

HAWAII'S OPPORTUNITY ZONES

EAST MOLOKAI
MAUI COUNTY



An overview of the potential opportunities for
industrial, commercial, and residential investment.

What is an Opportunity Zone?

INTRODUCTION TO HAWAII'S OPPORTUNITY ZONES

These overviews are designed to give investors a high-level overview of the potential opportunities in each of these zones in terms of industrial, commercial, and residential investment possibilities.

OPPORTUNITY ZONES

Hawaii designated 25 census tracts as opportunity zones as part of the new federal community development program established by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities nationwide. Its stated purpose is to encourage entrepreneurship and expansion capital for economically distressed areas of the country.



ADDITIONAL INCENTIVES

Almost all the opportunity zones in Hawaii overlay with other economic development initiatives such as New Market Tax Credits, Enterprise Zones and Transit Orient Development (TOD) Zones. There are also many other non-census tract-based programs that can be applied such as Low-Income Housing Tax Credits (LIHTC). Additionally, there may be synergies between investors and their missions and the major property holders and businesses in an opportunity zone.

OPPORTUNITY FUNDS

The opportunity zones program provides a federal tax incentive for investors to re-invest their unrealized capital gains into opportunity funds that are dedicated to investing in opportunity zones. Opportunity funds are the private sector investment vehicles that invest in opportunity zones. The fund model will enable a broad array of investors to pool their resources in opportunity zones, increasing the scale of investments going to underserved areas.



BENEFITS TO INVESTORS

A temporary tax deferral for capital gains reinvested in an opportunity fund. The deferred gain must be recognized on the earlier of the date on which the opportunity zone investment is sold or December 31, 2026.

A step-up in basis for capital gains reinvested in an opportunity fund. The basis of the original investment is increased by 10% if the investment in the qualified opportunity zone fund is held by the taxpayer for at least 5 years, and by an additional 5% if held for at least 7 years, excluding up to 15% of the original gain from taxation.

A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in a qualified opportunity zone fund, if the investment is held for at least 10 years. (Note: this exclusion applies to the gains accrued from an investment in an opportunity fund, not the original gains).

NEXT STEPS

More information can be found at:

<https://invest.hawaii.gov/hawaii-opportunity-zones/> including detailed GIS maps of Hawaii's opportunity zones.

As a next step, potential investors should consult and work with their tax attorneys, real estate agents and business advisors to explore investment possibilities in opportunity zones in Hawaii.

MARKET HIGHLIGHTS FOR 2018 for Maui County

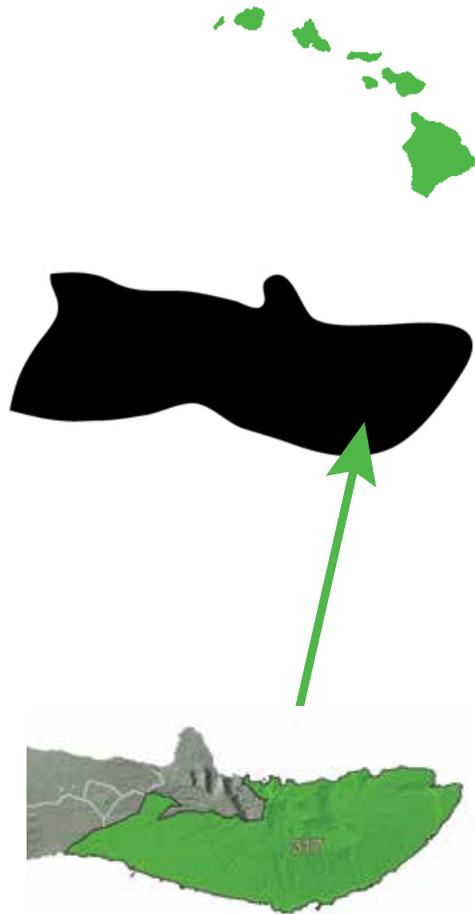
RETAIL VACANCY RATE	17.16%
RETAIL NET ABSORPTION	(58,317) SF
RETAIL AVG. ASKING BASE RENT	\$4.26 psf/mo

