



**Department of Business,
Economic Development & Tourism**
2017 Annual Report





Department of Business, Economic Development & Tourism

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dbedt.hawaii.gov

This report fulfils the reporting requirements in both Section 7, Act 100-99, SLH, and Section 201-10, HRS

Director's Statement



DBEDT is working to develop an environment that promotes long-term economic growth, encourages entrepreneurship, and facilitates job creation through innovation.

At the department, we continue to position the state to compete in today's global economy. Our divisions focus on initiating, promoting, and creating opportunities to develop and grow our innovation workforce.

Overall, our economic growth remains stable. Currently, we have the best labor market in the nation. At the end of 2017, Hawaii's unemployment rate was the lowest in the nation, our labor force, employment, and payroll job counts were at record high levels in the state's history.

Hawaii's tourism industry continues to grow with visitor arrivals creating another record year and possibly a record year as well in the coming year. Based on the current trend, we may potentially welcome more than 9.5 million visitors in 2018. Our construction industry looks brighter in the coming year, especially in the area of residential construction.

With the state's 100 percent renewable energy goal by 2045, DBEDT is increasing its efforts to build a reliable energy industry for Hawaii. The department is also focused on other areas of innovation, which include global broadband; creative media/film studio complex; and the 80/80 Initiative: a goal for Hawaii to create 80,000 new tech and innovation jobs earning more than \$80,000 annually by 2030.

In addition, we are working on advancing aerospace, foreign trade, exporting locally made products, and increasing international student exchanges to further move the state's economy forward and create new jobs and opportunities for Hawaii's residents.

DBEDT is committed to supporting a vibrant, balanced, and diversified economy that benefits individuals across all income levels in Hawaii. We've been actively working on building infrastructure, attracting capital, and developing talent. We are moving from a service-based economy to a knowledge-based economy that's focused on new and emerging technologies.

Hawaii's economy is transforming right before our very eyes. With our shared understanding of what's needed to advance, Hawaii's future looks bright and the possibilities are endless.

Luis P. Salaveria
Director



DBEDT Divisions

Administrative Services Division

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Business Development and Support Division

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Creative Industries Division

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Director's Office

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Energy Office

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Foreign-Trade Zone Division

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Hawaii Broadband Initiative

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Office of Aerospace Development

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Research & Economic Analysis Division

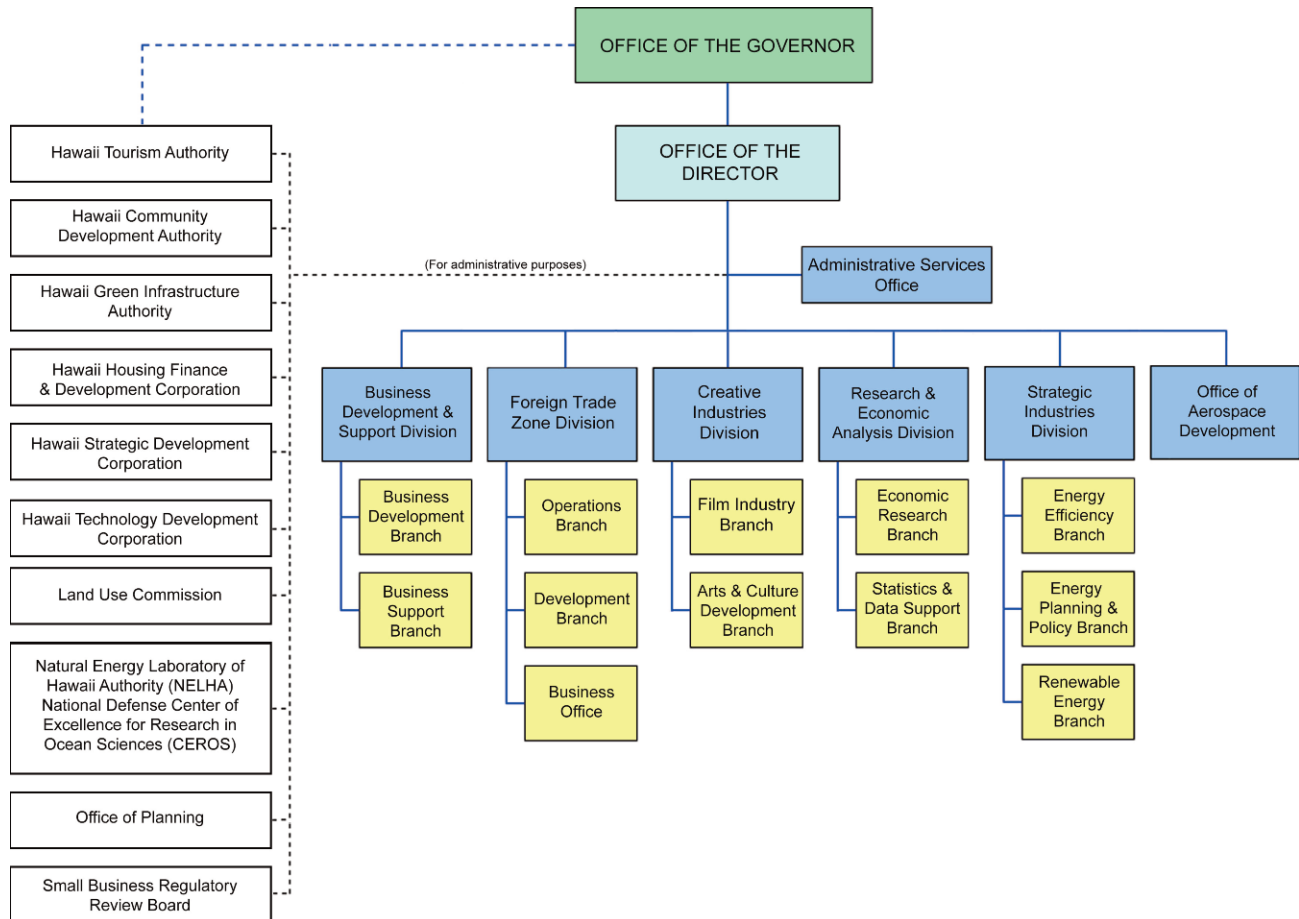
(808) 586-2466

Small Business Regulatory Review Board

(808) 586-2442



DBEDT Divisions and Branches





Business Development & Support Division

invest.hawaii.gov



The Business Development & Support Division (BDSD) promotes business development and diversification in Hawaii by supporting existing and emerging businesses; attracting new investment and businesses that can create more skilled, quality jobs in the state; and by working to increase exports of Hawaii products and services.

