

HAWAII'S OPPORTUNITY ZONES

HONOLULU AREA
DOWNTOWN - CHINATOWN - KALIHI
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).

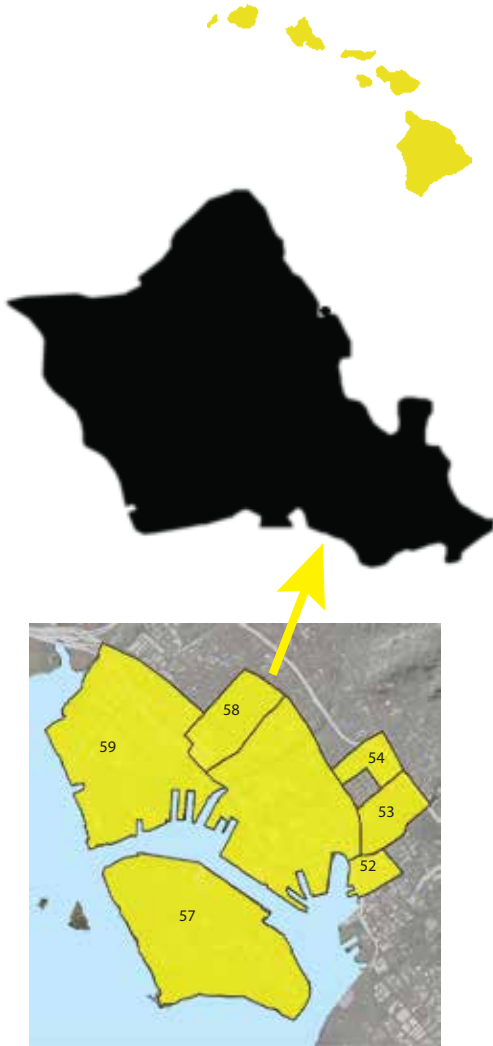
NEXT STEPS

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/yr
INVESTMENT SALES VOLUME (STATEWIDE)	\$5.15 Billion
INVESTMENT SALES COUNTS (STATEWIDE)	290

