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
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,

[Signature]

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:

PART I

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

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

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

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

PART III

SECTION 3. No later than December 31, 2020, the University of Hawaii, West Oahu and the Hawaii technology development corporation shall execute a memorandum of understanding that commits the parties to enter into a no-cost lease agreement by December 31, 2021, for no less than sixty years, and which includes a provision for the transfer within six years to the Hawaii technology development corporation of title to the thirty-acre parcel of University of Hawaii, West Oahu campus land adjacent to the intersection of Farrington Highway and
Kapolei Golf Course Road, generally described by the following parameters within tax map key (TMK) #1-9-1-016-179-0000:

1. Segment 1: 1145 feet north along the western boundary of the TMK beginning at the westernmost point along Farrington Highway;
2. Segment 2: 1145 feet east along the southern boundary of the TMK beginning at the westernmost point along Farrington Highway and the southernmost point of segment 1;
3. Segment 3: The parallel of segment 1 connecting to the easternmost point of segment 2; and
4. Segment 4: The parallel of segment 2 connecting the northernmost point of segment 3 and segment 1.

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

PART IV

SECTION 4. This Act does not affect rights and duties that matured, penalties that were incurred, and proceedings that were 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 and stricken. New statutory material is underscored.

3 SECTION 7. This Act shall take effect upon its approval; provided that part II, upon taking effect, shall apply to taxable years beginning after December 31 of the calendar year 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.

[Signature]
President of the Senate

[Signature]
Clerk of the Senate
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