BDSD's export promotion HiSTEP program targets growing companies to increase export revenues and capital. In the sixth year of this program, it has participated in 25 international and domestic trade shows, and retail promotions. More than 500 Hawaii companies from industries ranging from fashion, food, gifts, education, to life sciences, were featured at various DBEDT-produced Hawaii Pavilions in Japan, Taiwan, China and major U.S. cities such as Orlando, Salt Lake City, San Francisco, Las Vegas, and San Diego.

In 2017, the Division's efforts increased exports by \$18 million, which has positively impacted Hawaii's economy by \$30 million. The Hawaii Pavilion, at the Tokyo International Gift Show in 2017, itself had record participation with 73 companies represented at the largest product trade show delegation ever from Hawaii. Preliminary results from this show alone topped \$13 million.

To continue this export program, the Division won a competitive grant award of \$400,000 from the U.S. Small Business Administration (SBA). The Division's proposal included a series of overseas and domestic trade shows, training and cost share programs. In total, during the six years that this program has been in operation, DBEDT has won \$3 million in grant monies.

Hawaii's overseas offices in Taiwan and Beijing promote programs to attract and increase international students at Hawaii's schools, colleges and universities. The Hawaii Education Service Centers work with the DBEDT-organized Study Hawaii Education Consortium of 30 schools. BDSD, in collaboration with Study Hawaii, hosted a school officials' mission from China and a journalist mission from Asia. DBEDT also introduced its Study Hawaii Ambassador Program to encourage the many student visitors to Hawaii to dialogue with peers, primarily via social media, about Hawaii as a study destination.

To attract investments into Hawaii, DBEDT in partnership with the Japan External Trade Organization (JETRO) held an investment seminar in Tokyo and Hokkaido and hosted a business mission from Tokyo of firms interested in investing in Hawaii.



In the promotion of international relations, the Division oversaw the signing of a new sister-state relationship with Hokkaido, Japan. The Division also produced the inaugural Japan-Hawaii economic summit and supported the 20th anniversary of Hawaii-Hiroshima Sister-State activities.

BDSD continued its Business of Exporting -- an accelerator and mentoring program targeted towards high potential export firms. The Division continued the Community Based Economic Development (CBED) micro-loan program to assist entrepreneurs with financial assistance.

The twice-yearly Hawaii Small Business Fair co-sponsored by DBEDT again achieved success with attendance of more than 250 entrepreneurs each at the winter and summer events.

The Enterprise Zones (EZ) Program continues to support more than 250 companies from diverse industries. For tax year 2016, EZ companies reported more than 1,285 jobs created or maintained.





Creative Industries

cid.hawaii.gov



DBEDT Staff and Creative Lab Hawaii fellows at the American Film Market.

Creative Industries Division (CID) is the state's lead agency for building the business capacity of Hawaii's creative clusters through initiatives, infrastructure and policy development.

The Hawaii Film Office (HFO) is responsible for supporting Hawaii's film and digital media industry, a cornerstone of Hawaii's creative economy. HFO is expanding Hawaii's role in global film production through marketing Hawaii as a world class filming destination and managing the state's tax credit program which the Legislature has extended to 2025. Hawaii's film and digital media industries generate an estimated \$250 million annually in production expenditures. This translates to an estimated \$438 million in economic activity, generating an average of 2,600 jobs for the state. Notable 2016 productions and releases include CBS' HAWAII FIVE-O (now in its eighth season), ABC Marvel Television's INHUMANS, the remake of JUMANJI, starring Dwayne Johnson, SNATCHED starring Goldie Hawn and Amy Schumer, and JURASSIC WORLD: FALLEN KINGDOM.

The Arts and Culture Development Branch (ACDB) handles business and workforce development for Hawaii's creative entrepreneurs, focusing initiatives in the areas of talent/workforce development, infrastructure, investment and policy, to establish a continuum of job and business opportunities from education to workforce, which enables increased export of creative Intellectual Property (IP) products and services – all key aspects of developing Hawaii's innovation ecosystem.

Hawaii's creative sectors in film, performing and visual arts, culture, music, publishing, design, architecture, animation and interactive media include 52,063 jobs and 3,854 businesses, which have grown at a rate of 12.8 percent between 2006 and 2016. During 2016, the sectors

collectively generated \$3.6 billion in gross domestic product (GDP), representing 4.3 percent of Hawaii's total state GDP.

CID launched the Creative Lab Hawaii (CLH) program in 2012 to develop an ecosystem to increase export, attract investment and build the state's creative entrepreneurial capacity. Through hands-on immersive workshops, panels and mentorship by industry leaders from across the globe, CLH provides entrepreneurs with business and creative skill sets necessary to monetize their intellectual property and expand distribution channels. This positions Hawaii as a nexus of creative media development in the Pacific. In 2017, CLH expanded to the neighbor islands, and added trans-media and animation as new focuses area for the program. A total of 198 entrepreneurs are engaged in the CLH community, which is funded by the Hawaii State Legislature and the U.S. Department of Commerce, Economic Development Administration.

The division is shaping the vision to develop a new creative media/film studio complex to support the development of emerging media, traditional film and television industries.

The State of Hawaii has garnered national recognition for being an early adopter of a creative economy strategy. CID represents the State of Hawaii on the National Creativity Network (NCN) and actively engages in the national dialogue on the value of America's creative economy. CID continues to forge strategic partnerships with national industry organizations in music, cultural arts, and film to leverage the state's investment in developing business opportunities for Hawaii's creative entrepreneurs.





