OPPORTUNITY ZONES

A New Economic Development Tool

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

PROGRAM PURPOSE

The Opportunity Zone Program is an economic development tool that uses federal tax incentives to direct investment capital to underserved low income areas, that is, targeted communities called opportunity zones. This program was established as part of the Tax Cuts and Jobs Act of 2017.

HOW IT WORKS – INVESTOR INCENTIVES

Investors (high net worth individuals, corporations) who have triggered a capital gain by selling an asset like stocks or real estate can receive special tax benefits if they roll that gain into an <u>Opportunity Fund</u> within 180 days. There are three primary advantages to rolling over a capital gain into an opportunity fund:

1. Defer the payment of the capital gains until Dec 31, 2026.

2. Reduce the tax owed by up to 15% after 7 years.

3. Pay zero tax on gains earned from the opportunity fund.

HOW IT WORKS – OPPORTUNITY FUNDS INVEST IN UNDERSERVED COMMUNITIES

- At least 90% of opportunity fund must be invested in an opportunity zone.
- The investments must be equity investments. Specifically, eligible purposes include stock, partnership interest, and business property.
- Creation of opportunity funds will be private sector driven.
- Real estate based investments will be highly desirable because of the strong potential for appreciation.
- Venture capital funds for investment into innovative companies may also be stimulated.
- Waiting on guidance (rules) from the Treasury Department, on additional requirements for opportunity funds.

HOW IT WORKS – COMMUNITY BENEFITS

It is hoped that this program will lead to neighborhood and business district re-vitalization as well as encourage entrepreneurship in the opportunity zones.

Examples:

--Gentrification of distressed areas.

--New housing developments.

--Expansion funding for businesses.

--New developments in underdeveloped areas, e.g., shopping centers, manufacturing plants, business offices.

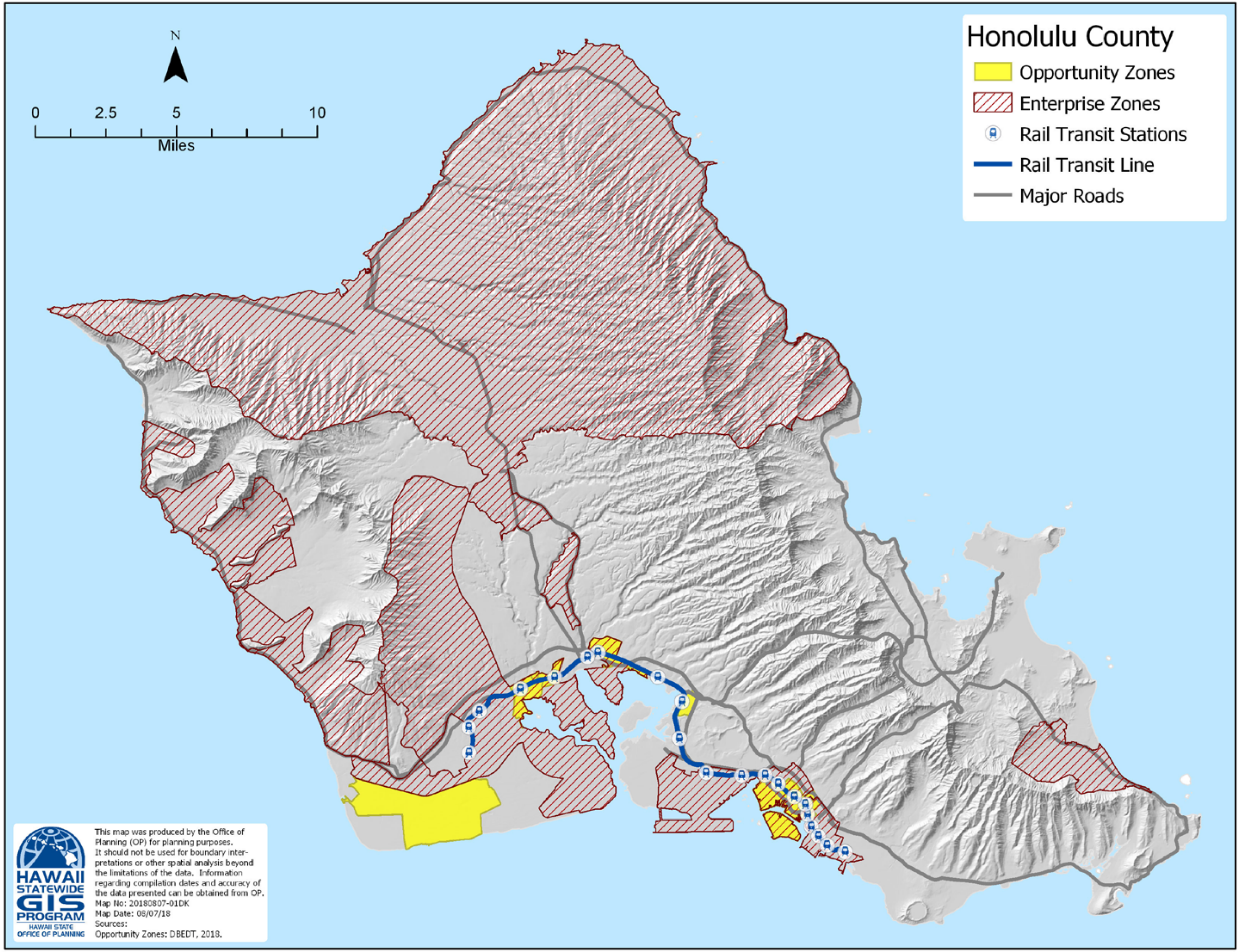
Guidance from various government and private sector organizations suggests the opportunity funds will be varied, from property developers to sector or demographic specific business investors.

