



2008 Annual Report

State of Hawaii ~ Department of Business, Economic Development & Tourism



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2003 Report is only on CD-ROM.

Continues same series under Department's earlier names.

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Director's Welcome

Department of Business, Economic Development & Tourism



Aloha,

With our state coping with the fallout of a widespread economic downturn, we see two major objectives for our Department.

DBEDT's Mission in the short term is to monitor and strengthen Hawaii's economy and business sectors and, in the medium- to long-term, to transition Hawaii to a world-competitive economy based on human capital and the capacity to innovate.

To achieve its short-term mission, DBEDT is leading efforts to implement the Administration's Five Point Economic Plan, with a particular emphasis on implementing the Hawaii capital spending stimulus plan.

To achieve its Mission in the medium- to long-term, the Department leads efforts to improve the competitiveness of Hawaii's economy and businesses and to create the conditions to encourage and facilitate increased productivity, entrepreneurial effort and innovation.

Hawaii's Five Point Economic Plan is geared to help stabilize Hawaii's economy and preserve/create jobs by (1) Increasing tourism marketing and outreach; (2) Accelerating public CIP investment in infrastructure; (3) Attracting external investments, particularly in energy; (4) reduce fees and taxes; and (5) Maximizing federal partnerships and funding.

A major long-term effort is to reduce Hawaii's dependence on imported petroleum. The State's clean energy initiative is a partnership with the Federal government to demonstrate and implement the commercial viability of our abundant alternate energy sources.

Our goal is to fundamentally transform how Hawaii produces, distributes, and uses energy by developing policies and regulatory proposals to accelerate the development of indigenous renewable energy; increase energy efficiency; encourage the adoption of new technologies; improve Hawaii's energy infrastructure; develop a energy business sector and "green-collar" jobs; and retain in Hawaii's economy a portion of the \$3 billion to \$7 billion a year exported to purchase foreign oil.

DBEDT is also committed to lead public sector efforts to bring about a world competitive business environment by reducing unnecessary regulations and barriers to competition; increasing transparency; and advocating for overall improvements to Hawaii's business environment.

* * *

For Hawaii, the economic conditions of 2008 mirrored the world's economic condition.

Our economy slowed significantly in 2008, and that situation is expected to prevail through most of 2009. However, while the visitor industry has been seriously impacted by economic conditions, the overall state economy is doing better than the nation as a whole.

Assuming that the national economy begins a recovery by mid 2009 as currently forecast, Hawaii should see improved economic conditions beginning late this year, with continued improvement into 2010.

Wage and salary jobs for October 2008, were down a slight 0.3 percent from the same month in 2007. Most job losses in 2008 were heavily tied to visitor arrivals, which were down 9.5 percent for 2009 through October. Final figures for 2008 are expected to show total visitor arrivals down 10.1 percent for the year as a whole.

We expect the contraction to continue into 2009. Tourism will decline again in 2009, but likely much less than this past year, just short of -2 percent. We also expect wage and salary jobs to show a slight decline for 2009 of -0.2 Percent.

While it is of limited consolation, Hawaii's economy has so far shown less impact on jobs than the nation as a whole. National unemployment climbed to 6.7 percent in November 2008.

Mahalo and Aloha,



Theodore E. Liu

DBEDT Goals

DBEDT will lead efforts to stabilize and strengthen our economy, improve the competitiveness of Hawaii businesses, and create the conditions to encourage and reward improved productivity and entrepreneurial effort.

- Lead implementation of the Hawaii 5-Point Economic Plan to stabilize the economy and establish the basis for future expansion.
- Change how Hawaii produces, distributes and uses energy to encourage 70% of Hawaii's energy to come from: (a) locally developed alternative energy sources; and (b) energy efficiency and conservation efforts;
- Align government resources to encourage Hawaii's citizens to participate in life-long learning opportunities and develop science, technology, engineering, and math skills, so as to better be able to take creative ideas and turn these ideas into products and services that can be sold in export markets;
- Increase international trade and educational opportunities for Hawaii's people;
- Advocate for open, fair and transparent tax and regulatory environments to provide a competitive business environment for Hawaii's small businesses;
- Advocate for land use policies that promote the efficient use of public and private resources;
- Increase the supply of housing units to support a highly skilled workforce in Hawaii;
- Work in partnership with other departments to improve Hawaii's critical infrastructure;
- Encourage better government policy and decision-making by providing data and analysis; and creating better data standards, reports, and data-sharing protocols with other state entities and Hawaii's educational establishment.

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Major Functions

1. **Hawaii Five Point Economic Plan** –

- Increase tourism marketing and outreach
- Accelerate public CIP investment in infrastructure
- Attract external investments, particularly in energy
- Reduce fees and taxes
- Maximize federal partnerships and funding

2. **Hawaii Clean Energy Initiative** –

Fundamentally transform how Hawaii produces, distributes, and uses energy by leading partnerships to accelerate the development of renewable energy; increasing energy efficiency, encouraging the adoption of new technologies; and improving Hawaii's energy infrastructure.

3. **Innovation Infrastructure** – Enable Hawaii's creative and entrepreneurial talent to turn ideas into globally competitive products and services by providing facilities, expertise, and assistance; and advocating for policy changes to build competitive businesses in Hawaii.

4. **Export of Goods and Services** – Increase the range and value of products and services exchanged between Hawaii and export markets by improving the export-readiness of Hawaii firms, encouraging international educational exchanges, and reinforcing factors that link Hawaii and the Asia-Pacific region.

5. **Improve Hawaii business environment** – Lead public sector efforts to bring about a world competitive business environment by reducing unnecessary regulations and barriers to competition; increasing transparency; and advocating for overall improvements to Hawaii's business environment.

6. **Workforce Housing** – Create workforce housing units in high-quality living environments by developing state lands; expediting approvals and permits; providing incentives and financing tools; and advocating for land use and housing policy changes.

7. **Innovation** – Help develop an innovation-driven and globally-competitive economy by leading efforts to build a new 21st Century workforce development system.

Core Program Areas

Strategic Marketing & Support Division

The Strategic Marketing & Support Division (SMSD) promotes industry development and economic diversification in Hawaii by supporting existing and emerging industries, attracting new investment and businesses that can create more skilled, quality jobs in the state, and work to increase exports of Hawaii products and services. Business support provides new and existing businesses direct loans, licensing and permit information and referral, business advocacy, planning and coordination of programs and projects aimed at specific business sectors or economically-distressed areas (including rural areas and areas affected by natural disaster); and to promote the statewide economic development of the film and video industry in Hawaii.

