

HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
CITY AND COUNTY OF HONOLULU

ORDINANCE _____
BILL **59 (2023)** _____

A BILL FOR AN ORDINANCE

RELATING TO INCENTIVES FOR FILM STUDIO FACILITIES.

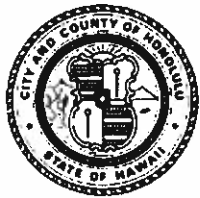
BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Findings and purpose. The purpose of this ordinance is to provide incentives for eligible film studio facilities.

The City Council ("Council") finds that the economies of the State of Hawai'i ("State") and the City and County of Honolulu ("City") need diversification in order to increase their resilience. While tourism is and will remain one of the main drivers of the local economy, there is both a need and a growing call for other industries to grow in their contribution to the economy. One such industry that is ideal for growth and expansion is the film industry. With Hawai'i's diverse landscapes and breathtaking views, there are many opportunities for traditional and nontraditional media to be created here. Television shows and movies that have been filmed in Hawai'i include "NCIS: Hawaii," "Magnum P.I.," "Hawaii 5-0," "White Lotus," "Doogie Kamealoha, M.D.," "Aquaman," and "Lost Kingdom," among countless others over the past decades.

At the State level, many bills at the State Legislature have sought to encourage film production in the State by offering tax credits and other financial incentives. During the 2023 legislative session alone, 13 bills were introduced relating to film tax credits and other incentives for film and media production in the State. Moreover, a look back reveals that similar bills have been introduced even as far back as 2000, so there can be no question that encouraging film production in the State has been a long term diversification strategy. Given the delicate economic situation in both the City and the State, it is time for more attention and resources to be focused on promoting this important segment of the economy.

The Council further finds that film production has a much wider economic impact than merely that of the dollars spent locally for individual film productions. The State's Department of Business, Economic Development, and Tourism reported that in 2020, 17 film productions claimed \$24.7 million of the Hawai'i film tax credit, and qualified film expenditures amounted to \$128.1 million. The impact of filming in Hawai'i stretches far beyond just the direct revenues from the filming itself; each production also brings about an economic ripple effect on the hundreds of local individuals and companies working on the productions, as well as on the related service industries that benefit from such productions in the State.



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The Council additionally finds that situating a local production and filming facility on O'ahu would provide an important benefit to and serve as a staging point for young actors and other local talent interested in pursuing film production careers. With the launch of the Academy for Creative Media, located at the University of Hawai'i – West O'ahu campus, there is expected to be an increasing number of local students prepared to enter the media world. Encouraging local film production is just one avenue for both supporting these young creative individuals as well as further diversifying and bolstering the local economy.

The Council seeks to provide real property tax incentives for the dedication of real property for eligible film studios facilities. The substantial nature of the investments required to qualify for the real property tax incentive is a reflection of this Council's dedication to the future of film projects in the City. The hope is that the film studio facilities constructed as a result of this bill will contribute to both the growth and the health of the film industry in the City, especially with regards to supporting local talent and encouraging students to embark upon careers in the industry.

SECTION 2. Chapter 8, Article 7, Revised Ordinances of Honolulu 2021 ("Valuations"), is amended by adding a new section to be appropriately designated by the Revisor of Ordinances and to read as follows:

"§ 8-7. Dedications—Film studio facilities.

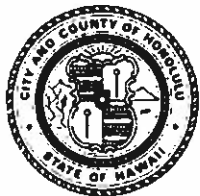
(a) Definitions. For the purposes of this section, the following definitions apply unless the context clearly indicates or requires a different meaning:

Film Studio. A fixed place of business where filming activities (motion or still photography) are regularly conducted on the premises.

Film Studio Facility. A building or series of buildings and their related improvements in which data processing, visualization, and sound synchronization technologies are regularly applied for the production of qualified digital media projects or the digital animation components of media projects.

Property Owner or Owner. Has the same meaning as defined in § 8-6.3; provided that the term also includes a lessee holding real property, as defined in § 8-1.2, for a stated term of five years or more; provided that the lease:

- (1) Has been duly entered into and recorded in the State bureau of conveyances or filed in the office of the assistant registrar of the land



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court, as appropriate; and

- (2) Provides that the lessee shall pay all real property taxes levied on the property during the term of the lease.

- (b) Valuation of property dedicated for an eligible film studio facility. Upon proper application, an owner of an eligible film studio facility who owns the real property utilized by that film studio facility on the date of the film studio facility's first qualification may dedicate the real property for use as an eligible film studio facility for a period of 30 years. The assessed valuation of real property qualifying as an eligible film studio facility under subsection (d) is the valuation of the real property on the date of the film studio facility's first qualification; provided that the film studio facility continues to qualify as an eligible film studio facility under subsection (d) throughout the 30-year period.

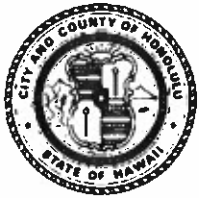
- (c) Dedication of real property.
 - (1) The owner of any real property who desires to dedicate such property for an eligible film studio facility shall petition the director and declare in the owner's petition that the owner will dedicate the owner's property for a film studio facility.

 - (2) The approval by the director of the petition to dedicate the property constitutes a forfeiture on the part of the owner of any right to change the use of the property for a period of 30 years, automatically renewable for additional five-year periods after the initial 30-year period, subject to cancellation by either the owner or the director upon five years' notice at any time during the initial dedication or any renewal of the dedication.