Research & Economic Analysis

dbedt.gov/economic



The Research & Economic Analysis Division (READ) works to enhance and contribute to the economic development of the State of Hawaii by providing data, 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 on the economy of the State.

READ produces an average of 50 economic and statistical reports a year, covering all aspects related to Hawaii's economy and the population. READ and the University of Hawaii are the only agencies in Hawaii that conduct economic studies on a regular basis.

READ hosts the Hawaii State Data Center and the Federal-State Cooperative for Population Estimates that partners with the U.S. Census Bureau and publishes Hawaii data, including the decennial census, the annual American Community Survey, Economic Census, and the annual population estimates. State Data Center sponsored eight workshops in 2017 and trained users of Hawaii data products and tools.

READ's website receives an average of 30,000 page views a month. Some of the data products and reports READ produced in 2017 include:

- Daily passenger count data
- Weekly unemployment claim data with analysis
- Weekly photovoltaic permits data with analysis
- The Quarterly Statistical and Economic Report with economic forecast
- The State of Hawaii Data Book
- Hawaii's Monthly Economic Indicators and highlights
- Monthly Energy Trend Data and Analysis
- Annual Updates on Emerging Industries in Hawaii
- Annual Updates on the Status of the Hawaii's Creative Industry
- Self-Sufficiency income standard: Estimates for Hawaii 2016
- An Analysis of Consumer Debt: How Does Hawaii Compare with the Nation
- The economic Impact of International Students in Hawaii
- The State of Hawaii Energy Data and Trends
- Hawaii Electricity Industry: 2015 Analysis and Recent Trends
- Air Cargo in Hawaii's Economy
- Native Hawaiian-Owner Firms in Hawaii's Tourism Sector
- Native Hawaiians in Hawaii's Tourism Sector
- Solar PV Installation in Honolulu
- An Analysis of Hawaii Real Property Tax in Hawaii
- Residential Home Sales in Hawaii: Trends and Characteristics
- A Database for Hawaii Energy Industry Information Reporting Program (EIIRP), as established by Act 152, SLH 2010
- Database and Analysis on Tax Credit for Research Activities, as established by Act 270, SLH 2013

Support from READ includes economic data and analysis for government agencies and business communities.



The Foreign-Trade Zone Division administers the federal charter issued to the State of Hawaii in 1965 by the Foreign-Trade Zones Board in Washington, D.C. Hawaii has a large and diversified Zone program with its nine authorized general-purpose sites and four sub-zones. Its strategic Pier 2 location, excellent support facilities, and experienced professional staff make it one of the oldest and most respected Foreign-Trade Zones in the nation. Foreign-Trade Zone 9 (FTZ) is in its 51st year of operation.

The FTZ program is a federal program based on the simple idea of the removal of disincentives related to storing or manufacturing products in the U.S. This is accomplished by allowing U.S.-based companies to defer, reduce, or eliminate customs duties on products admitted to the government-authorized zones as they could in a foreign location.

This tariff and tax relief is designed to lower the costs of U.S.-based operations engaged in international trade and thereby create and retain the employment and capital investment opportunities that result from those operations.

FTZ9, with the concurrence of U.S. Customs and the federal Foreign-Trade Zones Board, authorizes designated areas in Hawaii as FTZs. Currently, there are 13 designated Foreign-Trade Zone locations in Hawaii, of which six are active Zone sites.

The FTZ program is solely special-funded and is completely supported by the revenues it generates. It takes no resources from the state's General Fund.

Based on value, the Hawaii Foreign-Trade Zone activity was more than \$7 billion in all activated FTZ sites throughout Hawaii this past year, with more than 135 different types of merchandise transiting from 33 different countries.

FTZ9 is also an operator of the Foreign-Trade Zone. The facility at Pier 2 has expanded the program by providing warehousing space for import/export merchandise, light manufacturing space, office facilities, consulting services, and import/export training and support. The Pier 2 warehouse has more than 500,000 cubic feet of common-use storage space available to the public. The FTZ9 Pier 2 operation currently services the highest number of companies for a single



Zone Project area in the nation at 382. This in turn supports nearly 3,000 jobs throughout Hawaii. FTZ9 is one of the oldest Foreign-Trade Zones in the nation and considered by the industry as a model of a successful Zone project.

FTZ9 continues to support other initiatives such as the partnership with the Hawaii Technology Development Corporation's INNOVATE Hawaii and the Manufacturing Extension and Manufacturing Grant Programs. FTZ9 also works closely with the Creative Industries Division in supporting the development of the creative economy through offering common working space for the Global Virtual Studios and Creative Labs programs. Each of these programs work to grow Hawaii's creative industries and intellectual property developers so they can compete in the world market.

As the Hub of International Trade for Hawaii, FTZ9 has attracted many key players in the international trade sector of the state's economy to the Pier 2 facility. These companies include customs brokers, shipping agents, logistics providers, as well as governmental agencies such as U.S. Customs and Border Protection. The Honolulu office of the U.S. Commercial Service, a division of the Department of Commerce, is also located at the FTZ Pier 2 facility and is available to assist companies explore and identify foreign markets for exports.

FTZ9's goal is to develop and grow the state's economy and to create local jobs through international trade and the trade-related activity. The total dollar value added to merchandise and manufacturing activ-

ities, which was forwarded through Hawaii's Foreign-Trade Zone project was nearly \$4.7 billion this past year. Three billion of that merchandise was forwarded out of the state with \$430 million going to foreign markets. Capital improvement projects from Hawaii's FTZ totaled \$48.7 million in the past year.

Additionally, FTZ9 continued to foster its relationship with private and public entities in order to leverage expertise and reduce costs. FTZ9 has been working closely with the Hawaii District Export Council to develop initiatives and programs such as "The Business of Exporting" to educate companies and advocate exports from the state. These programs are designed to help companies prepare and position themselves to conduct business in the global marketplace. FTZ9 has also worked with the U.S. Department of Commerce, the U.S. Small Business Administration, and the EXIM Bank to promote and bring Hawaii products to an international market.