For further information, please call (808) 587-2784 or visit: [Strategic Marketing & Support Division](#)

SMSD Branch Directory:

Services Trade Branch

Phone: (808) 587-2750

Fax: (808) 586-2589

Investment & Business Analysis Branch

Phone: (808) 587-2783

Fax: (808) 587-2787

[Business and Community Assistance Branch](#)

Phone: (808) 586-2582

Fax: (808) 586-2589

DBEDT's Global Links seminars and workshops, and International Education Conference reached /touched 1001 business people in Hawaii.

SMSD supported the F.I.R.S.T. Hawaii Regional Robotics Competition with 2,000 spectators, 27 Hawaii teams, 12 mainland teams, 450 Hawaii students involved. DBEDT helped secure \$595,000 in scholarships and secured grant support for the competition.

The Community Business and Economic Development Program awarded 11 grants of \$111,949 to community based organizations for workforce/job development. Organizations reported that 163 new jobs were created, 72 new businesses were created, and 280 students received practical training.



Research & Economic Analysis Division

Research & Economic Analysis Division

The Research & Economic Analysis Division (READ) works to enhance and contribute to the economic development of the State by providing analyses and policy recommendations on economic issues. READ provides economic forecasts that contribute to long-term statewide planning and infrastructure needs assessment, and also conducts and reports on basic research into the economy of the state. READ generates the basic data on Hawaii's visitor industry. READ also measures and analyzes emerging and growth industries in the state.

For further information: [Research & Economic Analysis Division](#)

READ Branch Directory:

Statistics & Data Support Branch

Phone: (808) 586-2481

Economic Research Branch

Phone: (808) 586-5830

Economic Information Staff

Phone: (808) 586-2475

Tourism Research Branch

Phone: (808) 586-2482

DBEDT Library

Phone: (808) 586-2424

Fax: (808) 587-2790

In addition to its responsibilities to collect, analyze and deliver economic and tourism data, the Research and Economic Analysis Division (READ) was tasked with several new responsibilities through recent legislation.

In the first, DBEDT developed bench mark data and analysis for emerging and growth industries under Act 148 (SLH 2007). The statutory industries for analysis included but were not limited to; Ocean Science, Biotechnology and Life Science, Astronomy, Technology & Information Technology, film and Creative Media, Aquaculture, and Specialty Tourism.

A second task, also passed by the legislature, was the development of a data warehouse with on-line access for data users. This system will allow users to easily query READ's data base of information for the exact data that suits their need.

The system will also feature pre-formatted reports on various topical subjects that will be automatically updated so that downloaded reports will always contain the latest data. The system is in the final stages of testing and refinement and is expected to be on-line in early 2009.

Also required by the 2008 legislature was a study to establish an updated Self-Sufficiency Standard for Hawaii. This report was submitted to the 2009 Legislature.

Completed and published economic data and reports 100 percent on time as scheduled:

- The daily passenger count
- The weekly unemployment claims
- 12 issues of the Monthly Economic Indicators monthly
- 12 issues of monthly visitor statistics (monthly)
- 12 Issues of monthly Oahu and Neighbor Island visitor statistics (monthly)
- 12 issues of Air-seat outlook (monthly)
- 4 issues of Quarterly Statistical and Economic Reports with DBEDT quarterly economic forecast (quarterly)
- The State Data Book (annually)
- Visitor Satisfaction and Activity Report (annually)
- Annual Visitor Research Report (annually)
- Visitor Plant Inventory Report (annually)
- Population and Economic Projections for the State of Hawaii to 2035 (In progress)
- The Hawaii Technology Sector: 2001 to 2005

Published or presented the following NEW reports (in addition to regular products):

- Innovation Indicators Report
- Emerging Industries Benchmark Report.
- Report to the 2009 Legislature on DBEDT Efforts to Support Emerging Growth Industries
- Self-Sufficiency Standard for Hawaii 2007
- 2005 Hawaii State Input-Output Study
- Study of the Workers' Compensation System in Hawaii
- 12 Issues of monthly visitor arrivals by states and MSAs (monthly)

Foreign-Trade Zone No. 9

The Foreign-Trade Zone Division (FTZ) administers the federal grant issued to Hawaii in 1965 by the Foreign-Trade Zones Board in Washington D.C. FTZ's mission is to increase the amount of international trading activity in Hawaii, to encourage value-added activities, stimulate capital investment and generate employment opportunities by using the federal trade development program to reduce the costs associated with international trade. There are currently 14 sites on the islands of Oahu, Maui, and Hawaii that have received FTZ designation. Of the 14 sites, three general-purpose zones and four special-purpose subzones are active. The Foreign-Trade Zone Division is responsible for ensuring that U.S. Customs and Foreign-Trade Zones Board regulations are followed at these sites.

For further information, visit: [Foreign Trade Zone Division](#)

FTZ Directory:

Development Branch

Phone: (808) 586-2507

Fax: (808) 586-2512

Business Office

Phone: (808) 586-2510

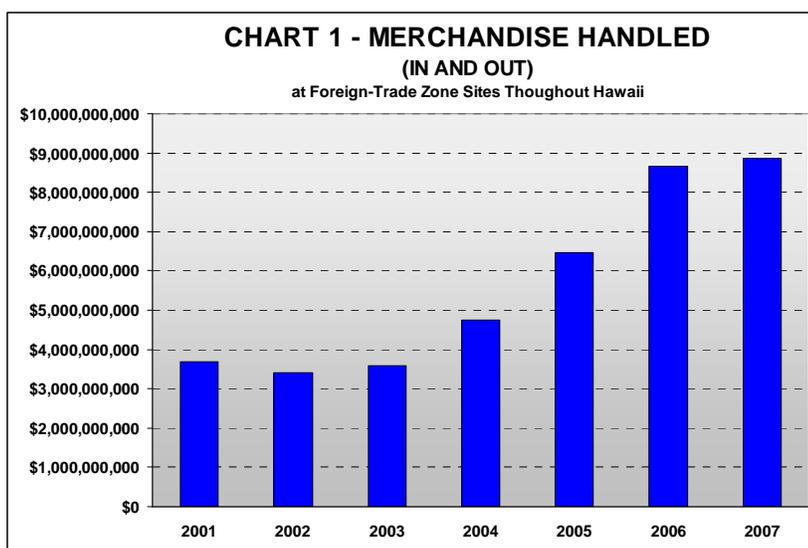
Fax: (808) 586-2513

Operations Branch

Phone: (808) 586-2515

Fax: (808) 586-2513

Hawaii's stable economy in 2007 resulted in a slight increase in FTZ activity. This past federal fiscal year, the total value of merchandise received and forwarded in all activated FTZ sites in Hawaii reached \$8.7 billion. The total value of merchandise handled is the combination of the value of merchandise received (\$4.3 billion) and the value of merchandise forwarded (\$4.4 billion) from all active FTZ sites in Hawaii. This high figure reflects the importance of petroleum to



Hawaii's international trade and at FTZ No. 9 sites.