OPPORTUNITY ZONES

Hawaii was authorized to designate 25 census tracts as opportunity zones.

Hawaii has 99 census tracks that meet the low-income eligibility requirement from which the state can designate not more than 25 percent as qualified opportunity zones according to the program.

Census tracts that are contiguous with low-income communities may also be designated as qualified opportunity zones if they are below 125% of the medium family income of the qualifying census tract. Only 5% of the census tracts nominated can be from contiguous tracts. Two (2) of the 25 zones nominated are qualified contiguous census tracts.


Honolulu County
Opportunity Zones
Enterprise Zones
Rail Transit Stations
Rail Transit Line
Major Roads
N
0
2.5
5
10
Miles
HAWAII
STATEWIDE
GIS
PROGRAM
HAWAII STATE
OFFICE OF PLANNING
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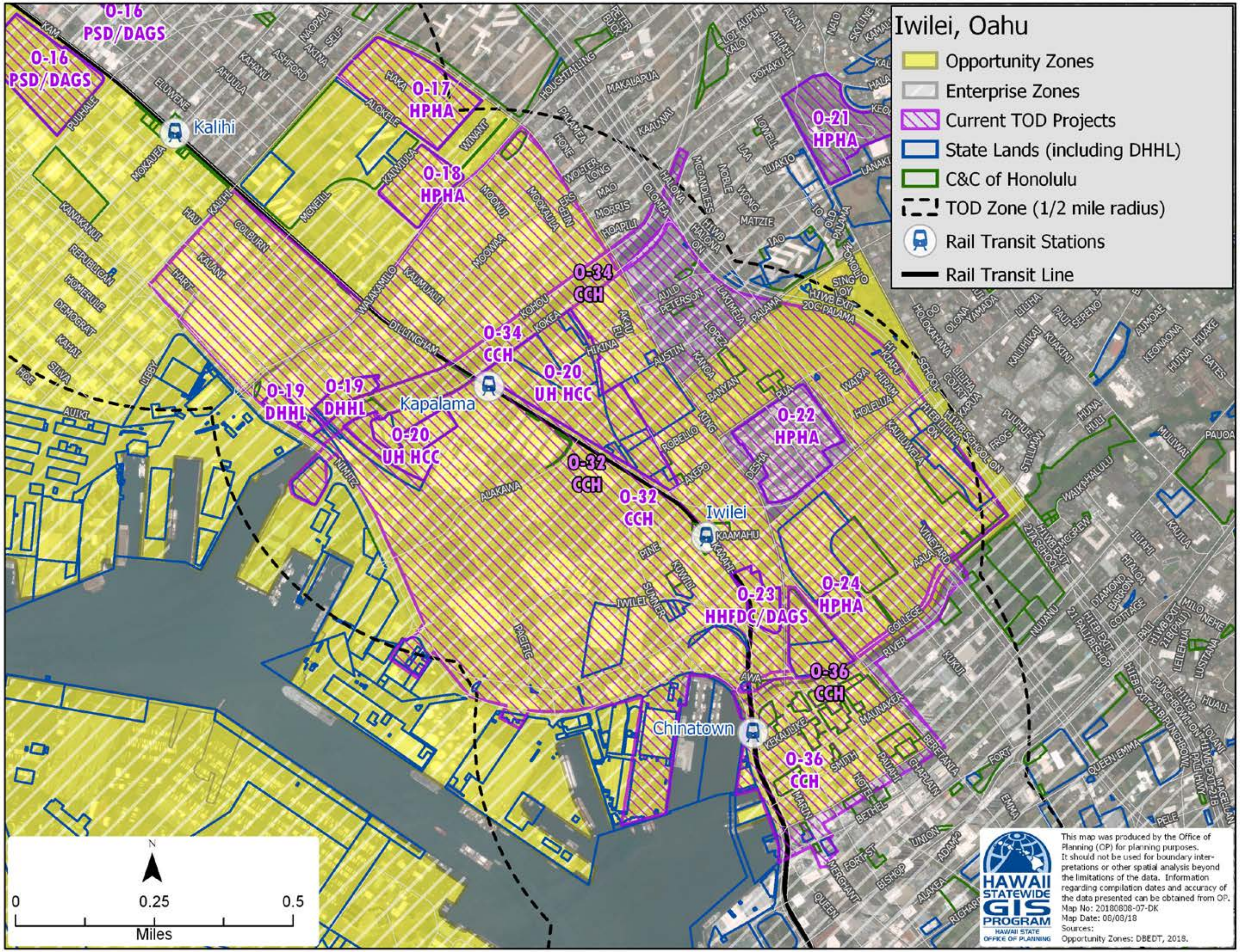
Map No: 20180807-01DK
Map Date: 08/07/18
Sources:
Opportunity Zones: DBEDT, 2018.