The Hawaii State Energy Office (HSEO) is driving the state's clean energy agenda with a focus on meeting Hawaii's commitment to have utilities generate 100 percent of their electricity sales from renewable resources by 2045. Pursuit of energy independence is stimulating economic growth in an innovation economy, elevating Hawaii's job growth prospects and business opportunities, from the volatile carbon economy to the higher paying jobs in clean energy.

Underpinning HSEO's effort is the Hawaii's Hawaii Clean Energy Initiative (HCEI), the state's blueprint for energy transformation and independence. Established in 2008, HCEI is a groundbreaking partnership between the State of Hawaii, the U.S. Department of Energy, the military, and the private sector. Through HCEI, the state aims to transition Hawaii's economy from import dependency to self-sufficiency in a single generation.

In recent years the HSEO has made substantial progress in moving the state toward its clean energy goals. This has contributed to Hawaii's becoming a national leader in a number of key categories, including solar PV penetration, energy efficiency, performance contracting, and electric vehicle adoption. As of 2016, renewable energy production in Hawaii accounted for 26.6 percent of utility electricity sales putting Hawaii ahead of its Renewable Portfolio Standards (RPS) target of 15 percent in 2015, and providing a jumpstart on reaching the interim 2020 RPS target of 30 percent. Hawaii also has surpassed interim targets in its push to reduce energy demand by 4,300 gigawatt hours by 2030 through energy efficiency and conservation measures.



Due in large part to the technical assistance of HSEO staff and contractors, Hawaii led the nation in 2017 for the sixth consecutive year in the per capita value of energy savings performance contracts awarded by state and local governments. Hawaii surpassed the half-billion-dollar mark for investment in EPC in 2017, making it only one of seven states in the nation to achieve this milestone. The \$507.1 million of energy performance contracts put in place since 1996 is projected to save the state an estimated \$1.2 billion in electricity costs over the life of the contracts.

It is estimated that buildings account for approximately 40 percent of total U.S. energy consumption and carbon dioxide emissions. That is why HSEO took a leadership role in the Hawaii Building Codes Council's effort to adopt the 2015 International Energy Conservation Code with Hawaii amendments. Buildings constructed in Hawaii under the new code use about one-third less energy than those built under the old code. When adopted by all the counties the new code is projected to save \$1.4 billion in energy costs over the next 20 years, while helping Hawaii achieve its clean energy goals.

To help drive Hawaii's energy revolution HSEO provides a suite of online self-help tools and roadmaps to assist energy developers and attract international investment. The interactive Developer & Investor Center and Self Help Suite includes comprehensive information on the siting, permitting, and development of renewable energy facilities in Hawaii, which can be used by project proponents, regulatory agencies, interested communities, and other stakeholders. The Center and Suite support informed project siting and design, which can lessen project impacts to the environment and surrounding community.

Recognizing that the ownership and regulation of electric utilities can influence how they address the challenges of meeting Hawaii's clean energy goals, the Hawaii State Legislature provided \$1.2 million in the 2017 session to have HSEO study the issue. Through a Competitive Sealed Proposals procurement, HSEO contracted London Economics International, LLC, to perform the study to evaluate utility and regulatory models for Hawaii. The study will provide a long-term cost benefit analysis for various ownership models and the steps required to carry out each scenario for each county. The study's findings will be presented in a report scheduled to be completed in January 2019.





Office of Aerospace Development

aerospacehawaii.info/

The Hawaii Office of Aerospace Development (OAD) facilitates coordination among Hawaii's government, private and academic sectors to promote the growth and diversification of Hawaii's aerospace industry. The Hawaii Aerospace Advisory Committee (HAAC) provides recommendations to DBEDT on strategies to expand aeronautics jobs in Hawaii.

The States of Hawaii, Oregon, and Alaska have established a regional Pan Pacific Unmanned Aerial Systems (UAS) Test Range Complex (PPUTRC) as one of seven national FAA ranges to test, validate, and safely integrate UAS technologies into the national air space. DBEDT, as the FAA-designated lead for Hawaii, has contracted with the University of Hawaii-Applied Research Lab (UH-ARL) to Best Practices and Best Applications of UAS for Hawaii, extending the effort into Hawaii's Public Safety, Economic sector, Environmental and Educational domains.

In 2015, OAD conducted a site selection study that identified the Kona International Airport at Keahole (KOA) as the best site in Hawaii to establish a commercial spaceport that will support the operation of "spaceplanes" (horizontal launch and land vehicles) carrying satellites, experimental payloads, and tourists to space. An Environmental Assessment (supported through a matching grant from the Federal Aviation Administration) is now being completed that will enable Hawaii to apply for a commercial spaceport license to allow space launch operations from KOA.

The Challenger Center Hawaii at Barbers Point Elementary provides professional mentors to annually assist over 5,000 local students in developing creative solutions to "real world" aerospace problems, as well as to explore a variety of possible careers in this industry.

Small Business Regulatory Review Board

dbedt.hawaii.gov/sbrrb

The Small Business Regulatory Review Board's mission is to review any proposed new or amended rule that impacts small business and to consider any request from small business owners for review of any rule adopted by a state agency and/or to make rec-

ommendations to the agency or the legislature regarding the need for a rule change or legislation. For requests regarding county ordinances, the board may make recommendations to the county council or the mayor for appropriate action.



Pacific International Space Center for Exploration Systems

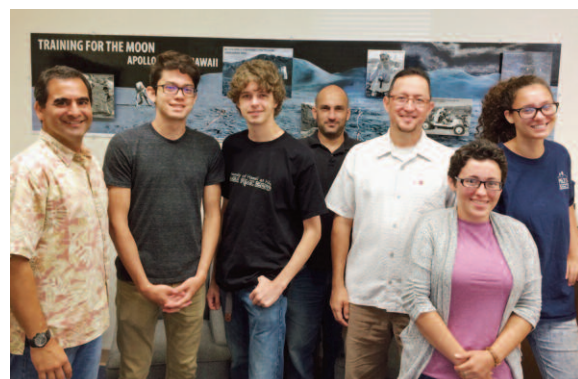
pisces.hawaii.org



The Pacific International Space Center for Exploration Systems, or PISCES, is a state-funded Hawaii aerospace agency administratively attached to the Department of Business, Economic Development, and Tourism. The Hilo-based agency is working to position the state as a leader in space exploration while developing sustainable products and technologies that benefit the Islands. Through three core objectives—Applied Research, Workforce Development, and Long-Term Business and Economic Development—PISCES is focused on improving the local economy through job diversification, innovative products and new industries.

PISCES currently holds partnerships with 22 private and public organizations worldwide to collaborate on space exploration research and development projects. In 2017, the agency raised more than \$94,000 in supplemental funding awards, including a Phase 1 NASA STTR grant in collaboration with Brooklyn-based Honeybee Robotics. The grant supports the development of an in-situ resource utilization (ISRU) technology utilizing volcanic basalt that could be used in Hawaii and on places like the Moon and Mars. PISCES also secured grant funding for collaborative projects in 2017 from the Hawaii Technology Development Corporation, the Department of Labor and Industrial Relations and the Hawaii County Department of Research & Development.

As part of the agency's Workforce Development objective, PISCES is preparing Hawaii's future scientists and engineers to meet the demands of competitive 21st century industries. In 2017, the agency held its largest-ever Women's STARS (STEM Aerospace Research Scholars) Program for local high school women. The week-long workshop immersed 11 students in STEM career fields through a series of tours, demonstrations, hands-on activities and presentations. In addition, PISCES' Summer Internship Program employed five full-time student interns in two learning tracks: Robotics and Materials Science. The 10-week program offers an intensive, applied learning experience to participating college-level students in Applied Research projects. To date, PISCES has mentored 31 Hawaii-based students since 2013.





DBEDT Attached Agencies

Hawaii Tourism Authority

hawaii tourism authority.org

The Hawaii Tourism Authority (HTA) is the official agency for tourism in the State of Hawaii. Its mission is to strategically manage Hawai'i tourism in a sustainable manner consistent with economic goals, cultural values, preservation of natural resources, community desires, and visitor industry needs.

The HTA's 5-year strategic plan was drafted in 2016 with the purpose of guiding the organization to move the industry forward. These strategies were identified with the goals of working and collaborating with partners and stakeholders to increase economic activity, sustaining positive new benefits of tourism, growing visitor spending and being an effective organization. The four key goals to achieve the strategies are to improve the integrity of the destination, ensure stable economic benefits, elevate Hawai'i's value perception and strengthen the HTA's reputation.

The strategic plan also presents a collective ambition, which consists of a strong set of principles and a vision as to how tourism should be cultivated. The seven principles include: a healthy economy, environmental sustainability, cultural authenticity, market knowledge, host and guest satisfaction, collaboration, and accountability.

Relating to the Hawaii experience and delivering on the Hawaii brand promise, HTA can manage, create and support the development of unique tourism experiences such as community and cultural festivals, sporting events, natural resources and community programs. HTA also directly affects the visitor experience through its support of workforce development and visitor assistance initiatives, all the while integrating the community and resident's respect for the Hawaiian host culture.

Natural Energy Laboratory of Hawaii Authority

nelha.hawaii.gov



The Natural Energy Laboratory of Hawaii Authority (NELHA), based in Kailua-Kona, promotes sustainable business development and supports economic diversification by providing resources and facilities for energy and ocean-related research, development, and commercialization. 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 marketing, man-

aging and operating facilities that support sustainable utilization of available natural resources such as cold deep seawater, warm surface seawater, and high solar potential. Recent accomplishments include the opening of a 15,000 sq. ft. business incubator to help entrepreneurs in the area marine science and clean energy start and grow their businesses and completion of a new \$9 million access road to HOST Park.



Hawaii Community Development Authority

dbedt.hawaii.gov/hcda

The Hawaii Community Development Authority (HCDA) was created to establish community development plans in community development districts; determine community development programs, and cooperate with private enterprise and the various components of federal, state, and county governments to bring community development plans to fruition. The Authority's work will result in economic and social opportunities and aims to meet the highest needs and aspirations of Hawai'i's people.

In the Kakaako Community Development District, 10 projects have been completed since January 2016. These projects added 3,001 units to Kakaako's housing stock, 43 percent of which are affordable to those making 140 percent of the Area Median Income (AMI) or less. Seven more projects are under construction, or permitted, that would add 2,242 additional units, almost 40 percent of which are affordable to those making 140 percent AMI or less. So far, these units have increased property taxes in the area by 40 million dollars a year, and the increased economic activities have added to state coffers.



In the Kalaeloa Community Development District, Wakea Garden Apartments in Kalaeloa has opened, providing 100 units at or below 140 percent AMI. An additional 50 units are under construction at Hale Uhiwai Nalu, for homeless and formerly homeless veterans, and for other veterans with an honorable discharge. HCDA continues construction of the Kalaeloa Enterprise Energy Corridor project to provide reliable electrical power to state and federal agencies in the area. Construction began late last year (2017) on the first phase at a cost of \$5 mil-

lion, which will extend reliable electricity to the FBI building. The second phase of the project is in planning and design; it will extend to the airfield. HCDA is also pursuing plans to bring reliable energy throughout the district.

HCDA's non-profit lessee, Kakoo Oihi continues to work on the expansion and maintenance of the Heeia Wetlands referred to as Hoi. Wetland restoration includes the planting of taro and new crops, restoring and old historic roads and removing invasive species. This past year, approximately 20 additional acres of loi have been restored to productive agricultural use. In addition, a mangrove removal project has been initiated through a grant from the National Oceanic Atmospheric Administration. The Project will remove approximately 6 acres of invasive mangrove on the mauka and makai sides of Kamehameha Highway. Removal of the mangrove forest will allow the restoration of a key historic road that runs parallel to Kamehameha Highway. This historic road will allow access along the entire Makai side of Hoi.