 - (3) The director shall prescribe the form of the petition. The petition must be filed by September 1 of any calendar year and must be approved or disapproved by October 31 of such year. If approved, the assessed valuation of the real property established under subsection (b) will be effective on July 1 of the following calendar year.

 - (4) The owner may appeal any disapproved petition as in the case of an appeal from an assessment.

 - (5) If the owner has failed to observe the dedication restriction on eligible film studio facility use, and at which time the dedication is canceled, the



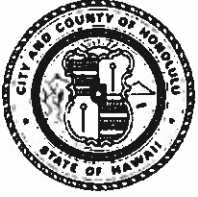
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amount of additional taxes due and owing will then attach to the property as a paramount lien in favor of the city.

- (d) Eligible film studio facility. A film studio facility qualifies as an eligible film studio facility for the purposes of this dedication if the film studio facility satisfies the following requirements:
- (1) The owner constructs or develops a new film studio facility with a minimum investment of \$100,000,000 for improvement costs, and the facility is completed within five years of the dedication taking effect;
 - (2) The facility promotes economic expansion of the growth industry engaged in by the film studio facility through incentives by offering the use of studio time at discounted rates to local filmmakers who conduct and are engaged in commercial filming activities in the city;
 - (3) The facility promotes workforce development in the growth industry engaged in by the film studio facility through the creation of internship programs for college, university, or vocational school students who are actively pursuing a degree in film or media studies; and
 - (4) The owner agrees to contract with the city for a license pursuant to § 2-31.1 to use the official seal or logotype of the city agency designated by the mayor on any film production produced by the film studio during the years in which the film studio qualifies for and receives the real property tax dedication under this section.
- (e) Administration.
- (1) The director shall prescribe the appropriate form or forms for dedication. For each tax year in which a claim for dedication is filed, the director shall require proof of the applicant's status as a property owner as of the date of determination of qualification. The director shall request such proof as the director shall deem necessary to verify the applicant's eligibility for the dedication, including but not limited to proof that the real property for which the claim for dedication is made is used by the eligible film studio facility, including approved permits, signed leases, and financing documents, and proof that the applicant is subject to the taxes for which the claim for dedication is made.



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- (2) In the event the applicant applies for the dedication prior to the completion of the construction of the film studio, the director shall require proof of the applicant's ability to complete the construction or development of the film studio within five years of the dedication taking effect. This proof may include approved building permits, executed leases, and executed financing documents.
- (3) The applicant may refuse to provide any such proof requested by the director; provided that the director may deny the claim for dedication based upon such refusal. Notwithstanding any other provision to the contrary, there will be no appeal from the director's denial of the claim due to such refusal by the applicant.
- (4) If an applicant wishes to request an extension of time to complete construction of the film studio facility, the director may extend the deadline if the applicant demonstrates good cause, but the deadline may not be extended beyond one year from the initial deadline.
- (5) Where the applicant is eligible for a dedication of only a portion of a tax map key parcel, the director shall approve the dedication for only the portion of real property used for an eligible film studio facility.
- (6) The director may not approve any application received by the director after June 30, 2028.
- (f) Cancellation of dedication and rollback tax. The failure of the owner to fulfill the requirements for an eligible film studio facility will cancel the dedication retroactive to the date of the dedication, but not more than five years before the tax year in which the dedication is canceled. Failure to fulfill the requirements means a failure for a period of over 12 consecutive months to use the property as an eligible film studio facility or a failure to complete the construction or development of the new film studio facility within five years of the dedication taking effect. All differences in the amount of taxes that were paid and those that would have been due but for the dedication are payable from the respective dates that these payments would have been due. The amount of additional taxes due and owing will attach to the property as a paramount lien as provided for by this chapter.
- (g) Sale or transfer of property. In the event of a sale or other transfer of the eligible film studio facility, the new owner will qualify for a continued dedication if:



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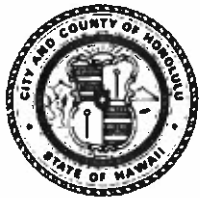
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- (1) The new owner applies for a continuation of the dedication within 30 days of closing of the sale or other transfer of the real property; and
- (2) The film studio facility continues to fulfill the requirements for an eligible film studio facility under subsection (d).

In the event the new owner is not granted a continued dedication, the dedication will be canceled and the new owner will be subject to the rollback tax under subsection (f).

- (h) Appeal. An applicant may appeal the director's denial of a claim for a dedication under this section to the director. The director or a hearings officer appointed by the director shall hear the appeal. The appeal must be filed within 30 days of the applicant's receipt of the notification of denial from the director. The director shall establish the procedure for an appeal.
- (i) Report. The director shall provide the council with an annual report within one month of each anniversary of the effective date of this ordinance. The report must provide an update on the following information as applicable:
 - (1) The number of dedication applications filed;
 - (2) The number of dedication applications approved;
 - (3) The number, if any, of dedications that failed to comply with the dedication terms and were therefore canceled; and
 - (4) The estimated taxes forgone under and the city's cost of administering this dedication program."

SECTION 3. New ordinance material is underscored. When revising, compiling, or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the Revisor of Ordinances need not include the underscoring.



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SECTION 4. This ordinance takes effect upon its approval and applies to the tax years beginning July 1, 2025 and thereafter.

INTRODUCED BY:

DATE OF INTRODUCTION:

SEP 26 2023

Honolulu, Hawai'i

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____ day of _____, 20 _____.

RICK BLANGIARDI, Mayor
City and County of Honolulu