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

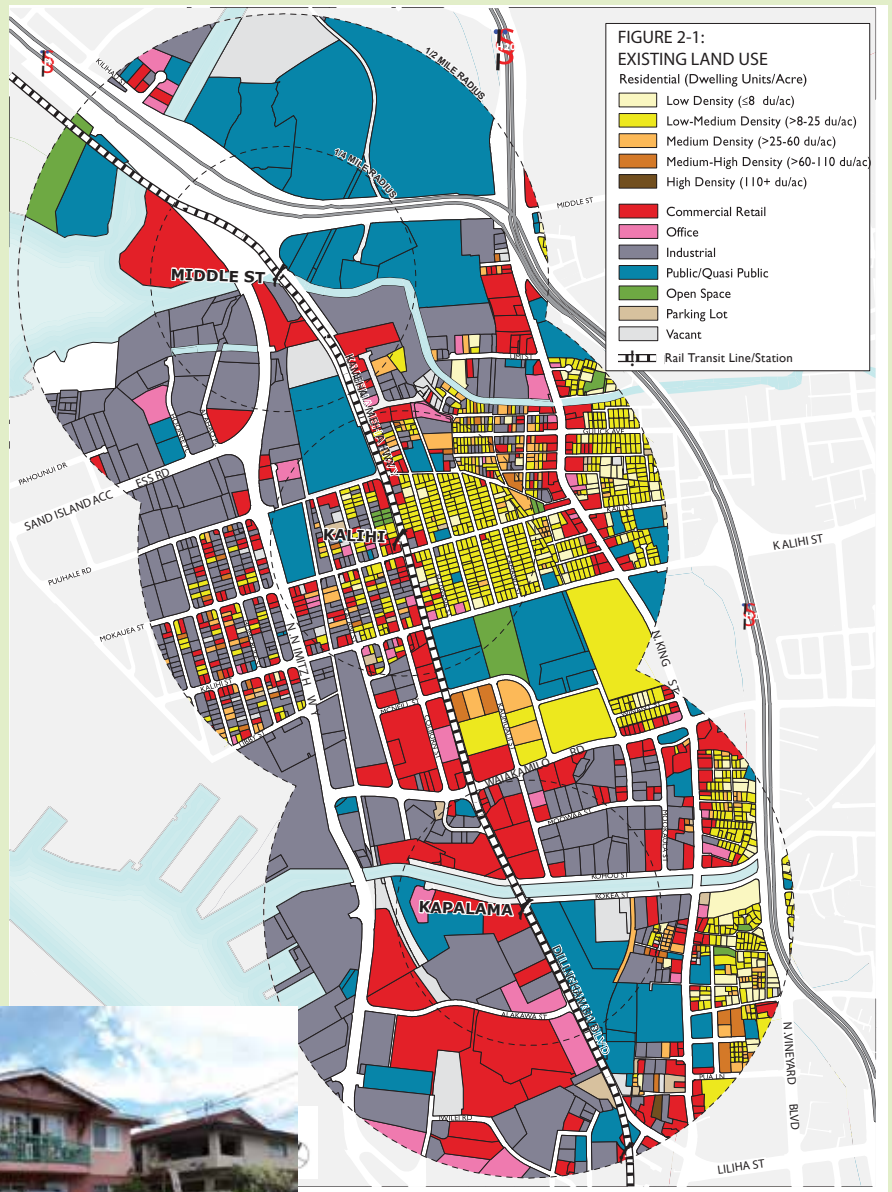
Investment Drivers in Honolulu

- \$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



KALIHI NEIGHBORHOOD

Kalihi is one of the most diverse communities in Honolulu. It hosts a range of small commercial and industrial businesses and serves as a home to long-time residents and new immigrants. With the planned introduction of three rail transit stations (Middle Street, Kalihi and Kapalama), Kalihi has the opportunity to emerge as a vital mixed-use district, with a new neighborhood in Kapalama, more diverse housing and employment opportunities, reinvigorated educational centers, new open spaces, a promenade along Kapalama Canal, and a multi-modal circulation network connecting residents and workers to key destinations, homes, and jobs. The Kalihi Neighborhood TOD Plan will guide development over the next era of Kalihi's growth and enhancement.



Census Tract: 55 (Palama)

- Resident Population: 2,140
- Median Household Income: \$34,886
- Median Family Income: \$39,659
- Population with a High School Degree or Higher: 58.6%
- Median Value for Owner-Occupied Housing Unit: \$350,000

Census Tract: 58 (Waiakamilo Road)

- Resident Population: 3,482
- Median Household Income: \$42,288
- Median Family Income: \$42,458
- Population with a High School Degree or Higher: 71.5%
- Median Value for Owner-Occupied Housing Unit: \$257,200

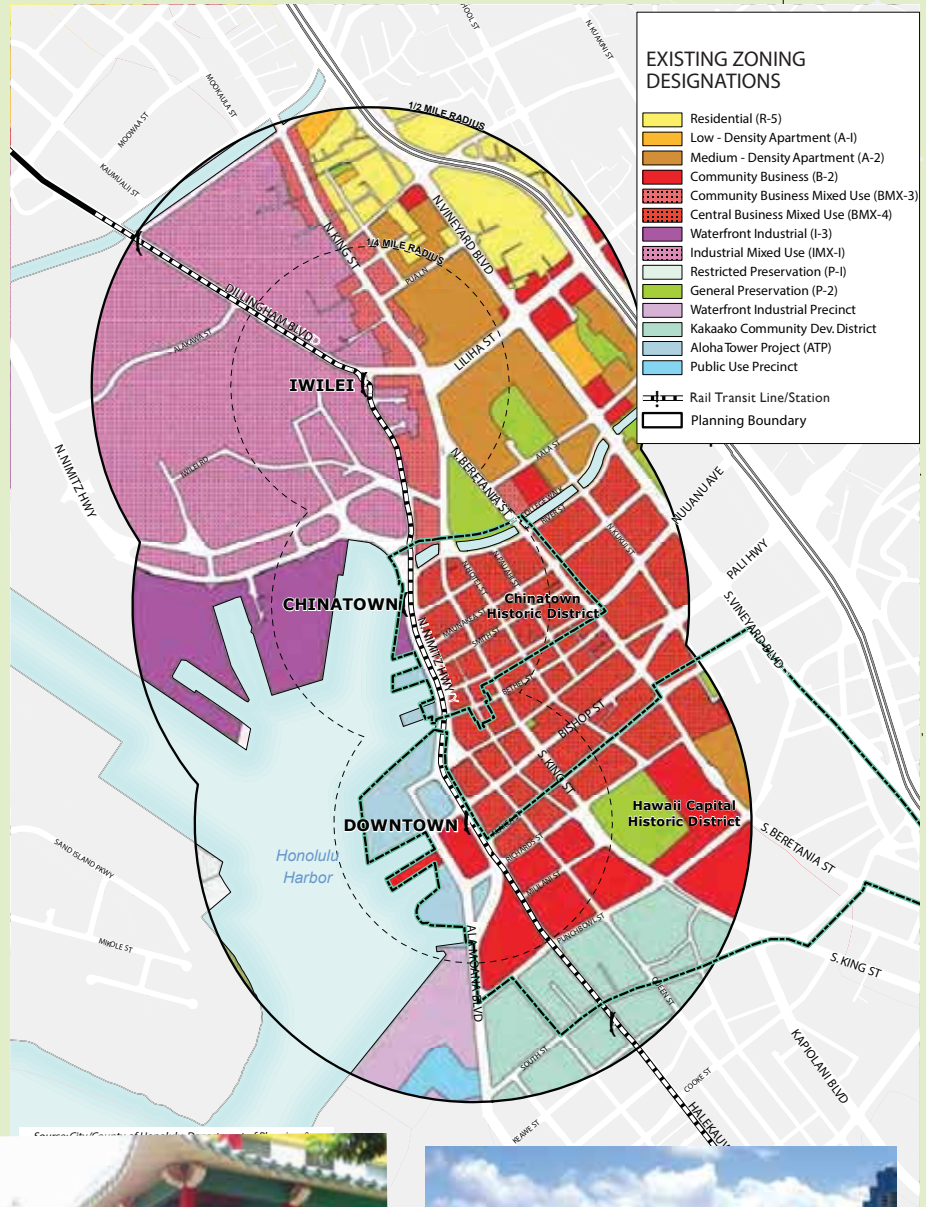
Census Tract: 59 (Mokauea Street)

- Resident Population: 3,955
- Median Household Income: \$46,538
- Median Family Income: \$52,222
- Population with a High School Degree or Higher: 73.8%
- Median Value for Owner-Occupied Housing Unit: \$737,500

DOWNTOWN NEIGHBORHOOD

The Downtown corridor includes the Downtown, Chinatown, and Iwilei station areas. It is home to Oahu's center of employment, the historic Chinatown district, and a variety of open spaces. The Downtown Neighborhood Transit-Oriented Development (TOD) Plan articulates a vision for the future of the Downtown corridor and will guide its development over the next era of the city's growth. It will enhance transit access and walkability by enabling more people to live and work within walking distance of a rail station.

The Plan envisions more diverse housing options, employment opportunities, and educational centers, and a new high-intensity mixed-use neighborhood in Iwilei. New and improved open spaces, entertainment venues, and a waterfront promenade will enhance livability. A more connected circulation network in the Iwilei area, as well as safer street crossings and new bicycle facilities throughout Downtown, will help residents, workers, and tourists access key destinations, residences, and jobs.



Census Tract: 52 (Chinatown)

- Resident Population: 2,903
- Median Household Income: \$27,083
- Median Family Income: \$34,009
- Population with a High School Degree or Higher: 56.2%
- Median Value for Owner-Occupied Housing Unit: \$-

Census Tract: 53 (Aala)

- Resident Population: 3,977
- Median Household Income: \$36,932
- Median Family Income: \$39,304
- Population with a High School Degree or Higher: 62.5%
- Median Value for Owner-Occupied Housing Unit: \$293,800

Census Tract: 57 (Iwilei - Anuenue)

- Resident Population: 2,418
- Median Household Income: \$37,550
- Median Family Income: \$39,773
- Population with a High School Degree or Higher: 81.2%
- Median Value for Owner-Occupied Housing Unit: \$435,900

