

HAWAII'S OPPORTUNITY ZONES

Kona 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

Kona Opportunity Zones: Investment Drivers

ECONOMIC

Kailua-Kona Visitor Destination
 Kaloko Industrial Area
 Kohanaiki Golf and Ocean Club
 Kailua Village Business
 Improvement District

GOVERNMENT

West Hawai'i Civic Center
 State Judiciary

PORTS

Honokōhau Small Boat Harbor
 Kailua Pier

CULTURAL

Kailua Bay
 Kaloko-Honokōhau National Historical Park



WEST HAWAII OPPORTUNITY ZONES

Kealakehe

The Kealakehe Opportunity Zone (Census Tract 215.04) is part of the Kailua-Kona urban area in West Hawaii. This zone boasts many assets of potential interest to investors including: Kohanaiki Golf and Ocean Club, Kaloko-Honokohau National Historical Park, Honokohau Small Boat Harbor, Kaloko industrial Area, West Hawaii Civic Center and Kealakehe and Kaeahuolu Hawaiian Home Lands. The top occupations in this opportunity zone are Management/ Business/Science (36%), Service (31%) and Sales & Office (19%).









Census Tract: 215.04 (Kealakehe)

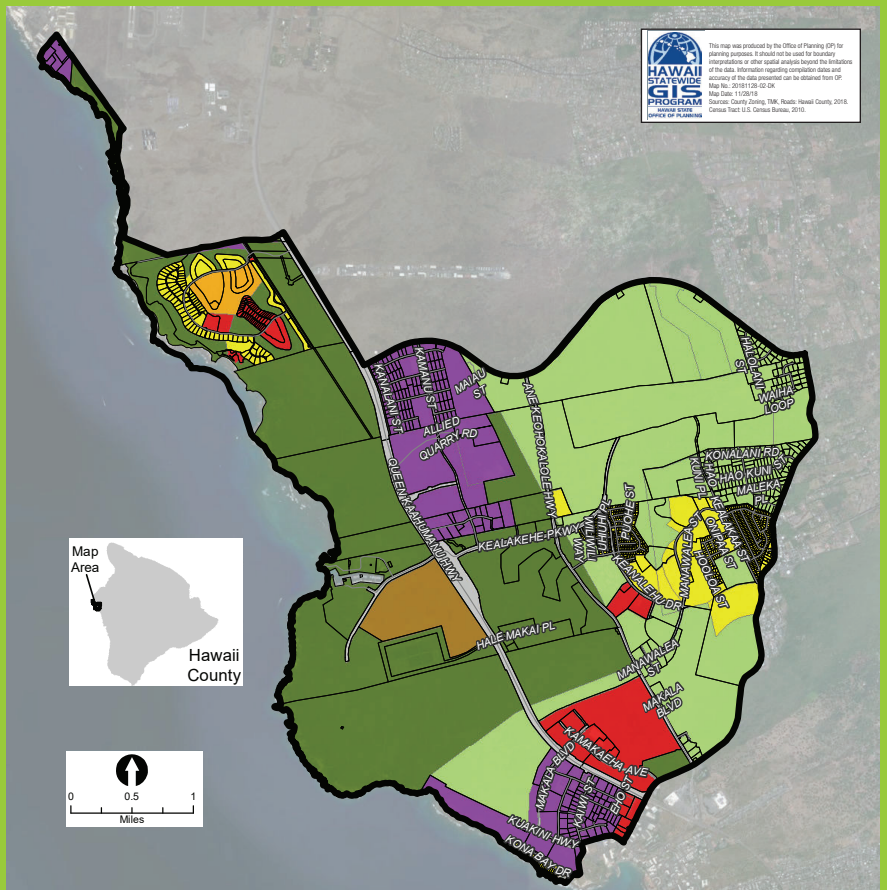
- Resident Population: 4,867
- Median Household Income: \$51,659
- Median Family Income: \$56,012
- Population with a High School Degree or Higher: 87.6%
- Median Value for Owner-Occupied Housing Unit: \$296,800