Merchandise taken out of Foreign-Trade Zone sites in Hawaii is forwarded to both domestic and foreign markets. In 2007, \$3.4 billion of merchandise received was forwarded to the U.S. market.

Exports, a majority in the form of jet fuel, reached \$606 million in 2007. This is down slightly from the all time high of \$636 million which was achieved last year. However, it still represents an increase of over 100 percent since 2002. In addition, \$306 million of merchandise was forwarded to other FTZs in the U.S. Finally, an estimated \$3.5 million of Customs duties were collected on merchandise entering the U.S. market from FTZ sites in Hawaii during the fiscal year.

Another measure of the impact of FTZ9 on the local economy is the value of capital investments in FTZ sites throughout Hawaii. The value of these investments has been significant and relatively stable for the past four years in the \$20 to \$30 million range annually. While this is below the peak investment years of 2001 and 2003 when investment nearly reached \$50 million, an annual investment of approximately has been a historical average for the past 15 years.

The Foreign-Trade Zone #9's Pier 2 facility is in its second year of a five year project in the redeveloping and remarketing of the Foreign-Trade Zone incubator hub. The Foreign-Trade Zone has completed several of the fifteen different improvement projects totalling \$7.5 million during this redevelopment. This year the Foreign-Trade Zone has completed its \$500,000 security upgrade installing an ultra high level security and monitoring system. The Foreign-Trade Zone has completed warehousing upgrades, and finalized the completion of its 25,000 sq. ft. office upgrades.



Creative Industries Division

The Creative Industries Division promotes the development and growth of Hawaii's Creative Economy, whose primary and core sector consists of Copyright Based Industries, with a focus on businesses that create/design exportable products and services and depend on the protection of their Intellectual Property in order to market to a global community. IP protection is a crucial base to profitability and survival. These are the core businesses that contribute to our economy with job creation and tax revenue.



This cluster is comprised of producers and service providers in film, video and digital media production, commercial and applied design firms and diverse range of creative (visual and performing) and cultural businesses in Hawaii. Surrounding this core sector are a great variety of arts and cultural organizations, service organizations, educational institutions, foundations, community groups and a variety of individual artisans.

For more information, call (808) 586-2590 or visit: [Creative Industries Division](#)

Creative Industries Branch Directory:

Arts and Culture Development Branch

Phone: (808) 587-2717

Fax: (808) 587-3388

Film Industry Branch

Phone: (808) 586-2570

Fax: (808) 586-2572

URL: [Hawaii Film Office](#)

Innovation/Workforce Development

- Established the Creative Academies (CA) program in partnership with UHCC/Kapiolani Community College (KCC), Department of Education Career and Technical Education (CTE), and private industry. Initiated contract between DBEDT/CID and UHCC/KCC and integration with DOE/CTE to develop the CA program, a new curriculum paradigm for the 21st century that fuses the creative arts, science and technology in standards-based learning to achieve relevant and dynamic course content that engages a broad spectrum of students in the Science, Technology,

Engineering and Mathematics (STEM) program and new media arts education, from middle school through workforce.

Music Industry

- Supported the growth of the Honolulu Community College (HCC) to develop an Associate degree with a concentration in Music Business & Production or Audio Engineering Technology. CID engaged in a contract with HCC to deliver the synchronous transmission equipment that enables the Music & Entertainment Learning Experience (MELE) program to deliver its courses in comprehensive music business, production, and audio engineering technology curriculum. These courses meet the requirements for entry-level training into the music industry that is paramount to building an educational foundation for this important sector of Hawaii's creative industries growth. The curriculum focuses on combining academic experience with real-world applications to prepare students to work in the rapidly evolving global music industry for the 21st century.
- Developed a working partnership with the National Academy of Recording Arts & Sciences (NARAS), American Society of Composers, Authors and Publishers (ASCAP), Grammy Foundation, Music Cares, Grammy in the Schools, Grammy Museum, Rhapsody Music, Real Networks, Nashville's Belmont University, Seattle's Experience Music Project, South by Southwest (SXSW) and Austin City Limits to mobilize and collaborate on key initiatives, resulting in accelerated growth of Hawaii's music sector.
- Co-sponsored Inc.'s NARAS educational forum, "Music Tech Hawaii", with the Outrigger Waikiki Hotel on June 7, 2008. A panel of music and technology experts provided timely information on how professionals can thrive in the evolving music industry, which has seen a shift away from the sale of physical goods/CDs and big box retailers to a performance based model and an emphasis on digital distribution.
- Entered into an agreement with the Friends of the Hawaii State Art Museum, Inc. (Friends of HiSAM) for services related to the planning and implementation of the "Live from the Lawn" series of free arts-oriented entertainment performances for FIRST FRIDAYS that take place on the grounds of the Hawaii State Art Museum. DBEDT/CID co-sponsors the series as part of its ongoing strategic initiative to promote and attract national and international attention for Hawaii's creative and cultural assets. On January 11, 2008, DBEDT/CID, Friends of HiSAM and the LEF Foundation co-sponsored a music concert that featured the Grammy nominees for the "Best Hawaiian Music Album of the Year." This annual concert is filmed in High Definition for local television simulcast on

Oceanic Time Warner Cable/OC16 and KITV and streamed via the Internet to reach audiences in the U.S. Mainland and around the world.

- From February 5-9, 2008, in co-sponsorship with Outrigger Hotels and Resorts, Hawaiian Airlines and the Oahu Visitors Bureau, DBEDT/CID coordinated live music performances by Hawaii's Grammy nominees at Borders' stores in Sacramento, San Francisco, Costa Mesa and Torrance, California. The performances were well attended and received, especially at the Manhattan Beach outlet where over 500 people attended the event. Hundreds of CDs were sold during the time period of the in-store performances. DBEDT/CID also developed an ad for the December 2008 issue of "Billboard" magazine to promote Hawaii's Grammy finalists to voting members of NARAS to enable them to vote knowledgeably for the nominees by showcasing the finalists' websites.
- Worked with the Executive Director of the Grammy Museum and the Pacific Northwest Chapter of the Recording Academy to feature a ukulele crafted by the Kamaka Family and owned by the late Israel Kamakawiwo'ole in the new Grammy Museum that opened on December 6, 2008, in Los Angeles. The ukulele is featured within the section dedicated to "Roots" music forms, where it will sit alongside stories and artifacts from the folk, blues, Cajun, and other "traditional" musical forms.