Iwilei, Oahu
Opportunity Zones
Enterprise Zones
Current TOD Projects
State Lands (including DHHL)
C&C of Honolulu
TOD Zone (1/2 mile radius)
Rail Transit Stations
Rail Transit Line
Kalihi
Kapalama
Iwilei
Chinatown
O-16 PSD/DAGS
O-17 HPHA
O-18 HPHA
O-19 DHHL
O-20 UH HCC
O-21 HPHA
O-22 HPHA
O-23 HHFDC/DAGS
O-24 HPHA
O-32 CCH
O-34 CCH
O-36 CCH
0
0.25
0.5
Miles
N
HAWAII STATEWIDE GIS PROGRAM
HAWAII STATE OFFICE OF PLANNING
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Map No: 20180808-07-DK
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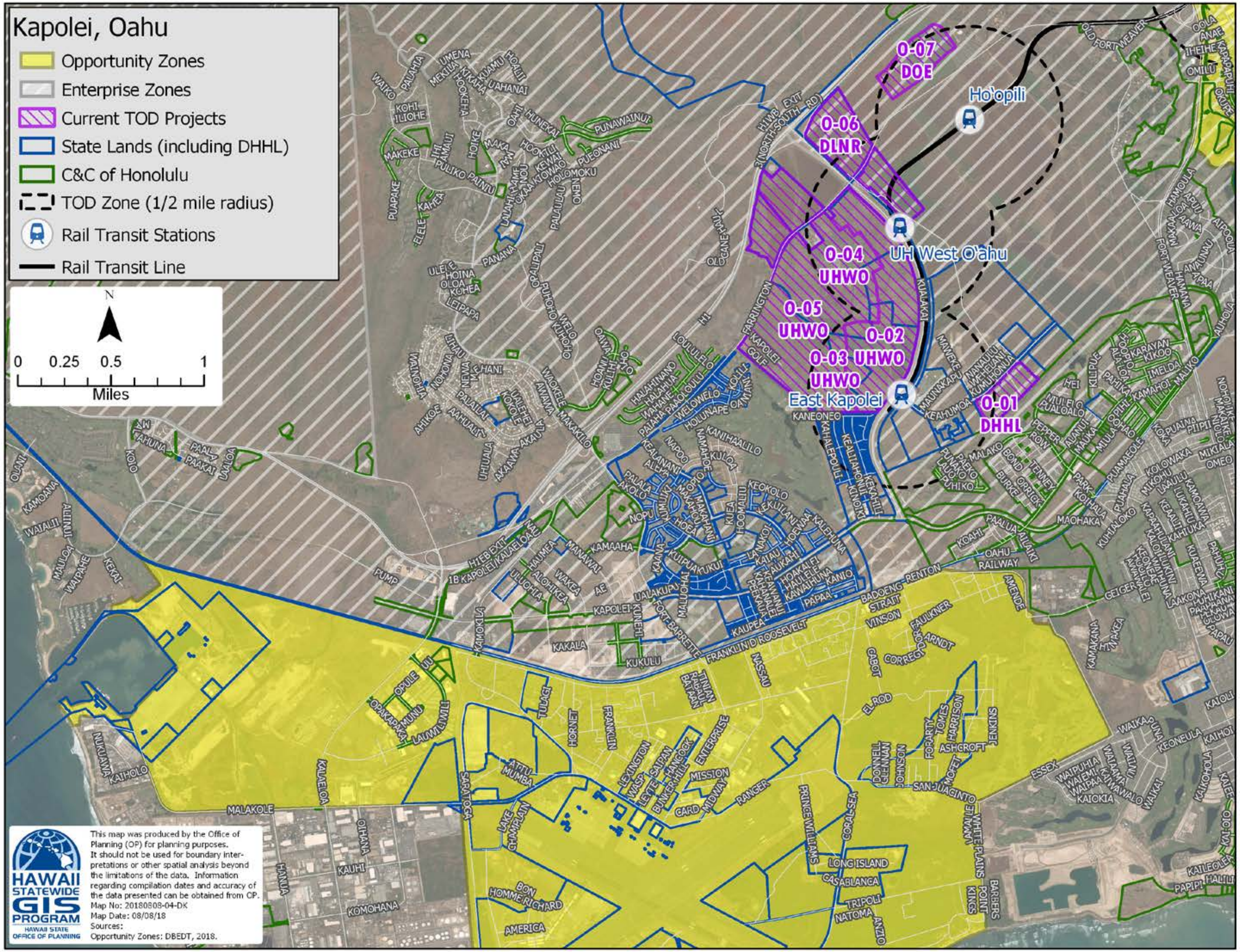
Opportunity Zones: DBEDT, 2018.