OFFICE VACANCY RATE	17.24%
OFFICE NET ABSORPTION	4,986 SF
OFFICE AVG. ASKING BASE RENT	\$1.77 psf/mo

INDUSTRIAL VACANCY RATE	1.27%
INDUSTRIAL NET ABSORPTION	204,476 SF
INDUSTRIAL AVG. ASKING BASE RENT	\$1.31 psf/mp

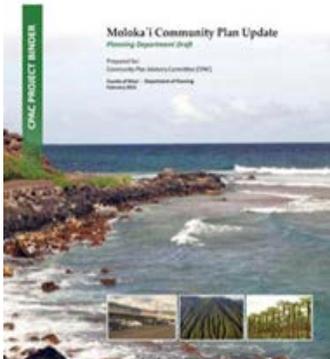
INVESTMENT SALES VOLUME	\$716.7 Million
INVESTMENT SALES COUNTS	35

Source: Colliers International Hawaii Research & Forecast Report, Maui Market Year-End 2018



Likely Investment Drivers on Molokai

- Diversified agricultural and value-added agricultural products
- Worker housing and commercial service centers
- Renewable energy projects
- Small-scale and light manufacturing
- Small footprint tourism facilities
- Enterprise Zone partnership program that assists certain types of businesses to create jobs where they are most needed or appropriate



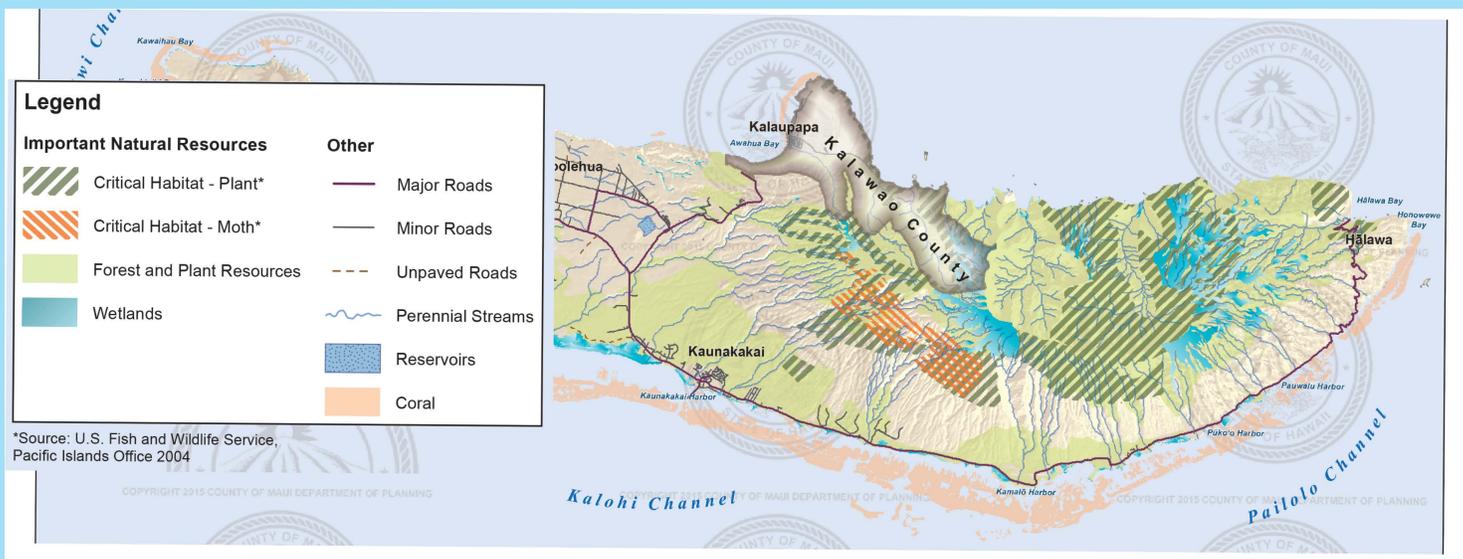
EAST MOLOKAI NEIGHBORHOODS

Most of the East Molokai Opportunity Zone (Census Tract 317) is a pristine natural area not appropriate for development with the exception of the principal town, Kaunakakai. The town is a picturesque village with a two-block stretch of food stores, service stations, a couple of gift shops and cafes surrounded by farming communities. The Kaunakakai area is the most appropriate for small-scale development. Except for tiny Niihau, Molokai has the highest percentage of residents with native Hawaiian ancestry.



Census Tract: 317 (East Molokai)

- Resident Population: 4,300
- Median Household Income: \$38,790
- Median Family Income: \$55,409
- Population with a High School Degree or Higher: 93.7%
- Median Value for Owner-Occupied Housing Unit: \$291,700







STATE OF HAWAII • DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM