

HAWAII'S OPPORTUNITY ZONES

Hilo Area



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 Island of Hawaii

RETAIL VACANCY RATE	13.38%
RETAIL NET ABSORPTION	(66,200) SF
RETAIL AVG. ASKING BASE RENT	\$3.06 PSF/Mo
OFFICE VACANCY RATE	11.3%
OFFICE NET ABSORPTION	53,859 SF
OFFICE AVG. ASKING BASE RENT	\$1.43 PSF/Mo
INDUSTRIAL VACANCY RATE	1.24%
INDUSTRIAL NET ABSORPTION	16,695 SF
INDUSTRIAL AVG. ASKING BASE RENT	\$1.06 PSF/Mo
INVESTMENT SALES VOLUME	\$369,284,823
INVESTMENT SALES COUNTS	33

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



Hilo Opportunity Zones: Investment Drivers

ECONOMIC

Banyan Drive Resorts
Kanoelehua Industrial Area
Foreign Trade Zone
Prince Kūhiō Plaza
Hilo Farmers Market

HEALTHCARE

Hilo Medical Center
Ka Waena Lapa'au Medical Offices
Hilo Community Surgery Center

GOVERNMENT

Government Center
State Judiciary



EDUCATION & RESEARCH

University of Hawai'i - Hilo
Hawai'i Community College
U.S. Pacific Basin Agricultural
Research Center

PORTS

Port of Hilo
Hilo International Airport

CULTURAL

Old Town Hilo
Wailuku River, Boiling Pots,
Rainbow Falls
Bayfront Park System
Wailoa River State Park
'Imiloa Astronomy Center
Merrie Monarch Festival

EAST HAWAII OPPORTUNITY ZONES

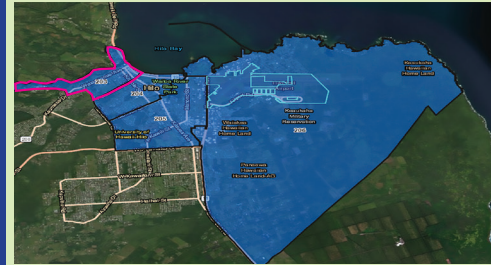
Pu'u'eo-Downtown

The Pu'u'eo-Downtown Opportunity Zone (Census Tract 203) encompasses downtown Hilo and is the historic business center of East Hawaii. This zone boasts many assets of potential interest to investors including: Old Town Hilo, Kalakaua Park, Hilo Farmers Market, Hilo Medical Center, Ka Waena Lapa'au Medical Offices, Hilo Community Surgery Center and the natural attractions of the Wailuku River, Boiling Pots and Rainbow Falls. The top occupations in this opportunity zone are Management/Business/Science (37%), Service (25%) and Sales & Office (22%).



Census Tract: 203 (Pu'u'eo-Downtown)

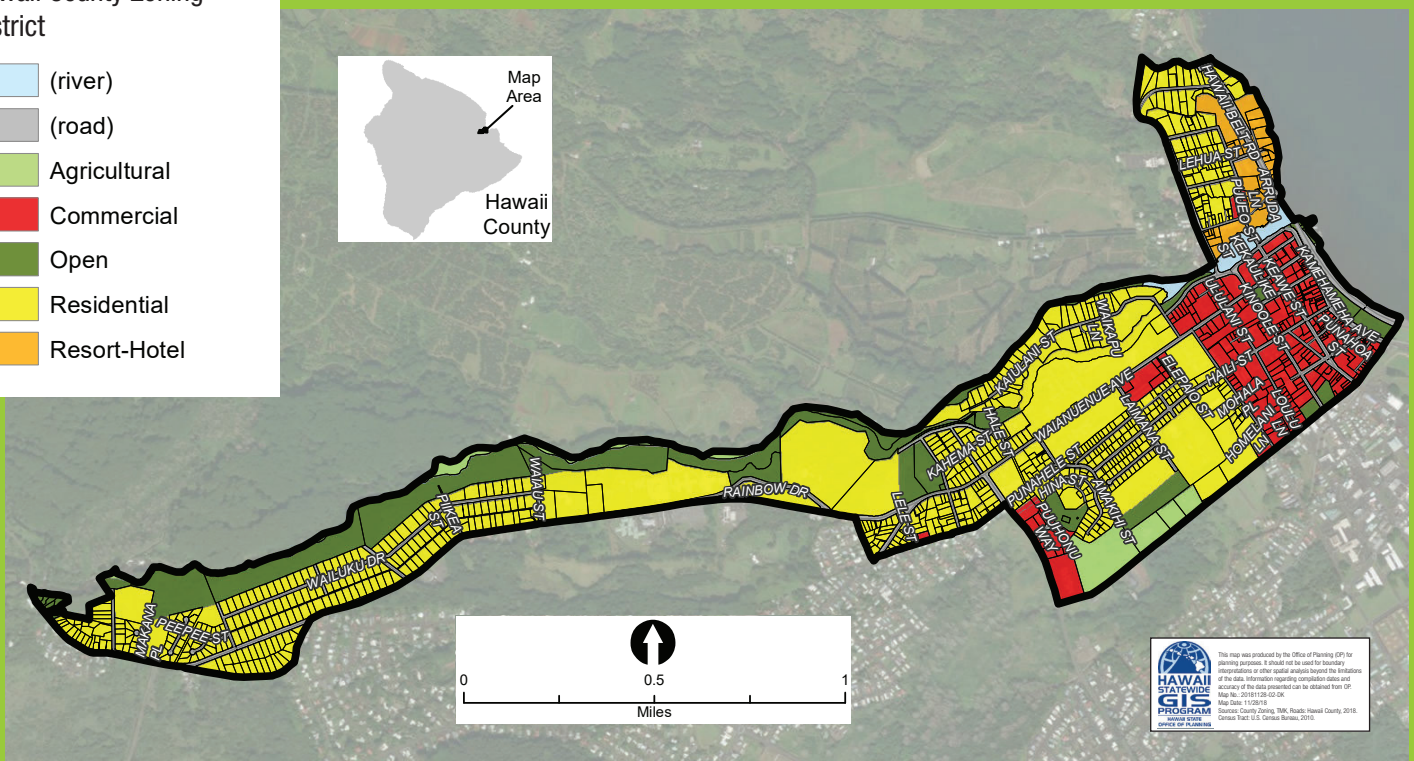
- Resident Population: 3,908
- Median Household Income: \$37,813
- Median Family Income: \$70,428
- Population with a High School Degree or Higher: 90.2%
- Median Value for Owner-Occupied Housing Unit: \$265,800



Opportunity Zones Census Tract 203

Hawaii County Zoning District

- (river)
- (road)
- Agricultural
- Commercial
- Open
- Residential
- Resort-Hotel



EAST HAWAII OPPORTUNITY ZONES

Villa Franca-Kaiko'o

The Villa Franca-Kaiko'o Opportunity Zone (Census Tract 204) is part of the Hilo urban area and encompasses the administrative center of East Hawaii. This zone boasts many assets of potential interest to investors including: Government Center, State Judiciary and the natural attractions of the Bayfront Park System and Wailoa River State Park. The top occupations in this opportunity zone are Management/Business/Science (32%), Service (26%) and Sales & Office (19%).



Census Tract: 204 (Villa Franca-Kaiko'o)

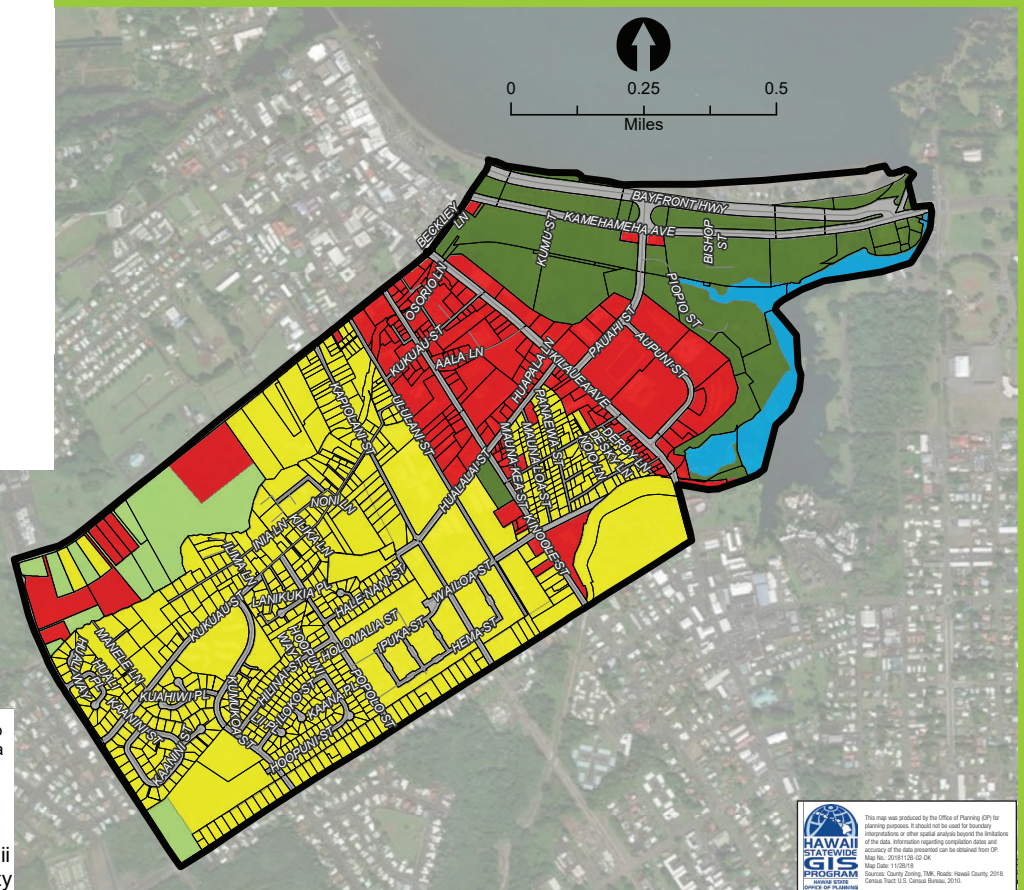
- Resident Population: 3,959
- Median Household Income: \$29,535
- Median Family Income: \$27,250
- Population with a High School Degree or Higher: 90.8%
- Median Value for Owner-Occupied Housing Unit: \$244,800



Opportunity Zones Census Tract 204

Hawaii County Zoning District

- (pond)
- (road)
- Agricultural
- Commercial
- Open
- Residential



EAST HAWAII OPPORTUNITY ZONES

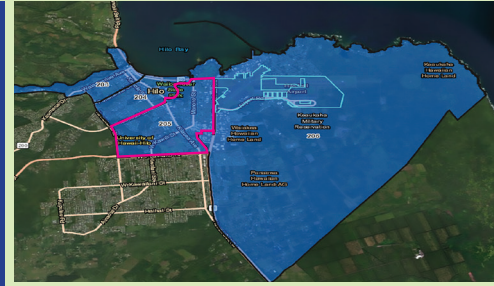
University-Houselots

The University-Houselots Opportunity Zone (Census Tract 205) is part of the Hilo urban area and encompasses one of Hawaii's major research centers. This zone boasts many assets of potential interest to investors including: University of Hawaii at Hilo and Hawaii Community College, Imiloa Astronomy Center, the U.S. Pacific Basin Agricultural Research Center and natural attraction of Ho'olulu Park and the Merrie Monarch Festival is held in this zone. The top occupations in this opportunity zone are Management/Business/Science (42%), Service (22%) and Sales & Office (21%).



Census Tract: 205 (University-Houselots)

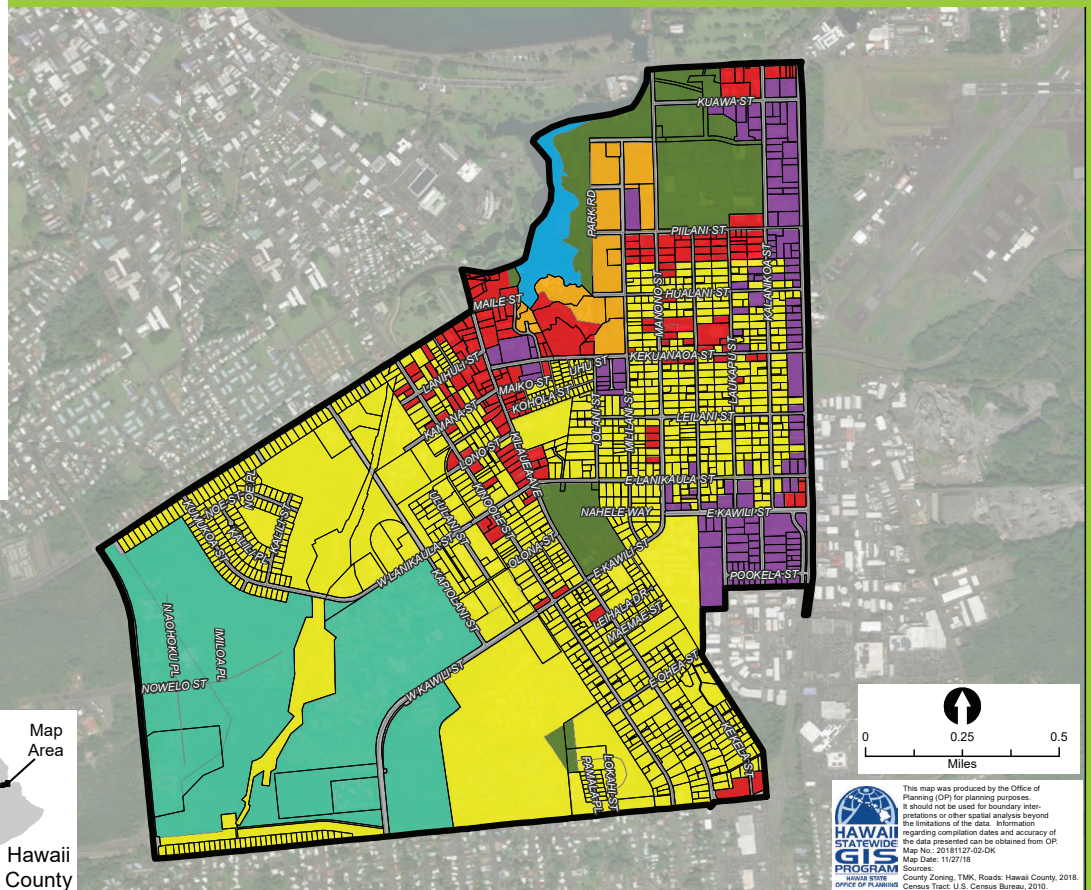
- Resident Population: 5,117
- Median Household Income: \$23,727
- Median Family Income: \$27,581
- Population with a High School Degree or Higher: 85.2%
- Median Value for Owner-Occupied Housing Unit: \$274,500



Opportunity Zones Census Tract 205

Hawaii County Zoning District

- (pond)
- (road)
- Commercial
- Industrial
- Open
- Residential
- University
- Resort-Hotel



This map was produced by the Office of Planning (OP) for planning purposes. It should not be used for boundary interpretations or other spatial analysis beyond the limitations of the data. Information regarding compilation dates and accuracy of the data presented can be obtained from OP.
Map No. 20181127-02-DK
Map Date: 11/27/18
Sources:
Hawaii Statewide GIS Program
County Zoning, TMK, Roads: Hawaii County, 2018.
Census Tract: U.S. Census Bureau, 2010.

EAST HAWAII OPPORTUNITY ZONES

Keaukaha- Pana'ewa

The Keaukaha- Pana'ewa (Census Tract 206) is part of the Hilo urban area and in many respects the gateway to East Hawaii. This zone boasts many assets of potential interest to investors including: the Port of Hilo, Hilo International Airport, Foreign Trade Zone, New Innovation & Manufacturing Center, Prince Kuhio Plaza, Kanoiehua Industrial Area, Keaukaha, Pana'ewa and Waiakea Hawaiian Home Lands and the Banyan Drive Resorts. The top occupations in this opportunity zone are Management/Business/Science (29%), Service (23%) and Sales & Office (26%).




Census Tract: 206 (Keaukaha- Pana'ewa)

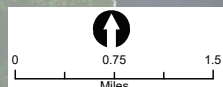
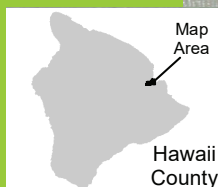
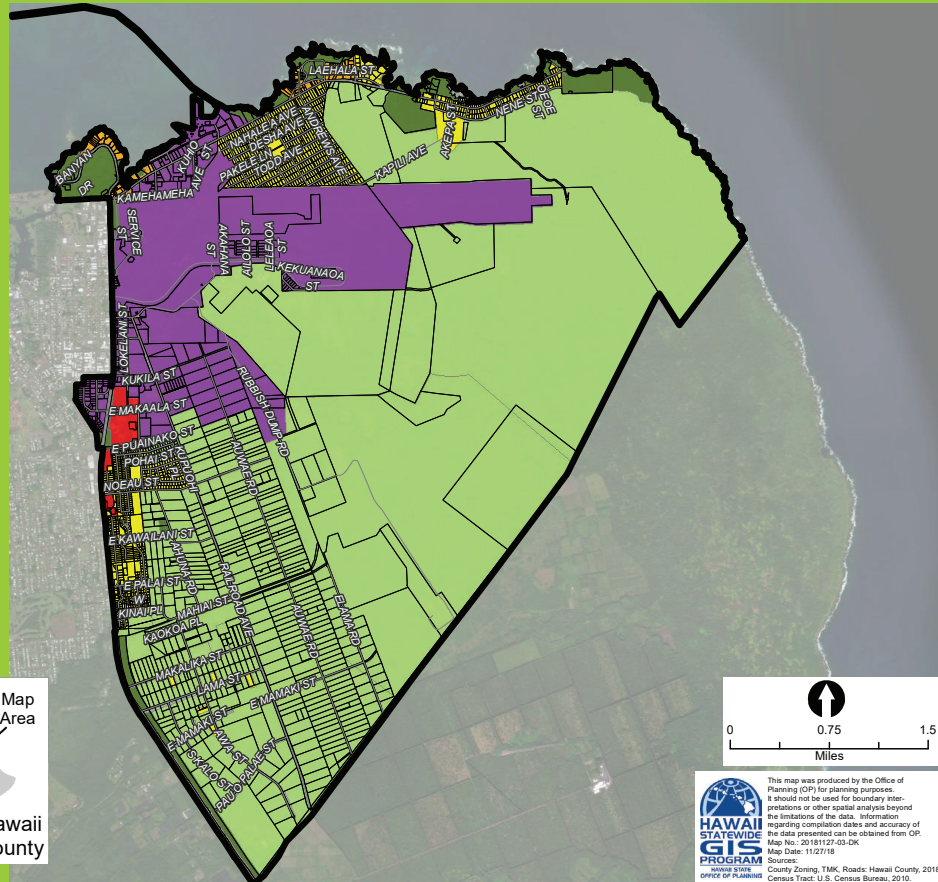
- Resident Population: 6,282
- Median Household Income: \$53,068
- Median Family Income: \$64,125
- Population with a High School Degree or Higher: 92.6%
- Median Value for Owner-Occupied Housing Unit: \$218,400



Opportunity Zones Census Tract 206

Hawaii County Zoning District

-  (breakwater)
-  (pond)
-  (road)
-  Agricultural
-  Commercial
-  Industrial
-  Open
-  Residential
-  Resort-Hotel



This map was produced by the Office of Planning (OP) for planning purposes. It should not be used for boundary interpretations or other spatial analysis beyond the limitations of the data. Information regarding compilation date and accuracy of the data presented can be obtained from OP. Map No.: 20181227-03-0K. Map Date: 11/27/18. Sources: County Zoning, TMK, Roads: Hawaii County, 2018; Census Tract: U.S. Census Bureau, 2010.