Hawaii Housing Finance and Development Corporation

dbedt.hawaii.gov/hhfdc



HHFDC's mission is to increase and preserve the supply of workforce and affordable housing statewide by providing leadership, tools and resources to facilitate housing development. Since 2006, HHFDC has facilitated the development or preservation of 8,117 affordable rental and for-sale units statewide, and has a production plan in place to add approximately 6,849 more units over the next five years.

HHFDC enters into public-private [partnerships to develop or preserve workforce/affordable housing to help stimulate the economy. To facilitate and expedite the development of rental and for-sale housing, HHFDC offers a variety of financing and development tools including Low Income Housing Tax Credit, Rental Housing Revolving Fund, Hula Mae Multi Family Bond, Dwelling Unit Revolving Fund programs and land, along with expedited processing under Chapter 201H, and exemptions from general excise taxes.

In the immediate future, the HHFDC is concentrating on increasing the production pipeline and accelerating the delivery of homes that people can afford. We will continue focusing on leveraging state funds and reducing regulatory barriers within our control.

Transit-Oriented Development is one of the biggest opportunities to sensibly direct growth and HHFDC is working closely with The State Office of Planning to identify state lands near transit stations. A higher density of mixed-use housing on state or county land can provide increased opportunities to live in vibrant communities, close to the public transit system.

As we move forward, the HHFDC remains committed to being good stewards of the resources entrusted to us, and being strategic about developing long term sustainable solutions to benefit future generations in Hawaii.

Office of Planning

planning.hawaii.gov

Office of Planning's (OP) mission is to guide the overall growth and development of the State through a statewide comprehensive planning framework. OP prepares plans and studies, and conducts policy analysis primarily on issues related to land, coastal, and ocean uses.

OP consists of two divisions: the Land Use Division and the Planning Division. The Planning Division includes the Hawaii Coastal Zone Management (CZM) Program, Geographic Information System (GIS) Program, and the Special Plans Branch.

The Land Use Division (LUD) coordinates with State agencies and prepares the State's position before the State Land Use Commission (LUC). The division ensures that the LUC's decision and orders include terms and conditions that protect the State's interest in the long-term, and promotes sustainable use of limited State resources, such as land, water, and State infrastructure facilities.



In the Planning Division, the CZM Program guides and determines acceptable activities and uses of resources for Hawaii's valuable land and water resources in the State's coastal zone area. The GIS Program supports and coordinates GIS efforts across state agencies, in addition to conducting spatial analysis and mapping for projects and initiatives in OP, and other state agencies. The Special Plans Branch carries out the statewide planning functions of OP as established by the Hawaii State Planning Act, HRS Chapter 226; conducts statewide planning and policy studies to assist government decision makers, including the Comprehensive Economic Development Strategy (CEDS); and administration of the \$2 million Brownfield Cleanup Revolving Loan Fund (HBCRLF).

In addition, OP serves as lead or co-lead on a number of initiatives, including:

- Lead of the Special Action Team on Affordable Rental Housing pursuant to Act 127, Session Laws of Hawaii 2016. In this role, OP leads and coordinates with housing departments within the State and counties to achieve goals that will deliver additional affordable rental housing throughout the State.
- Co-lead agency (with the Hawaii Housing Finance and Development Corporation) to coordinate Transit Oriented Development (TOD) on State-owned lands around the proposed Honolulu Area Rapid Transit rail stations. In this role, OP coordinates with a number of State agencies, as well as the City and County of Honolulu and other counties to ensure TOD on State-owned lands are planned correctly and developed to address a number of State goals.
- Co-lead agency (with the Department of Land and Natural Resources) for the Hawaii Climate Mitigation and Adaptation Commission, established under Act 32, Session Laws of Hawaii 2017.

In the past year, OP has accomplished:

- An update of the Statewide Comprehensive Economic Development Strategy (2016-2020). The result of a regionally-owned planning process designed to build capacity and guide the economic prosperity and resiliency of an area, the update provides a blueprint for economic development statewide through a strategy driven plan for regional economic development. The update allows qualification for Public Works and Economic Adjustment Assistance programs through the U.S. Economic Development Administration.
- GIS Modernization – in partnership with the Office of Enterprise Technology Services, the GIS system data now resides in the Cloud, and has converted to an enterprise system. This has led to a 20 percent increase to more than 550 GIS users in the state including staff in the Governor's Office and State Legislature in the first six months of 2017.
- Hawaii National Estuarine Research Reserve – In January 2017, the Office of Planning received designation of the Hawaii National Estuarine Research Reserve (NERR) for the Heeia area and portions of Kaneohe Bay in Windward Oahu. The designation as the 29th NERR in the National Estuarine Research Reserve System provides an opportunity for coordinated management of resources to collectively achieve not only local goals, but the larger goals of the System, and resources towards research to be performed within the NERR. The Hawaii NERR will be managed by the Hawaii Institute of Marine Biology, University of Hawaii
- Kalihi 21st Century Transformation Initiative – After a year of collaborating with a broad range of community members, the Office of Planning completed a Governor's Initiative by publishing a Visioning Document for Kalihi in July 2017. The document reflects the vision that members of the Kalihi community have for the Oahu Community Correctional Center (OCCL) sites should OCCL relocate to another area. The top two visions for the site are economic development, and appropriate scale of affordable housing units.



Hawaii Green Infrastructure Authority

gems.hawaii.gov

The Hawaii Green Infrastructure Authority (HGIA) was constituted in 2014 to administer Hawaii's Green Energy Market Securitization (GEMS) Financing Program designed to make clean energy improvements affordable and accessible for a broader cross-section of Hawaii's ratepayers, while advancing the State's goal of achieving 100 percent renewable portfolio standard in the electricity sector by 2045.

The GEMS program was capitalized through an innovative market-driven financing mechanism, with a portion of its funds to benefit the underserved. The program funded its first residential solar PV loan in January 2016.

The launch of its commercial PV loan product in October 2016, coupled with enhancements to its residential PV loan product, has resulted in renewed interest in GEMS toward the end of 2016.