Literary Arts

- Co-sponsored the Hawaii Book Publishers Association's (HBPA) participation at the *American Library Association Conference (ALA)* on June 28 through July 1, 2008, in Los Angeles. Attending the trade show were representatives from HBPA's 20 member organization. Attended by more than 18,000 librarians, educators, writers and publishers, HBPA representatives were able to make contact with publishers from national trade publications for book publishing and library services, national book jobbers, and the President of the Asian Pacific American Libraries Association – probably the most strategic group of librarians at the conference for Hawaii book publishers.
- Supported the activities of the 16th Annual Maui Writers Conference, August 29 to September 1, 2008, at the Ala Moana Hotel that brought together literary and entertainment leaders to nurture the development of writers from around the world.

Visual Arts

- Co-sponsored the Textile Society of America's 2008 Symposium, "Textiles as Cultural Expressions," that was held on September 24-27, 2008, at the Sheraton Waikiki Hotel. The symposium was a smashing success. Attended by approximately 300 people, 206 came from 32 states and 77

people came from 24 foreign countries. Programming and marketing globally played more in making the event so well received. When you consider that the museums in Honolulu presented 30 textile exhibitions in celebration of the TSA Symposium, responses indicate it was the best TSA Symposium ever.

Act 88 Tax Credit Increases Film Production in Hawaii

- Continue to support marketing and management of the Film Industry Tax Credit (Act 88). Since the law went into effect on July 1, 2006, productions taking advantage of Act 88 have spent \$320 million dollars in Hawaii. In 2008, 32 projects applied for Act 88 and the expenditures for these Act 88 projects are anticipated to be \$128.5 million. In addition, 37 schools have received support from Act 88 productions including mentorship, equipment, and monetary donations.

Draft Rules for Act 88

- Assisted the Department of Taxation in drafting proposed Hawaii Administrative Rules for the film industry's 15%-20% tax credit. Received broad based input from industry, here and in Hollywood, and plan to go forward with formal HAR adoption process in 2009.

Film Permitting

Processed a record number of film permits for production in 2008.

CID was successful in making some positive changes for film production to take place in sensitive areas, most notably, for certain productions wanting to film within the Natural Area Reserve System. Notable productions for 2008 include, Lost, Wheel of Fortune, The Tempest, Knight Rider, The Informant, Flirting with Forty, Princess Ka'iulani, Special Delivery, Into the Blue 2, Entourage (season premiere), Honoka'a Story, two episodes of Jon & Kate Plus 8, music videos for Mariah Carey, Sugarland, Colbie Caillat, Keyshia Cole, Jason Mraz, and numerous national and international commercials.

Strategic Industries Division

Strategic Industries Division's (SID) mission is to support statewide economic efficiency, productivity, development and diversification by promoting, attracting and facilitating the development of Hawaii Technology-based industries which engage in the sustainable development of Hawaii's energy, environmental, ocean, recyclable, and technological resources.

For further information, call: 587-3807 or visit: [Strategic Industries Division](#)

SID Branch Directory:

Energy Branch

Phone: (808) 587-3808

Fax: (808) 586-3820

Clean Hawaii Center

Phone: (808) 587-3802

Strategic Technology & Industry Development Branch

Phone: (808) 587-3801

Fax: (808) 587-3839

Ocean Resources Branch

Phone: (808) 587-2680

Fax: (808) 587-2777

Energy Planning & Policy Branch

SID's energy initiatives and activities continue to focus on ensuring Hawaii's energy security and independence by accelerating the use and development of renewable energy resources, and decreasing energy consumption through energy efficiency.

In January 2008, Governor Lingle and the U.S. Department of Energy signed a Memorandum of Understanding on the Hawaii Clean Energy Initiative (HCEI) with the goal of meeting 70% of Hawaii's energy needs by 2030 with clean, renewable energy.

SID leads and coordinates the HCEI activities in partnership with the U.S. Department of Energy, including the negotiation and completion of the Energy Agreement with the HECO companies.

Signed last October 24, 2008, this Agreement is a major step in achieving the HCEI's goal of transforming Hawaii's energy economy to sustainable clean energy future, as the utilities commit to as much as 40% Renewable Portfolio Standards (RPS) by 2030, and to pursue to integrate as much as 1100 megawatts of renewable resources in the system by the year 2030, including 400 megawatts of wind resource on Lanai and/or Molokai to be transmitted to Oahu via an undersea cable.

SID continues to lead, manage, and provide staff support to the Greenhouse Gas Emissions Reduction Task Force administratively created under DBEDT pursuant to Act 234, SLH 2007, with the mandate to develop and recommend a work plan for technically and economically feasible regulatory measures to reduce Hawaii's greenhouse gas emissions to the 1990 level or below by 2020.

SID managed and directed the completion of an updated 1990 Hawaii greenhouse gas emissions inventory, and held a public hearing on the draft emissions inventory update to received public input.

SID is leading and coordinating the State's participation in the Public Utilities Commission's regulatory proceedings that impact the State's energy initiatives such as the intra-governmental wheeling docket, as well as engages and participates in the development of the utilities' integrated resource plans which motivate the use and development of renewable resources.

SID participated in a statewide local earthquake and tsunami exercise for emergency decision-making and resource coordination for the energy sector. To strengthen the energy and critical infrastructure sectors' collaborative planning for catastrophic events, SID initiated and coordinated a plenary and panel session for over 100 participants focused on energy security and resiliency for the 2008 Asia-Pacific Homeland Security Summit, held October 8-10, 2008.

SID staff participated in the 2008-2009 Winter Fuels Outlook Conference and is working with the Department of Homeland Security to coordinate a vulnerability assessment of Hawaii's fuel transportation system.

Lead by Example:

DBEDT coordinated the efforts of other executive branch agencies to implement the Lead by Example (LBE) initiative. LBE reflects both administrative directives and legislative mandates to improve energy efficiency and expand the use of renewable energy in state facilities. Supported by training and technical assistance cosponsored by DBEDT, buildings being planned or built by the University of Hawaii, Dept. of Education, Hawaii State Hospital System, and Public Safety Department have already or are expected to meet Leadership in Energy and Environmental Design (LEED) standards. In 2007, the US Environmental Protection Agency announced the Hawaii's Energy Star buildings

program ranked fifth in the nation, saving more money per building than California.

Regarding renewables, eight public schools are expected to receive photovoltaic arrays this fiscal year, and other agencies are actively considering photovoltaic installations. The Legislature appropriated \$10.9 million to support energy programs this year, and DBEDT secured another \$1.6 million in federal grants to complement these efforts.

Homeland Security:

DBEDT has completed an update of the state's Energy Emergency Preparedness program and plan, an effort which began in 2004. DBEDT is also managing a statewide assessment of energy security and fuels vulnerability. In 2007, DBEDT received more than \$776,000 in federal SEP and other grant funding to cover its planning, policy, and hazard mitigation activities.

Science & Technology Industry Development:

In addition to organizing Hawaii pavilions at targeted industry sector trade shows to help local companies explore new markets, SID attracted and cosponsored two science & technology conferences to Hawaii: the Fourth EnergyOcean Conference and the Second Pacific Rim Summit on Industrial Biotechnology & Bioenergy.

The 2007 Legislature established the Office of Aerospace Development. A Memorandum of Understanding was signed by the State of Hawaii and NASA Ames Research Center to facilitate enhanced collaboration. One result has been \$640,000 in research grants to the Pacific International Space Center for Exploration Systems (PISCES) to conduct development, testing and evaluation of new technologies in Hawaii to support future robotic and human missions to the Moon and Mars. SID supported the Administration's Innovation Initiative related to science, technology, engineering and math (STEM) education.

Biofuels:

Two efforts coordinated by DBEDT will help address the state's objective to have 20% of its transportation fuels from renewable resources by 2020. One is a two-year, statewide biofuels production assessment which will examine potential feedstocks and technologies which could contribute to Hawaii's needs for ethanol, biodiesel and hydrogen.

In addition, the legislature funded the creation of a Biofuels Master Plan which will address water and land resources, labor, permitting, financial incentives, policy requirements, environmental concerns and other issues. Plans for the construction of an ethanol production facility have been announced for Kauai; biodiesel plants have been announced for Kauai, Maui, and Oahu; research on biofuels from algae and other biomass sources is on-going.

Attached Agencies

Hawaii Tourism Authority

The Hawai'i Tourism Authority (HTA) is the lead state tourism agency responsible for administering tourism from a statewide perspective and developing a long-range plan for tourism for the State of Hawai'i. In 2004, using research from tourism studies and input from community, industry and other government entities, the HTA completed this plan: *Hawai'i Tourism Strategic Plan: 2005-2015 (State TSP)*. The State TSP includes a shared vision by Hawaii stakeholders and nine initiatives vital to the long-term health of the industry.

The HTA is headed by a 16-member board of directors. Their purpose is to set broad policies and directions for the Authority's activities consistent with the State TSP. The mission of the HTA is to strategically manage the growth of Hawaii tourism in a sustainable manner consistent with our economic goals, cultural values, preservation of natural resources, and community desires, and visitor industry needs.

For more information on HTA, call: (808) 973-2255, or visit: www.hawaiitourismauthority.org

Due to the challenges facing Hawaii's visitor industry in 2008, HTA's focus this year was on initiatives related to stimulating travel to the state. As such, below are highlights of this year's activities:

- **State of Hawaii Aids Stranded Travelers.** The airline crisis hit Hawaii directly on March 30 when Aloha Airlines ceased its passenger service and three days later, ATA Airlines suddenly shut down, leaving 9,500 visitors stranded in-state. HTA took immediate action by approving funds to help underwrite flight costs to assist displaced travelers and securing flight segments with various carriers. More than 2,200 visitors and residents took advantage of the HTA-subsidized flight segments. This effort was a result of a cooperative effort between HTA, the Hawai'i Visitors and Convention Bureau (HVCB), State Legislature, Governor's Tourism Liaison and the state's visitor industry partners.
- **Marketing.** With the most notable decline in arrivals coming from the traditionally strong North America market, HTA, HVCB and industry partners launched a cohesive marketing program, titled, "Return on Vacation," to supplement current efforts in key U.S. cities that have direct flight access to

Hawai'i. To address opportunities in the China and S. Korea markets, HTA provided additional funds to Hawai'i Tourism Asia for enhanced marketing efforts in those areas.

Access Programs. To support airlift to and from Hawai'i, the HTA provided funding for 56 cooperative programs in conjunction with airlines and travel wholesalers in markets around the world; partnered with HVCB to hire an airline consulting firm to conduct an ongoing air service review of Hawaii; and met with airline executives from the U.S. East, U.S. West, Japan, Other Asia, and locally to discuss mutual concerns, operating issues, future outlooks, and proactive solutions.



Aloha Tower Development Corporation

The Aloha Tower Development Corporation (ATDC) was mandated to redevelop an area of land surrounding the Aloha Tower in order to strengthen the international economic base of the community in trade activities, to enhance the beautification of the waterfront in conjunction with the Department of Transportation, to better serve modern maritime uses and to provide for public access and use of the waterfront property.

For further information, call: (808) 586-2531, or visit: [Aloha Tower Development Corporation](#)

Aloha Tower Complex and Project Area

Piers 5 & 6

The ATDC Board approved development rights to Kenneth Hughes, Inc. in June 2006 for the development of a mix-use condo-hotel project, subject to successful negotiation of a mutually acceptable Development Agreement and Ground Lease. In October 2007, Hughes filed a demand for arbitration seeking to move forward with the development of the project on his terms, or in the alternative, compensation for the termination of the project. Key issues include the value of the lease and resolution of parking issues. The arbitration proceedings commenced in August 2008 and a decision is expected in the first half of 2009.

Public Advisory Group

The role of the 16-member Public Advisory Group, formed by the ATDC Board to provide input on the Piers 5 & 6 Project, was expanded to include overall review of the ATDC Development Plan and Administrative Rules. Planning charettes were initiated in the second quarter of 2008.

Aloha Tower Marketplace

Year-end results for 2007 showed an average 87% occupancy rate and tenant revenues up by approximately 4.1% from 2006. Performance results for 2008 are expected to be lower than 2007 due to the downturn in the economy, the reduction of cruise ships berthing at ATM and less visitors arriving by trolley. The Aloha Tower Marketplace continued to aggressively market the property with special events to increase patronage at the marketplace.

Harbors Modernization Plan

Act 200, Session Laws of Hawaii 2008, was passed by the Legislature this year. The Act partners the ATDC with the Department of Transportation – Harbors Division (DOT-H) for implementation of the Harbors Modernization Plan, a comprehensive plan to improve commercial harbors statewide. The legislation is effective from 7/1/2008 to 6/30/2016 and calls for expedited development of critically needed port infrastructure. Appropriations totaling \$144.3 million were approved for the program in FY09.



