

HAWAII'S OPPORTUNITY ZONES

HONOLULU AREA

AIEA - WAIPAHU NEIGHBORHOODS



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 realized 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).

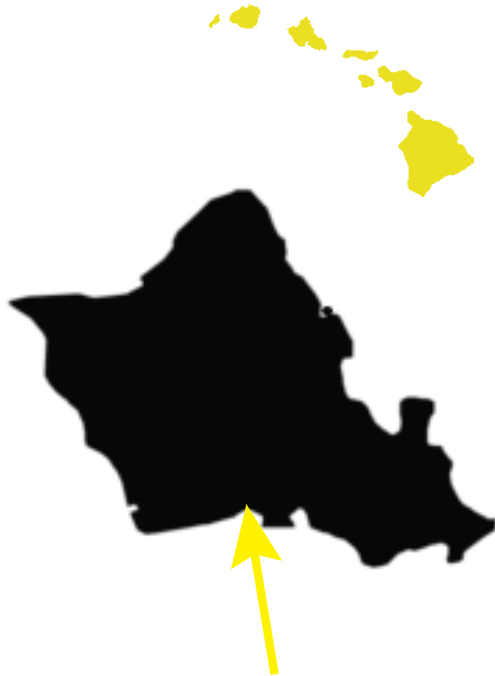
NEXT STEPS

More information can be found at:

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

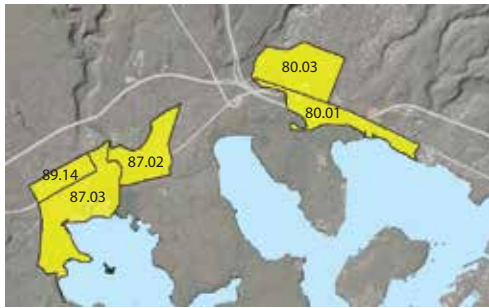
As a next step, potential investors should consult and work with their tax attorneys, real estate agents and business advisors to explore investment possibilities in opportunity zones in Hawaii.

MARKET HIGHLIGHTS FOR 2018 for the Island of Oahu



RETAIL VACANCY RATE	5.26%
RETAIL NET ABSORPTION	358,054 SF
RETAIL AVG. ASKING BASE RENT	\$4.14 psf/mo
OFFICE VACANCY RATE	12.79%
OFFICE NET ABSORPTION	(1,863) SF
OFFICE AVG. ASKING BASE RENT	\$3.13 psf/mo
INDUSTRIAL VACANCY RATE	2.03%
INDUSTRIAL NET ABSORPTION	(25,997) SF
INDUSTRIAL AVG. ASKING BASE RENT	\$1.21 psf/mp
INVESTMENT SALES VOLUME (STATEWIDE)	\$5.15 Billion
INVESTMENT SALES COUNTS (STATEWIDE)	290

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



Investment Drivers in Honolulu

- \$5.2B, 20 miles rail transit under construction
- Neighborhood TOD Plans and Zoning
- Walkable, connected, complete streets
- Islandwide housing strategy
- Financial toolkit of incentives and funding
- TOD Subcabinet coordination of City Infrastructure, permits, funding, projects
- Identified catalytic projects and growing market interest



AIEA - PEARL CITY NEIGHBORHOOD

Aiea and Pearl City are centrally located within the island's existing and planned urban areas. Businesses and residents have good access to downtown Honolulu, Central Oahu, Ewa, and Windward Oahu via the H-1, H-2 and H-3 freeways, Moanalua Road, Kamehameha Highway, Farrington Highway, and the City's extensive bus transit system.

Aiea and Pearl City are excellent locations for: Residents working in Aiea and Pearl City, as well as those commuting to jobs in Honolulu, Ewa and Central Oahu. Students attending Leeward Community College and UH West Oahu. Military personnel and civilian defense workers living in the area and commuting to nearby military facilities. Retail stores and office complexes serving Aiea, Pearl City, and the surrounding region