As of October 2017, the program has approximately \$75.0 million in project commitments to date, as follows:

- \$6.8 million in GEMS funds have been committed to finance residential solar PV projects aggregating approximately \$8.5 million in total project costs. Of the loans funded to date, over 80 percent were made to low and moderate-income homeowners.
- \$9.6 million in GEMS funds have been committed to finance \$9.6 million in residential solar hot water (energy efficiency) projects for Molokai residents. Actual funding is pending Hawaii Public Utilities Commission (PUC) approval for GEMS funds to be used for residential energy efficiency projects, as well as PUC approval of the Green Energy Money Saver (GEM\$) On-Bill Program.
- \$12.2 million in GEMS funds committed to finance approximately \$25.7 million in commercial solar PV projects for nonprofits, multi-family rental projects, and small businesses (as defined by the U.S. Small Business Administration).

As approved by Act 057 (2017), a \$46.4 million loan has been made to finance energy efficiency measures for the state's Department of Education ("DOE"). As the state's second largest consumer of electricity (amongst state agencies) consuming more than 135 million kWh annually at an average cost of \$38 million per year, the energy efficiency measures planned for implementation with GEMS financing are estimated to reduce the DOE's energy consumption by 25 percent and related costs by more than \$8 million annually.

HGIA is working with the Hawaiian Electric Companies to obtain PUC approval for its Green Energy Money Saver ("GEM\$") On-Bill Program, which will democratize clean energy and reduce energy poverty by expanding access and affordability of renewable energy and energy efficiency to renters and low and moderate-income homeowners, as well as small businesses and nonprofit organizations within the territories of the Hawaiian Electric Companies.

¹ For the purposes of the GEMS Program, "Underserved" is defined as low and moderate-income homeowners, renters and nonprofits.



Hawaii Strategic Development Corporation

hsdc.hawaii.gov

The Hawaii Strategic Development Corporation (HSDC) is an agency of the State of Hawaii established in 1990 to promote economic development and economic diversification in Hawaii through a return-driven investment program in partnership with private capital. HSDC is governed by HRS 211F and Chapter 127 of the Hawaii Administrative Rules.

HSDC manages a comprehensive investment program that represents a bold new approach to re-invigorate State efforts to fuel an innovation economy. This program engages with the private sector to startup and grow creative and innovative businesses that can create high-wage jobs for our people.

Some entrepreneurs who have experienced and benefitted from the entrepreneurial ecosystem that has sprouted up in Hawaii over the last five years, include: a Hawaii-born clean energy/media startup that raised a \$40 million investment round; a Honolulu-based medical technology startup that successfully commercializes University of Hawaii research; a Maui-based food entrepreneur that expanded her market to Whole Foods California and receives venture capital investment; and a kamaaina who successfully built one tech company, then moved home to build her second.

The Hawaii Strategic Development Corporation's HI Growth Initiative played a critical role in laying the foundation for this community that welcomes innovation and supports entrepreneurs.

After five years of working with our leading entrepreneurs, engaging with our investment and business community and collaborating with the university, there is no doubt that the HI Growth Initiative successfully catalyzed a vibrant private sector-led entrepreneurial ecosystem to create the foundation for a viable economic diversification effort.

Hawaii's entrepreneurial community today includes an active university commercialization effort, six accelerators, seven active Hawaii-based investment funds and a full calendar of international conferences and networking events showcasing local entrepreneurs. Industry sectors supported include information technology, clean tech, bio tech, creative media, and value-added foods. A continuum of financing from pre-seed through to Series A has been established. This funding environment has attracted the participation of angel, institutional, corporate and out of state VC investors.

Now that Hawaii's entrepreneurial ecosystem has been firmly established, HSDC is turning its strategic focus from ecosystem building to targeting other industry sectors that can benefit from plugging into this entrepreneurial culture. By linking other emerging Hawaii sectors and the entrepreneurial community, new high wage job opportunities will be generated for Hawaii's people.





Hawaii Technology Development Corporation

www.htdc.org



The High Technology Development Corporation (HTDC) was re-named the Hawaii Technology Development Corporation July 3, 2017 to remain current with advancements in technology. HTDC is leading the State of Hawaii's effort to grow the technology industry sector with the objectives of diversifying the economy and creating high-wage job opportunities for the people of the State.

HTDC launched the 80/80 Initiative: a goal for Hawaii to create 80,000 new tech and innovation jobs earning more than \$80,000/year by 2030. This is accomplished by working with other agencies and the private sector in building the infrastructure, providing capital and developing the talent needed.

Building infrastructure is a cornerstone to create environments ripe for encouraging entrepreneurship and new company formation. Two major infrastructure projects were launched at the end of the FY17 fiscal year. In Hilo, HTDC will be working with the Department of Labor and Industrial Relations (DLIR) and UH Hilo to develop a multipurpose manufacturing facility. In central Oahu, HTDC purchased 150 acres via a Legislative appropriation to create a first responder technology campus. This will be a state and county multi-agency project that will offer joint training grounds, shared facilities and a cybersecurity center.

In FY2017, HTDC established its two grant programs as resources for advanced technology companies and manufacturing firms, solidified its mentoring efforts across the state, and continued the progress with the Entrepreneurs Sandbox project:

- The Manufacturing Assistance Program (MAP) provides grants up to \$100,000 to help manufacturers expand their businesses through equipment, training, or energy efficiency. In FY17, 25 companies were awarded grants.
- The Hawaii Small Business Innovation Research (HSBIR) program was expanded with grants up to \$500,000 to move companies from the research phase into product development. In FY17 a total of 22 companies received matching grant awards.
- The Neighbor Island Innovation Initiative (NI3) program fills a void providing mentoring to tech and innovation companies and entrepreneurs on the neighbor islands. More than 50 companies were mentored on Kauai and Hawaii Island.
- The Entrepreneurs Sandbox in Kakaako will be a one-stop resource for tech and creative entrepreneurs to prototype their business ideas.