Hawaii Community Development Authority (Kaka`ako & Kalaeloa)

The Hawaii Community Development Authority (HCDA) works to stimulate the economic development of specific community districts by planning and implementing community development programs and facilitating capital investments. HCDA's main objectives are: 1) plan and implement capital improvement projects to upgrade infrastructure and develop public facilities to meet Hawaii's economic and recreational needs, and 2) implement long term planning initiatives to support residential development in a mixed-use community.

For further information, call: (808) 587-2870, or visit: [Hawaii Community Development Authority](#)

| Kaka`ako: Continuing to Strive to Fulfill Kaka`ako's Promise

After nearly 33 years since the Hawaii Community Development Authority was established our mission as we look to the coming year is still the same: Creating a live, work, play, and learn community.

- **Workforce Housing:** In 2008, 124 workforce rental units are under construction with another 85 for sale units permitted. This is in addition to the workforce for sale and rental housing units already developed. Efforts are underway to work with developers, landowners, and lenders to identify methods to produce more workforce housing units in Kaka`ako's Mauka area with a report being made to key legislators prior to the 2009 legislative session.
- **Other Projects:** Proposed projects at Mother Waldron Park and McKinley High will increase the amount of recreational facilities for Kaka`ako residents. A major capital project at Kewalo Basin will make the harbor more useable for other boaters, visitors, and customers. A major effort will be launched with small landowners and businesses in Kaka`ako's Central Kaka`ako district to address their concerns about the impact of development in surrounding areas on their businesses.
- **Major Development Projects:** Master plan applications present opportunities to obtain much needed public facilities and housing. The master plan applications for General Growth Properties and Kamehameha Schools are being reviewed and analyzed for the appropriate amount of dedication of public facilities and creation of workforce housing units.
- **Life Sciences:** Kaka`ako's Makai area is growing to become a home to a life sciences industry for education and research. HCDA will be

assisting Kamehameha Schools in permitting a life science research facility in Kaka`ako Makai, and planning a district-wide parking facility and roadway improvements that support the life sciences industry.

Planning and development for Kaka`ako will continue. Maintaining farm lands for farm use and rural lands for rural use, and rising fuel prices will create pressure to develop in urban areas, such as Kaka`ako. Our efforts will be focused on creating more workforce housing, developing infrastructure and public facilities, and addressing the concerns of small landowners and businesses in the Central Kaka`ako district about development in surrounding areas.

Kalaeloa: Planning for Opportunity

The vision for Kalaeloa is: Promoting economic development and employment opportunities. Currently, HCDA does not own any significant amount of land in Kalaeloa, but through its planning role, HCDA's activities will be focused on spurring development and economic activity:

- **Promulgation of Zoning Rules:** This culminates the effort that began with the planning process leading to the adoption of the Kalaeloa Master Plan in March 2006. The zoning rules will identify conceptual land uses and be contextual (i.e., allow for rural development standards), and encourage renewable energy uses.
- **Kalaeloa Energy Corridor:** Construct an energy corridor starting from Kapolei Parkway along Ft. Barrette Road, Enterprise Road, and then to Midway Road. The project will bring much needed utility connections, including electrical, telephone, and cable, to Kalaeloa, and spur development within the Kalaeloa district.
- **Employment:** The closure of NAS Barbers Point in 1996 resulted in job losses. It is hoped that HCDA's encouragement of development activities within the Kalaeloa district will bring back those lost jobs and more, and contribute to the continued economic growth of the region.

The community is essential to the development process and will continue to be involved through the four community groups that were formed by HCDA to ensure relevant community feedback.

Hawaii Housing Finance & Development Corporation

The Hawaii Housing Finance and Development Corporation (HHFDC) was created in 2006 and is administratively attached to the Department of Business, Economic Development, and Tourism (DBEDT) as part of the strategic objective to create workforce and affordable housing for a skilled labor force.

The HHFDC manages assets of approximately \$729 million, of which \$436 million is attributable to the issuance of tax-exempt bonds. To date, HHFDC has successfully facilitated the delivery of 566 affordable rentals and plans to deliver 6,227 workforce or affordable units over the next five years.

For more information on HHFDC, call: (808) 587-0597, or visit: www.hawaii.gov/dbedt/hhfdc



Natural Energy Laboratory of Hawaii Authority

Natural Energy Laboratory of Hawaii Authority

The mission of NELHA is to participate in the development and diversification of the economy of Hawaii by providing resources and facilities for energy and ocean related research, education, and commercial activities in an environmentally sound and culturally sensitive manner. This is achieved through managing, operating, marketing and leasing that provide sites and resources for the development of research and commercial businesses and technologies that utilize the natural resources available such as cold deep seawater, warm surface seawater, and high solar energy. Facilities are located at Keahole Point in Kona and in Puna, both on the Island of Hawaii.

NELHA at Keahole Point is the only location in the world which consistently pumps large quantities of warm and cold seawater ashore for use in aquaculture, marine biotechnology, and other related technologies. NELHA serves as the laboratory for research and development, as an incubator facility for developing innovative, new technologies and businesses, and as a base for commercial operations that utilize or are related to the use of the cold and warm seawater and other resources available.

For further information, call: (808) 329-7341, or visit: <http://www.nelha.org>

Significant Financial Improvement:

After provisioning \$365,000 for repairs and maintenance, reported a \$6,000 profit versus a loss of \$46,000 in the previous fiscal year.

New Aquaculture Tenants:

NELHA welcomed NoriTech, an Israeli producer of pharmaceuticals, which is to begin production early next year. Pacific Aquaculture and Biotechnology, a subsidiary of the largest commercial shrimp producer in the world, began using a biosecure breeding facility at NELHA. A major expansion by Troutlodge Marine Farms to produce butterfish was begun.

New Alternative Energy Tenants:

Solfocus Inc. signed a lease agreement, under which it intends to test and perfect its generation II and later solar concentrators. Keahole Solar Power LLC began construction of its 500 KwH solar thermal electrical energy production facility. Cellana LLC invested over \$9 million in its biofuels from algae research and development facility.

Master Plan:

NELHA was able to procure funding to undertake a new master plan, the first in over ten years.

Pipeline damage:

Two failed procurement attempts to repair the earthquake broken 18" and 40" deep seawater pipelines occurred. Requests for procurement exemption and emergency exemptions were denied, leading to the filing of a third repair request. Inspection by means of a deep sea submersible revealed potentially "catastrophic" failure of the 40" deep seawater pipeline. This problem cannot be addressed until the earthquake damage is repaired.



High Technology Development Corporation

High Technology Development Corporation

The High Technology Development Corporation (HTDC) works to facilitate the growth and development of the commercial high technology industry in Hawaii. HTDC's functions include developing, managing, and assisting technology centers statewide; creating business opportunities for the growth of technology companies and industry; marketing and promoting Hawaii's technology assets; and providing support to Hawaii's technology industry.