Opportunity Zones Census Tract 215.04

Hawaii County Zoning District

-  (road)
-  Agricultural
-  Commercial
-  Industrial
-  Open
-  Project District
-  Residential
-  Resort-Hotel



WEST HAWAII OPPORTUNITY ZONES

Kailua

The Kailua Opportunity Zone (Census Tract 216.01) is part of the Kailua-Kona urban area in West Hawaii. This zone boasts many assets of potential interest to investors including: Kailua-Kona Visitor Destination, Kailua Bay, Kailua Pier, Ali'i Drive, National and International brand name hotels and resorts, Kona Village Business Improvement District. The top occupations in this opportunity zone are Management/Business/Science (26%), Service (33%) and Sales & Office (25%).









Census Tract: 216.01 (Kailua)

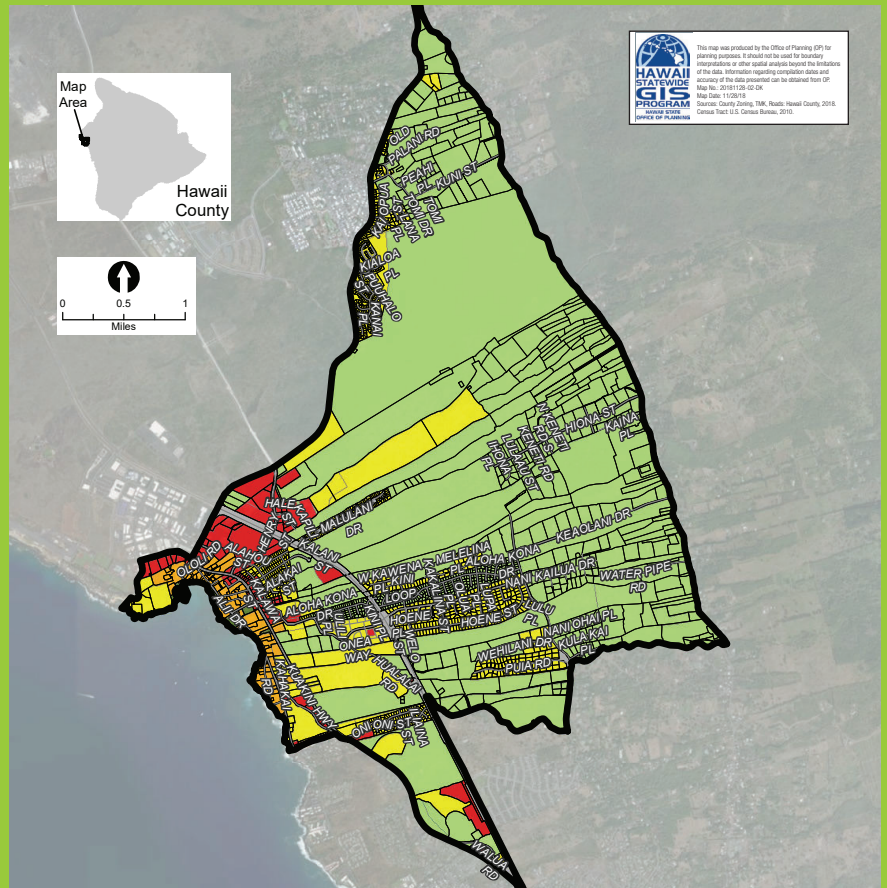
- Resident Population: 7,769
- Median Household Income: \$56,640
- Median Family Income: \$66,463
- Population with a High School Degree or Higher: 87.6%
- Median Value for Owner-Occupied Housing Unit: \$418,900



Opportunity Zones Census Tract 216.014

Hawaii County Zoning District

-  (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 computer data and accuracy of the data presented can be obtained from OP.
Map Date: 11/29/18
Source: County Zoning, T.M., Road: Hawaii County 2018, Census Tract U.S. Census Bureau, 2010.



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