In addition, HTDC continues its existing programs, which include: managing two incubator facilities, working in partnership with other DBEDT programs and other state agencies in developing, managing, and assisting technology centers statewide; creating educational programs, and supporting community events that encourage the growth of technology companies and industry; marketing and promoting Hawaii's technology assets; and providing mentoring and technical assistance needed by Hawaii's technology industry.

HTDC Administers the TechHire Hawaii White House initiative that works with private sector, workforce organizations, and technology training institutes to prepare Hawaii's future workers for the many emerging technology jobs in Hawaii.

HTDC provides startup business mentoring at technology innovation centers statewide, including the Manoa Innovation Center and the Maui Research & Technology Center. Technology business incubators support the transition from startup ventures to sustained businesses. In FY17 the incubators supported 66 startup companies and 47 entrepreneurs in its Maui coworking space. The program also focuses on building partnerships with the private sector and entrepreneurial education. These programs include: business training workshops with experienced mentors; access to a vetted group of service providers; and networking opportunities with like-minded CEOs. HTDC also utilizes federally funded programs that align with the HTDC mission.

HTDC's INNOVATE Hawaii program is federally funded by the U.S. National Institutes of Standards and Technology (NIST) Manufacturing Extension Partnership (MEP) to improve the capabilities of Hawaii manufacturers. In FY17 INNOVATE Hawaii was awarded another 5-year contract (\$2.5 million) with NIST MEP.

HTDC's Hawaii Center for Advanced Transportation Technologies (HCATT) is recognized as a national leader in developing and demonstrating market readiness for alternative energy transportation technologies. With a \$20 million federal contract with Air Force Research Laboratory, HCATT leverages federal dollars to address the goals of the Hawaii Clean Energy Initiative through projects like the Pacific Energy Assurance Research Laboratory (PEARL)

To promote Hawaii's technology assets, HTDC works with the Hawaii Strategic Development Corporation (HSDC), DBEDT's Creative Industries Division (CID), and the FTZ9 (Foreign Trade Zone 9) to provide a comprehensive program from startup to manufacturing. Additionally, HTDC provides program support to the Natural Energy Lab (NELHA) new incubator facility.

HTDC provides additional support to the innovation and technology industries by strengthening communication through its monthly networking event, WetWare Wednesdays (WWW). This networking event brings together coders and developers and provides an opportunity for employers and job seekers to connect. During the year 650 attendees participated in WWW.

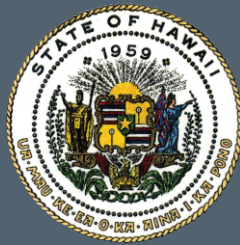
HTDC conducts an Annual Economic Impact survey of all its clients. In 2016 150 companies responded and reported \$389 million in revenues, \$156 million in income, generating \$27 million in State taxes and \$620 million in economic impact and supporting 2,687 jobs.

**DBEDT****Statement of Operating Appropriations, Expenditures, and Encumbrances
For the Period July 1, 2016 - June 30, 2017**

GENERAL FUNDS	Adjusted Appropriations	Expenditures & Encumbrances	Balance
BED 100 Business Development & Support Business Development & Support Division	1,371,350	1,323,042	48,308
BED 103 Statewide Land Use Management Land Use Commisison	594,586	583,249	11,337
BED 105 Creative Industries Creative Industries Division	1,309,851	1,305,311	4,540
BED 128 Office of Aerospace Office of Aerospace	1,174,976	1,141,620	33,356
BED 130 Economic Planning & Research Research and Economic Analysis Division	1,274,483	1,140,833	133,650
BED 142 General Support for Econ. Development Office of Director & Admin. Services Office	2,439,764	2,255,130	184,634
BED 143 High Technology Development Corp. High Technology Development Corporation	1,425,881	1,367,983	57,898
BED 144 Statewide Planning & Coordination Office of Planning	1,402,911	1,135,530	267,381
Total General Funds	9,590,891	9,117,168	473,723

**DBEDT****Statement of Operating Appropriations, Expenditures, and Encumbrances
For the Period July 1, 2016 - June 30, 2017**

SPECIAL & REVOLVING FUNDS	Adjusted Appropriations	Expenditures & Encumbrances	Balance
BED 107 Foreign Trade Foreign Trade Zone Special Fund	2,156,516	1,997,140	159,376
BED 113 Tourism Tourism Special Fund	89,969,299	78,848,093	11,121,206
Convention Center Enterprise Special Fund	51,342,752	41,445,829	9,896,923
BED 113 Total	141,312,051	120,293,922	21,018,129
BED 120 Environmental & Energy Development Energy Security Special Fund	5,415,779	4,227,645	1,188,134
Renewable Energy Facility Siting Special Fund	750,000	-	750,000
BED 120 Total	6,165,779	4,227,645	1,938,134
BED 138 Hawaii Green Infrastructure Authority Hawaii Green Infrastructure Authority	1,000,000	911,836	88,164
BED 143 High Technology Development Corp. High Technology Special Fund	3,805,488	1,270,984	2,534,504
BED 145 Hawaii Strategic Development Corporation Hawaii Strategic Development Revolving Fund	5,314,406	1,938,234	3,376,172
Hydrogen Investment Capital Special Fund	2,608,516	945	2,607,571
BED 145 Total	7,922,922	1,939,179	5,983,743
BED 146 Natural Energy Laboratory of Hi Authority Natural Energy Laboratory of Hi Auth. Special Fund	7,816,399	5,397,327	2,419,072
BED 150 Hawaii Community Development Authority Hi Community Development Auth. Revolving Fund	776,005	448,568	327,437
Kalaeloa Community Dev. District Revolving Fund	433,700	287,016	146,684
BED 150 Total	1,209,705	735,584	474,121
BED 160 Hawaii Housing Finance and Development Corp. Administration	6,414,647	5,366,532	1,048,115
Economic Development	2,134,298	1,226,998	907,300
Housing Finance	2,140,472	1,407,600	732,872
BED 160 Total	10,689,417	8,001,130	2,688,287
Total Special & Revolving Funds	182,078,277	144,774,747	37,303,530



dbedt.hawaii.gov