HTDC assists in developing, managing, and operating technology centers statewide, including the Manoa Innovation Center, Maui Research & Technology Center and the West Kauai Technology and Visitor Center. These sites serve as high technology company incubation facilities to ease the transition from start up ventures to full fledged, independent commercial enterprises.

For further information, call: (808) 539-3806, or visit: [High Technology Development Corporation website](#).

The full HTDC Annual Report is available online at: <http://htdc.org/FY2008-annual-report.pdf>



Office of Planning

The Office of Planning works to maintain an overall framework to guide the development of the State through a continuous process of comprehensive, long-range, and strategic planning to meet the physical, economic, and social needs of Hawaii's people, and provide for the wise use of Hawaii's resources in a coordinated, efficient, and economical manner - including the conservation of natural, environmental, recreational, scenic, historic, and other limited and irreplaceable resources which are required for future generations.

The Office of Planning's three main objectives are: 1) Fix responsibility and accountability to successfully carry out statewide programs, policies and priorities; 2) Improve the efficiency and effectiveness of the operations of the executive branch; and 3) Ensure comprehensive planning and coordination to enhance the quality of life of the people of Hawaii.

For further information, call: (808) 587-2846, or visit: [Office of Planning](#)

Providing Policy Leadership and Technical Assistance on Land Use

OP continued to represent the State's position before the Land Use Commission and supported greater utilization of the Rural District. In addition, OP advocated for energy efficiency conditions on petitions to reduce Hawaii's dependence on foreign oil.

Providing Information and Analysis for Policy Makers

OP prepared and presented testimony on 73 bills and resolutions pertaining to agricultural lands, incentives for agriculture, land use, coastal issues, and other planning topics and monitored/reviewed approximately 203 bills and resolutions.

Following the closure of Molokai Ranch, the **Molokai Action Team** comprised of Molokai residents was convened to listen to community concerns and provide information on government initiatives. The Director of OP has been chairing monthly meetings of the Molokai Action Team.

OP continued work on the **Leeward Coast Initiative** which is a multi-agency effort in addressing broad social and economic needs of Waianae residents. OP met with community leaders and state agencies to assess progress in implementing the 32 "Great Idea" proposals. Twelve of the projects were either completed or moving forward.

Implementation of the Hawaii Comprehensive Economic Development Strategy (CEDS) Three business expansion master plans were prepared to implement the Hawaii Comprehensive Economic Development Strategy:

-Kohala Center Site Selection Study

-Bay Clinic New Community Health Center Complex Site Selection Study

-Central Oahu Agricultural Business Complex Master Plan.

Ocean Resources Management Plan (ORMP)

Implementation of the ORMP continued. State and County agencies participated in meetings of the Policy Committee and Working Group and developed a consolidated work plan. Several collaborative community/government projects were supported by Coastal Zone Management Program (CZM) funding. A major focus of the ORMP is **Community-Based Resource Management**. A workshop of about 50 representatives from community stewardship groups was held in January 2008 to build community capacity. An inventory of community stewardship groups was completed and a survey was conducted on the challenges, needs, best practices, successful projects and institutional resources of these groups. Two products are:

- **Community Stewardship Directory**
- **Toward the Development of an Integrated Planning Framework for Natural and Cultural Resources Management in Hawaii: Place-Culture-and Community-Based Approaches.**

Coastal Hazards

The report, *Earthquake Hazards and Estimated Losses in the County of Hawaii*, which was supported in part by CZM funds and which was a collaborative effort with civil defense agencies won the 2007 Overall Award for Excellence in Mitigation from the Western States Seismic Policy Council. The report's loss estimation model was validated in the wake of the October 2006 Kiholo earthquake. The model's damage estimates were found to be similar to actual damages sustained. In addition, work on wind speed mapping and building code amendments/training continued.

Hawaii Strategic Development Corporation

The Hawaii Strategic Development Corporation's (HSDC) mission is to develop a sustainable venture capital industry in Hawaii which will stimulate the growth of viable new businesses. HSDC works to diversify the state's economy by commercializing emerging technologies and providing skilled employment opportunities for citizenry.

Near-term objectives are to develop venture capital investment funds in Hawaii which will attract external sources of private investment; to establish a fund of funds to raise capital for Hawaii venture funds, to expand the business infrastructure supporting the venture industry and the growth of emerging companies; and to assist entrepreneurial development through focused conferences and seminars.

For further information, call: (808) 587-3829, or visit: [Hawaii Strategic Development Corporation](#)

Land Use Commission

The Land Use Commission works with the State Legislature, County Planning Departments, interest groups and landowners to define constitutionally mandated standards and criteria for protecting important agricultural lands in the State of Hawaii. The Commission also engages the county planning departments in enhancing and clarifying the special permit process in the Agricultural Land Use District.

The Land Use Commission is also working to establish data warehouses with the county planning departments with respect to storage and retrieval of land use data; and developing cooperative memorandum-of-understanding with the University of Hawaii Department of Urban and Regional Planning with respect to planning practicum and faculty consultation.

For further information, call: (808) 587-3822, or visit: [Land Use Commission](#)

Department of Business, Economic Development & Tourism
Statement of Operating Appropriations, Expenditures, and Encumbrances

