunaga and Hee, and Members of the Senate EDT/WTL Committees:

My name is Alicia Maluafiti, Executive Director of the Hawaii Crop Improvement Association. The Hawaii Crop Improvement Association (HCIA) is a nonprofit trade association representing the agricultural seed industry in Hawaii. Now the state's largest agricultural commodity, the seed industry contributes to the economic health and diversity of the islands by providing high quality jobs in rural communities, keeping important agricultural lands in agricultural use, and serving as responsible stewards of Hawaii's natural resources.

Although HCIA member companies do not participate in EZ tax credits and exemptions, we strongly believe that agriculture enterprise zones, and the proposed extensions of the credits to include manufacturers and processors of agricultural products are of benefit to other qualified agribusinesses.

Measures such as this support the nurturing and growth of Hawaii's agriculture industry.

Thank you for the opportunity to testify.

**Testimony before the
Senate Committees on

Economic Development and Technology
and
Water, Land Agriculture, and Hawaiian Affairs**

S.B. 1248 – Relating to State Enterprise Zones

**Wednesday, February 11, 2009
1:15 pm, Conference Room 016**

**By Arthur Seki
Director of Technology
Hawaiian Electric Company, Inc.**

Chairs Fukunaga and Hee, Vice Chairs Baker and Tokuda and members of the Committees:

My name is Arthur Seki—I am the Director of Technology at Hawaiian Electric Company. I am testifying on behalf of Hawaiian Electric Company (HECO) and its subsidiaries, Maui Electric Company (MECO) and Hawaii Electric Light Company (HELCO) hereinafter collectively referred to as HECO.

HECO supports S.B. 1248, which amends the state enterprise zone language and opens the area for renewable energy activities. Land availability and incentives for renewable energy development continue to be issues.

HECO offers these recommendations for your consideration:

1. Page 3, line 4—“Production of electric power from wind energy...” Replace wind energy with “renewable energy”. This will help all types of renewable energy development that may occur in the state enterprise zones.
2. Allow areas offshore to be located in the state enterprise zone for ocean energy development such as wave energy. As you may know, there are a number of ocean energy projects in Hawaii:
 - Ocean Power Technology (New Jersey) continues its wave buoy demonstration project off Kaneohe Marine Corp Base. A third buoy was deployed in June 2007. This demonstration includes an underwater electrical cable installed

about 1 mile off Kaneohe Marine Base. HECO engineers provided technical review and support for the interconnection design of this electrical system.

- OceanLinx (Australia) continues their development of a small wave farm off Pauwela Point on the northeast coast of Maui.
- Hawaii Natural Energy Institute was recently awarded a multi-year, multi-million dollar grant as a National Marine Renewable Energy Research Center. This Center will facilitate the development and implementation of commercial wave energy systems and assist the private sector in moving ocean thermal energy conversion systems beyond proof-of-concept to pre-commercialization, long-term testing. HECO is an industry partner in this program.

Thank you for the opportunity to present this testimony.

HILO COFFEE MILL

www.HiloCoffeeMill.com

February 10, 2009

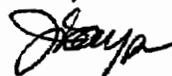
Honorable Senator Carol Fukunaga, Chairperson
Honorable Senator Clayton Hee, Chairperson
And Committee Members
Economic Development and Technology Committee
Water, Land, Agriculture, and Hawaiian Affairs Committee
State Capitol, Room 016
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chairperson Fukunaga, Chairperson Hee, and Members,

I am writing in support of SB1248, Relating to State Enterprise Zones

We are an ag producer, manufacturer and wholesaler that is vehemently supportive of our Hawaii coffee industry and the small family farms that provide supply to that industry. We are a small women-owned business and without the EZ benefits would not be able to achieve our mission. We are ecstatic about the opportunity to perhaps renew our participation in the EZ program allowing us to continue our efforts in benefitting our local economy, and raising awareness of the importance of buying local, employing local, and promoting sustainability. If you have any questions, please contact me. Thank you for the opportunity to provide testimony.

Aloha,



Jeanette Baysa

Hilo Coffee Mill

Phone: 808.968.1333



Tuesday, February 10, 2009

My name is Hap A. Person and I am President of Honolulu Wood Treating Company.

As President of HWT, I strongly support SB 1248 relating to Enterprise Zones.

HWT is a large (9 acre) manufacturing company in Campbell Industrial Park that produces environmentally sound wood preservation services for the building industry in Hawaii. HWT was founded in 1955 and is the last remaining wood treatment manufacture on Oahu and one of only two left in the state from a high of nine plants. Most of the jobs have gone to mainland treatment plants with lower labor cost and facility costs to produce treated wood to meet Hawaii's Building Code Requirement.

I can be reached at 792-6422 if there are any questions.
Thank you for the opportunity to present testimony.

Sincerely,

Hap A. Person
President

HONOLULU WOOD TREATING LLC
(808) 882-5704 • FAX: (808) 882-4430 • OUTER ISLAND PHONE #1-800-392-2431
91-291 HANUA STREET, KAPOLEI, HAWAII 96707-1782
www.hwthawaii.com

WELCOME TO
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February 10, 2009

Honorable Senator Carol Fukunaga, Chairperson and Committee Members
Economic Development & Technology Committee
Honorable Senator Clayton Hee, Chairperson and Committee Members
Water, Land, Agriculture, and Hawaiian Affairs Committee

RE: SB 1248, STATE ENTERPRISE ZONES
FEBRUARY 11, 2009 AT 1:15 PM, ROOM 016

My name is Lynne Madden and I am the Executive Vice President of The Madden Corporation, doing business as Island Heritage, Island Plantations, and Island Bath and Body. We are a *manufacturer* and wholesale products under these brands.