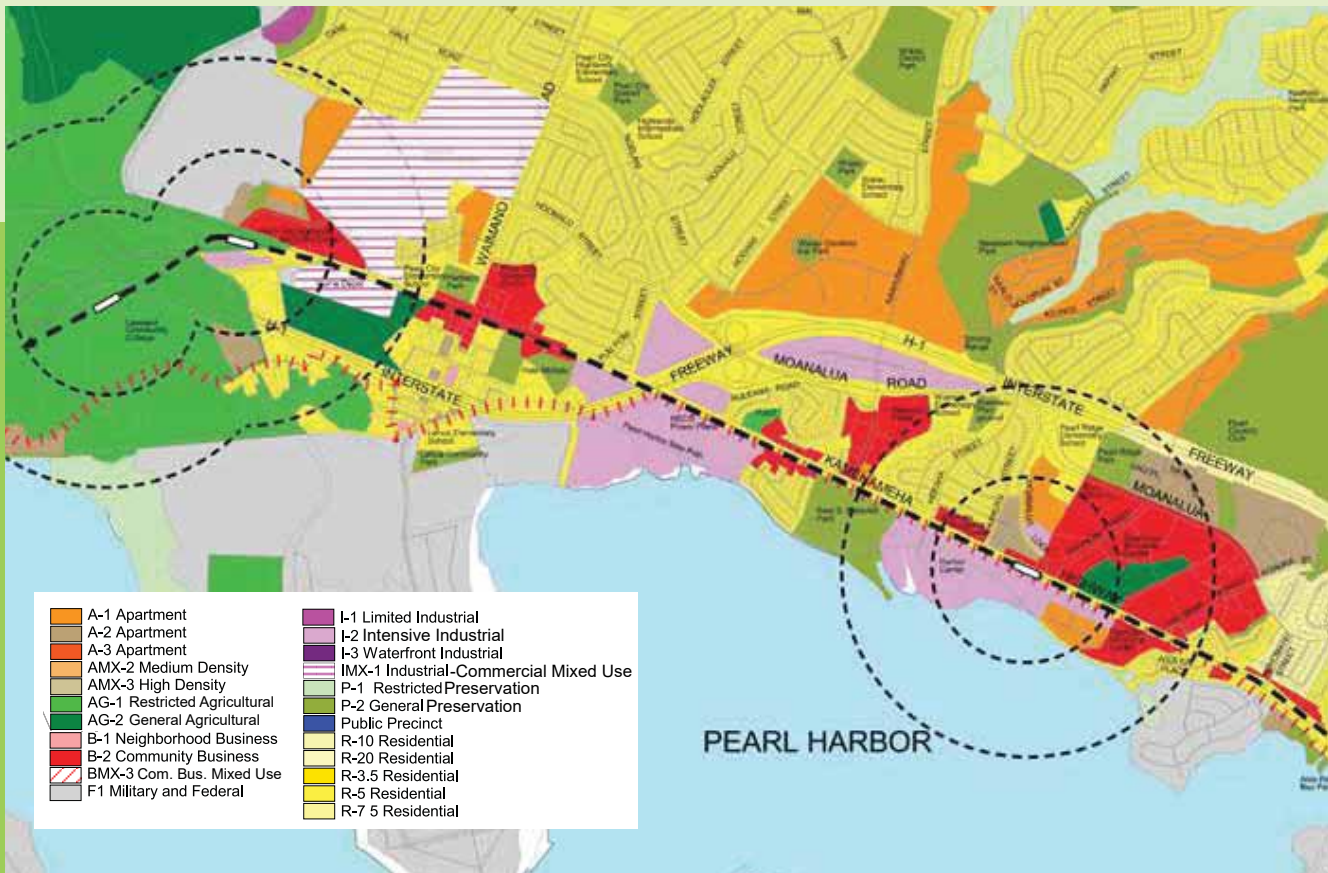
Census Tract: 80.01 (Hale Mohalu Hospital)

- Resident Population: 2,026
- Median Household Income: \$43,417
- Median Family Income: \$51,484
- Population with a High School Degree or Higher: 79.5%
- Median Value for Owner-Occupied Housing Unit: \$497,600



Census Tract: 80.03 (Manana)

- Resident Population: 5,025
- Median Household Income: \$59,936
- Median Family Income: \$64,858
- Population with a High School Degree or Higher: 87.4%
- Median Value for Owner-Occupied Housing Unit: \$322,800



WAIPAHU NEIGHBORHOOD

Waipahu is located just mauka of Pearl Harbor along the H-1 Freeway between the fast-growing Ewa region and the Primary Urban Center. The Waipahu Neighborhood TOD Plan focuses on two proposed transit stations at the intersections of Farrington / Leoku and Farrington / Mokuola Streets.

The community's vision is to "Celebrate Waipahu" by fostering neighborhood improvements and future urban development. Plan highlights that are common to areas include: A Connected Greenway Network, Multi-Family Housing, New Mini Parks and Open Spaces, Boulevard Treatment along Farrington Highway, Parking Management, and Park-n-Ride Facilities.

Census Tract: 87.02 (St. Joseph School)

- Resident Population: 6,407
- Median Household Income: \$51,286
- Median Family Income: \$63,428
- Population with a High School Degree or Higher: 82.6%
- Median Value for Owner-Occupied Housing Unit: \$437,600

Census Tract: 87.03 (West Loch)

- Resident Population: 6,782
- Median Household Income: \$51,832
- Median Family Income: \$60,417
- Population with a High School Degree or Higher: 85.9%
- Median Value for Owner-Occupied Housing Unit: \$468,200

Census Tract: 89.14 (Honowai School)

- Resident Population: 5,270
- Median Household Income: \$66,058
- Median Family Income: \$65,530
- Population with a High School Degree or Higher: 83.1%
- Median Value for Owner-Occupied Housing Unit: \$181,400