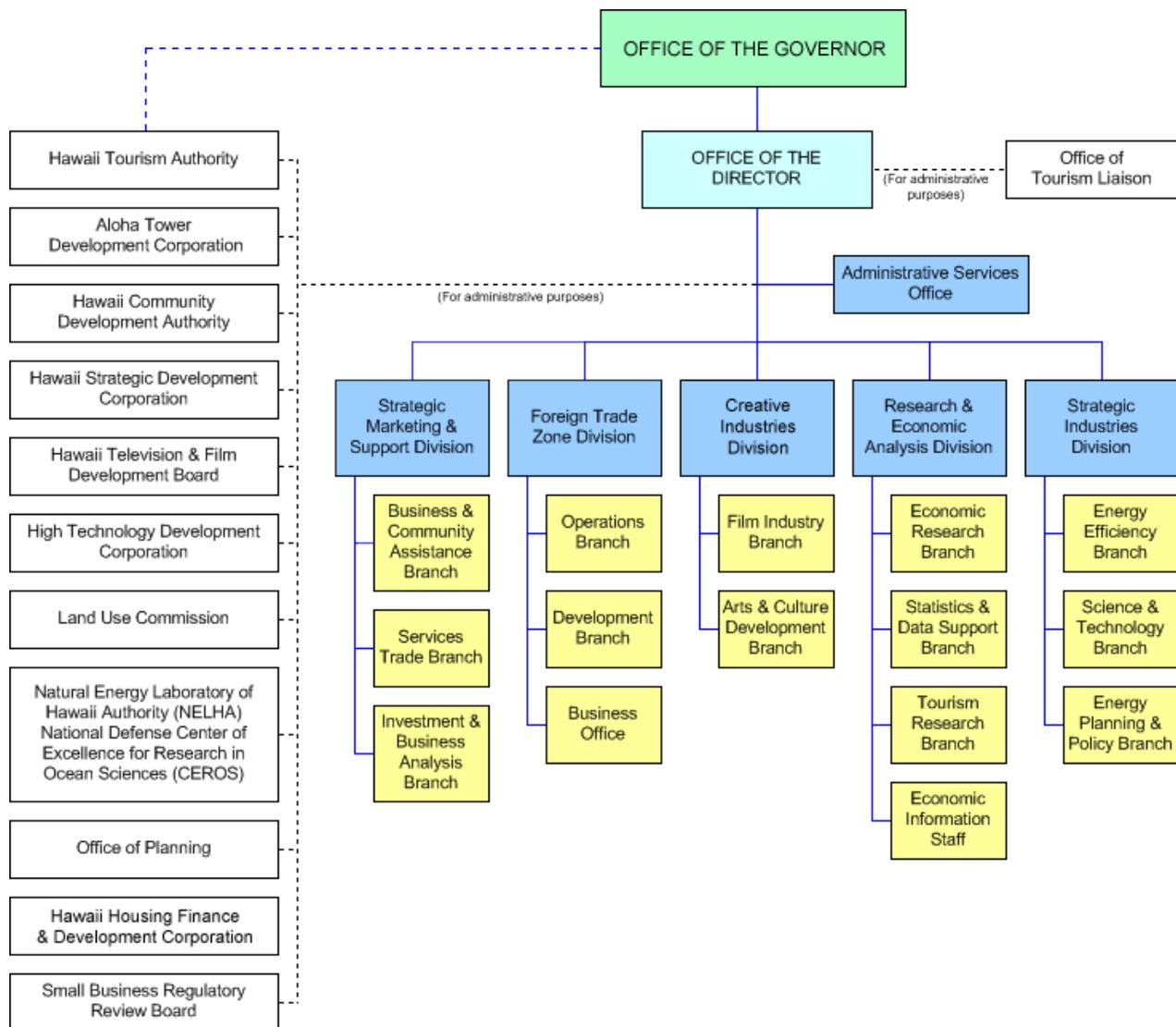
For the Period July 1, 2007 - June 30, 2008

	<u>Adjusted Appropriations</u>	<u>Expenditures & Encumbrances</u>	<u>Balance</u>
<u>General Funds</u>			
<u>BED 100 Strategic Marketing & Support</u> Strategic Marketing and Support Division	2,141,551	2,019,320	122,231
<u>BED 103 Statewide Land Use Management</u> Land Use Commission	485,477	466,871	18,606
<u>BED 105 Creative Industries</u> Creative Industries Division	1,669,763	1,538,212	131,551
<u>BED 120 Strategic Industries</u> Strategic Industries Division	1,164,026	1,160,251	3,775
<u>BED 130 Economic Planning & Research</u> Research and Economic Analysis Division	1,160,478	1,140,424	20,054
<u>BED 142 General Support for Econ. Development</u> Office of the Director & Admin. Services Office	2,661,117	2,303,455	357,662
<u>BED 143 High Technology Development Corp.</u> High Technology Development Corporation	1,000,260	999,995	265
<u>BED 144 Statewide Planning & Coordination</u> Office of Planning	1,649,117	1,646,311	2,806
<u>BED 146 Natural Energy Laboratory of HI Authority</u> Natural Energy Laboratory of HI Authority	365,000	365,000	-
<u>BED 150 Hawaii Community Development Authority</u> Hawaii Community Development Authority	320,665	320,656	9
Total General Funds	<u>12,617,454</u>	<u>11,960,495</u>	<u>656,959</u> (1)

	<u>Adjusted Appropriations</u>	<u>Expenditures & Encumbrances</u>	<u>Balance</u>	
<u>Special & Revolving Funds</u>				
<u>BED 107 Foreign Trade</u>				
Foreign Trade Zone Special Fund	2,046,914	1,979,559	67,355	
<u>BED 113 Tourism</u>				
Tourism Special Fund	87,722,167	85,763,982	1,958,185	
Convention Center Enterprise Special Fund	51,015,105	51,015,103	2	
BED 113 Total	138,737,272	136,779,085	1,958,187	
<u>BED 130 Economic Plng. & Research for Econ. Dev.</u>				
Tourism Research Fund (Transfer from Tourism Spec Fund)	1,601,360	1,550,841	50,519	
<u>BED 143 High Technology Development Corp.</u>				
High Technology Special Fund	3,850,338	828,768	3,021,570	
<u>BED 145 Hawaii Strategic Development Corporation</u>				
Hawaii Strategic Development Revolving Fund	4,276,073	303,814	3,972,259	
Hydrogen Investment Capital Special Fund	4,742,500	19,878	4,722,622	
BED 145 Total	9,018,573	323,692	8,694,881	
<u>BED 146 Natural Energy Laboratory of HI Authority</u>				
Natural Energy Laboratory of HI Authority Special Fund	5,439,327	3,094,934	2,344,393	
<u>BED 150 Hawaii Community Development Authority</u>				
HI Community Development Authority Revolving Fund	450,000	414,965	35,035	(2)
Kalaeloa Community Dev. District Revolving Fund	200,000	57,390	142,610	(2)
BED 150 Total	650,000	472,355	177,645	
<u>BED 151 Aloha Tower Development Corp.</u>				
Aloha Tower Special Fund	1,549,865	1,295,076	254,789	
Total Special & Revolving Funds	162,893,649	146,324,310	16,569,339	(3)
Total Funds (4)	175,511,103	158,284,805	17,226,298	

Notes:

- (1) Represents the general fund amounts that lapsed at June 30.
- (2) Reflects the appropriated portion of the HCDA Revolving Funds.
- (3) Represents the special fund unexpended appropriation balance at June 30.
- (4) Statement does not include DBEDT's loan revolving funds, the High Technology Revolving Fund, the Brownfield Cleanup Revolving Fund, HCDA's non-appropriated revolving funds, appropriations of the Hawaii Housing Finance Development Corporation, and federal, trust, and capital improvement appropriations.





State of Hawaii
Department of Business, Economic Development & Tourism