We strongly support bill SB1248 to extend the Enterprise Zone (EZ) Partnership Program.

Over the past seven years this program has allowed our business to grow both in number of employees and taxable income at the rate well beyond the conditions of the program. We have done this by using the EZ tax relief funds to create and manufacture products that are sold to retailers, which generate tax revenue for the State of Hawaii. Retailers in turn sell our products to consumers, again creating tax revenue.

We are doing business in areas where jobs are needed most. There are few businesses in these EZ areas that offer the wide range of employment that we provide. In our Waipahu location, we are able to offer job opportunities to residents in the Leeward and Windward communities an alternative to long commutes and added congestion into the already overcrowded Honolulu. In addition, we provide job opportunities in EZ communities in Lihue, Hilo, and Kona, adding to these counties' tax revenues.

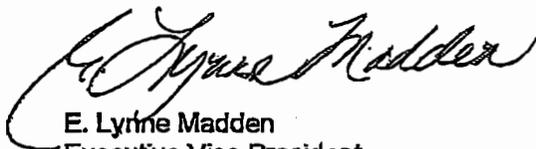
The Madden Corporation is working on a national product expansion which includes the creation, manufacturing, and export of new products, specifically for coastal areas throughout the United States. The tax relief we are asking for in Bill SB1248 will fund this expansion, creating additional jobs, which in turn will generate additional tax revenue. There are not many companies looking to expand, especially during these challenging economic conditions. With the extension of the EZ tax credit period to an incremental seven years, we are committed to this aggressive expansion.

By not granting an extension we will without question, need to reduce our expansion of products and workforce. This program is a critical component to our continued growth plan to survive and add tax paying jobs.

Please see the attached letter we have sent to several legislators asking for their support.

The EZ is providing the benefits it was designed to do, which is to help the economic levels of distressed communities by providing incentives for businesses to create jobs. We ask you to support Bill SB1248, which will continue to allow us and other companies in the EZ to do just this.

Sincerely,



E. Lynne Madden
Executive Vice President

ELM:jma





The Madden Corporation

January 21, 2009

Senator Carol Fukunaga
11th Senatorial District
Hawaii State Capitol, Room 216
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Senator Fukunaga,

I understand that there are discussions currently progressing in the legislature regarding the "Enterprise Zones Partnership". I would like to reiterate and make you aware of the fact that *The Madden Corporation* has been one of many local companies who have benefited from this much needed program. By receiving these tax cuts, for 7 years, we have been able to continue to grow our business, and add jobs and other opportunities to this Leeward community on Oahu.

It is my understanding that while the current program limits the tax credit period to 7 years, there is a potential new bill, that if approved would extend these benefits for an additional 7 years to businesses like ours, who have continued to give back to the community and make growth and economic development possible. While I do not know specifically where you stand on this issue, I did want to make sure that you were aware that *The Madden Corporation* would be one of the organizations involved in this extension and we would greatly appreciate your support!

As we all know, in these very difficult economic times, companies like ours are struggling to maintain sales, employees, and innovate our businesses, and create additional job opportunities for the community. We are proud of the progress we have made as a local business, due in part to the continued support of the State legislature, and hope that you will keep us in mind when making a decision on this bill. We need your assistance! Aloha.

Thank you again for your support!

Very truly yours,

Dale P. Madden
President & CEO
The Madden Corporation

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Hawaii's Finest Macadamia Nuts ~ Chocolates ~ Confections

February 9, 2009

Honorable Senator Carol Fukunaga, Chairperson and Committee Members
Economic Development & Technology Committee
Honorable Senator Clayton Hee, Chairperson and Committee Members
Water, Land, Agriculture, and Hawaiian Affairs Committee

RE: SB 1248, STATE ENTERPRISE ZONES
FEBRUARY 11, 2009 AT 1:15 PM, ROOM 016

My name is Gwendolyn Purdy, Vice President of Island Princess. Our company **strongly supports SB1248** relating to Enterprise Zones.

We are a Hawaii manufacturer & wholesaler located in Honolulu, producing chocolates and confections, along with a Macadamia orchard in Iiilo. We employ 65 staff in Honolulu and another 65 in Hilo. Our payroll for 2008 was almost \$3 million.

We purchase a significant amount of the raw materials for our products from local suppliers, which also helps the Hawaii economy.

As you are aware, tourism was down significantly in 2008. We are fortunate to have a strong local base for our products but we are still dependent on tourism, as are most businesses in Hawaii. 2009 has started out very slow and we are concerned about keeping our employees working.

SB1248 would allow us to renew our participation in the Enterprise Zone program. This would be a tremendous boost to our business during these uncertain and difficult times. It could mean the difference between hiring additional staff and laying off employees.

I can be reached at 808-398-7222 if you should have any questions. I appreciate the opportunity to present this testimony.

Best regards.

Gwendolyn A. Purdy
Vice President

A Division of Purdyco Ltd.

2846 Ualena Street • Honolulu, Hawaii 96819-1910
Phone: (808) 839-5222 • Fax: (808) 836-2019 • e-mail: info@islandprincesshawaii.com