

# Made in Hawaii

By Todd Longwell

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## Hawaii Film Office

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### Incentives:

Tax credit of 15% (Oahu) to 20% (all other islands) on production costs  
100% income tax credit for state taxpayers who invest in a "qualified high-technology business" that produces performing arts products.

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It's been a rough year for Hawaii state film commissioner Donne Dawson.

Thanks to the global economic downturn, the Aloha State's No. 1 industry, tourism, has experienced declines not seen since the Great Depression, slashing tax revenue and forcing the Hawaii legislature to do some serious cutting.

The result: Several bills were introduced that were designed to eliminate or drastically scale back the state's two film and TV production incentives.

"From the beginning (of the legislative session in January), we were saying in our testimony that even contemplating drastic changes in our incentive program has a chilling effect of its own," Dawson says, "because people in the industry need to have the certainty that these incentives are going to be in place when they make the decision to send projects our way."

As the legislative session came to a close last month, Dawson finally breathed a sigh of relief. The state's popular Act 88, a 15%-20% tax credit that has helped attract such studio films as "Tropic Thunder" and "Indiana Jones and the Kingdom of the Crystal Skull," emerged untouched, while Act 221 -- a tax credit for Hawaii investors that also applies to software development and other high-tech

ventures -- was scaled back, but not eliminated.

"The fact that we were able to preserve Act 88 was a huge victory for us in this climate," Dawson says. "I'm relieved that it's behind us."

Not everyone is so enthusiastic.

"To say I'm totally bummed is putting it mildly," says William G. Meyer III, an intellectual property attorney partnered in the Honolulu law firm of Dwyer Schraff, whose clients include Disney, ABC TV, NBC Universal and Time Warner, as well as such homegrown production companies as Hawaii Film Partners and TalkStory Prods.

Meyer was part of a pro-221 lobbying effort urging the legislature to extend 221 past its Dec. 31, 2010, sunset date. At the very least, they hoped it would emerge from the session intact. Instead, the legislature passed SB 199, which reduced the tax credit from 100% to 80%.

This development comes at a delicate time for Hawaii's film and TV industry. In 2007, the state enjoyed a banner year with four major studio projects -- "Forgetting Sarah Marshall," "Pirates of the Caribbean: At World's End" and the aforementioned "Tropic Thunder" and "Indiana Jones" -- shooting in all five of its counties. But with the threat of a SAG strike last year, the flow of studio business slowed to a drip, with only director Steven Soderbergh's Warner Bros. feature "The Informant" shooting a few days in Honolulu last summer.

The good news is that the past 18 months have brought a wealth of independent films from Hawaii-based production companies -- such as TalkStory's "The Tempest," directed by Julie Taymor and starring Helen Mirren (with Miramax coming on board last fall); and Hawaii Film Partners' adventure-comedy "You May Not Kiss the Bride," starring Mena Suvari, Katharine McPhee and Rob Schneider. Or so it would seem. All the films were made with Act 221 funding, which, given the recent legislative action, casts a sad pall over what would otherwise be an uplifting trend.

"For the first time in the history of the state, we have emerging companies that can do soup to nuts, boots on the ground production work and they have relied on Act 221 source of funding," Meyer says. With the changes to 221, "there's going to be significantly less interest in investing in these companies, which doesn't bode well for their continued health."

TalkStory president Jason Lau is more optimistic.

"We just have to find other ways to do it," Lau says. "For film, we'll be looking more toward traditional financing, bank financing, gap financing. Certainly, Act 88 is still in place, so we'll probably be taking more advantage of Act 88."

If nothing else, Hawaii still has "Lost." For now. The first long-running Hawaii-set TV series since "Magnum, P.I." (1980-88), it has been a boon to the state on a multitude of levels, building its crew base and pumping millions of dollars into the economy. But the ABC series will be wrapping up six years of production on Oahu's North Shore next spring, and no new shows have materialized to fill the void.

Not all the news is bad. Over on the Big Island, where farming ranks right behind tourism as a top industry, film commissioner John Mason reports a surprisingly good 2008, which included a visit from "Wheel of Fortune," several days of "The Tempest," and the Japanese indie feature "Honokaa Boy." In January and February of this year, it hosted the VH1 reality show "My Antonio," starring

Antonio Sabato Jr.

In recent years, reality programming has become a staple of Hawaii's production economy. Recent productions include A&E's "Hammertime," starring MC Hammer, "My Antonio" and A&E's long-running hit "Dog the Bounty Hunter."

Of course, reality shoots don't spend money hand over fist like major features, and they can be a little pesky at times.

"They're small units roaming around your island, and often they're shooting in places that our local people don't expect, so sometimes we get phone calls saying, 'Who are these people?' " says Benita Brazier, commissioner of the Maui County Film Office.

As good as "Lost" has been to Hawaii, it too can be problematic in that it tends to monopolize the state's production resources.

Island Film Group co-founder Ricardo Galindez experienced this firsthand in early 2008 as he was gearing up to shoot "Princess Ka'iulani" (aka "Barbarian Princess"), a 19th century historical drama starring Q'orianka Kilcher. He was counting on using crew normally employed by "Lost," which was on forced hiatus because of the WGA strike. Then the strike ended.

"I called Jean Higgins, the producer on 'Lost,' and said, 'When are you guys coming back? We're going to start shooting in a week,' " Galindez recalls. "She said, 'So are we.' So we basically lost about 20 crew people we had lined up. Suddenly, we had a much more expensive crew base, because we had to fly in people from L.A. and put them up in hotels, pay per diems, etc."

"Lost" also has a lock on the islands' one major film production complex, the state-run Hawaii Film Studio on Diamond Head. Typically, when soundstage space is not available, film and TV productions rent a vacant warehouse, but they're not easy to come by in Hawaii.

"We really don't have any warehouses that can be rented on a short-term basis," Galindez says. "Landlords in Hawaii require a three- to five-year lease and financial statements, and no studio is going to sign off on a five-year lease for a warehouse."

Galindez has been doing his part to solve the problem. In 2007, Island Film Group partnered with Hawaii Media Inc. to refashion a facility in Honolulu's Halawa Valley as a studio complex with 7,500 square feet of soundstages, making it the largest privately owned production facility in Hawaii. Island Film Group has also teamed with SHM Partners of Los Angeles to create a 200,000-square-foot facility on a 22-acre site in Kapolei, but those plans might be in jeopardy.

"A large portion of the funding was going to come from Act 221 funding," Galindez says.

Dawson points out the revisions to Act 221 have yet to be signed into law by Gov. Linda Lingle. "She's got until July 15 to veto it," Dawson says, "and it's unclear whether she will or not."

In the meantime, the local film and TV community is lobbying hard to convince her of the broad, sometimes unseen, economic benefits of production, whether it be an "Indiana Jones" or a small Lifetime movie like 2008's "Flirting With Forty."

"It was terrific product placement with the Royal Hawaiian hotel," says Honolulu Film Office commissioner Walea Constantinau of "Flirting." "Immediately after the show aired, the hotel started

to get calls about bookings."

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