Kapolei, Oahu
Opportunity Zones
Enterprise Zones
Current TOD Projects
State Lands (including DHHL)
C&C of Honolulu
TOD Zone (1/2 mile radius)
Rail Transit Stations
Rail Transit Line
N
0 0.25 0.5 1
Miles
O-07 DOE
O-06 DLNR
O-04 UHWO
O-05 UHWO
O-02 UHWO
O-03 UHWO
O-01 DHHL
Ho'opili
UH West O'ahu
East Kapolei
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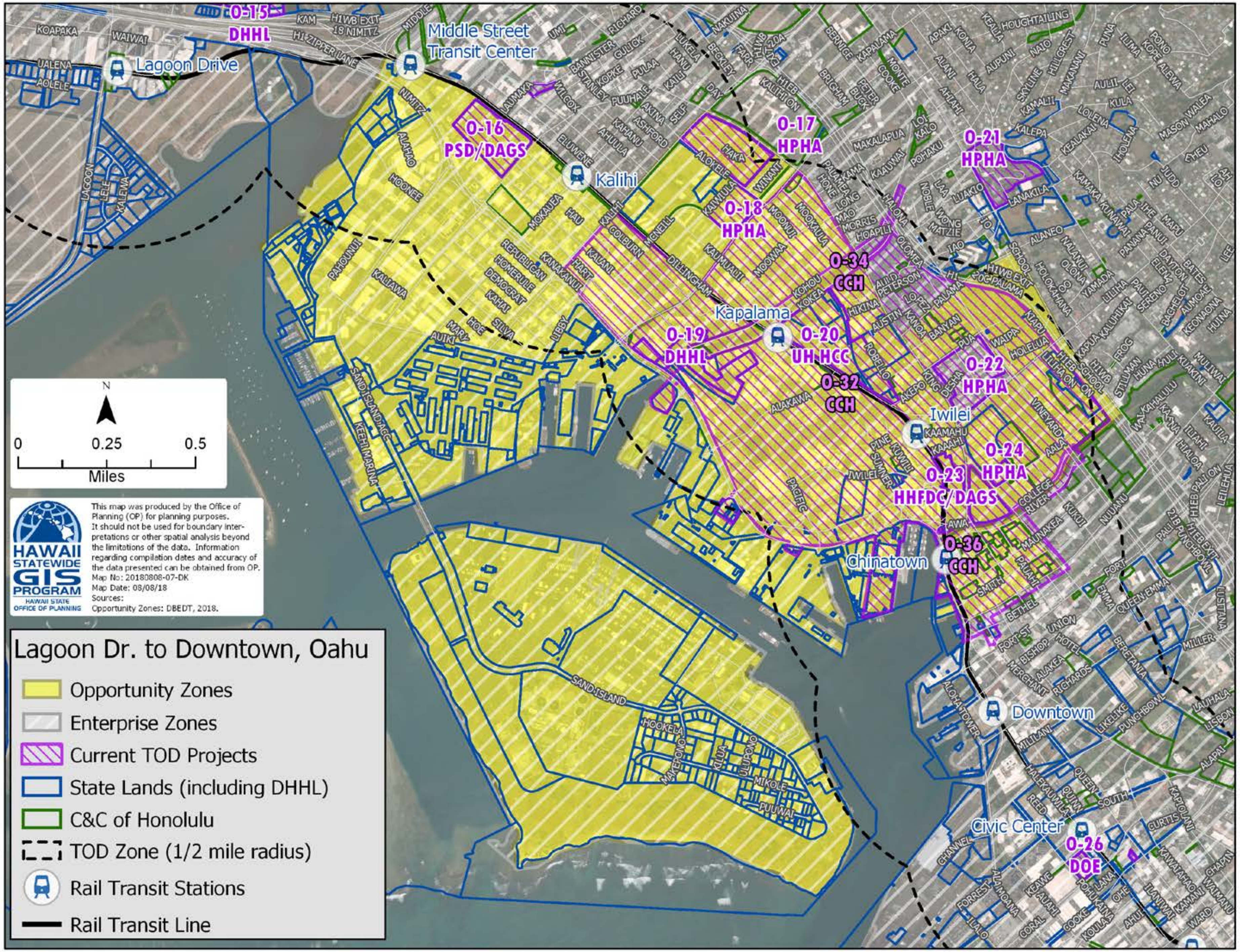
Map No: 20180808-04-DK
Map Date: 08/08/18
Sources:
Opportunity Zones: DBEDT, 2018.


Lagoon Dr. to Downtown, Oahu
Opportunity Zones
Enterprise Zones
Current TOD Projects
State Lands (including DHHL)
C&C of Honolulu
TOD Zone (1/2 mile radius)
Rail Transit Stations
Rail Transit Line
N
0
0.25
0.5
Miles
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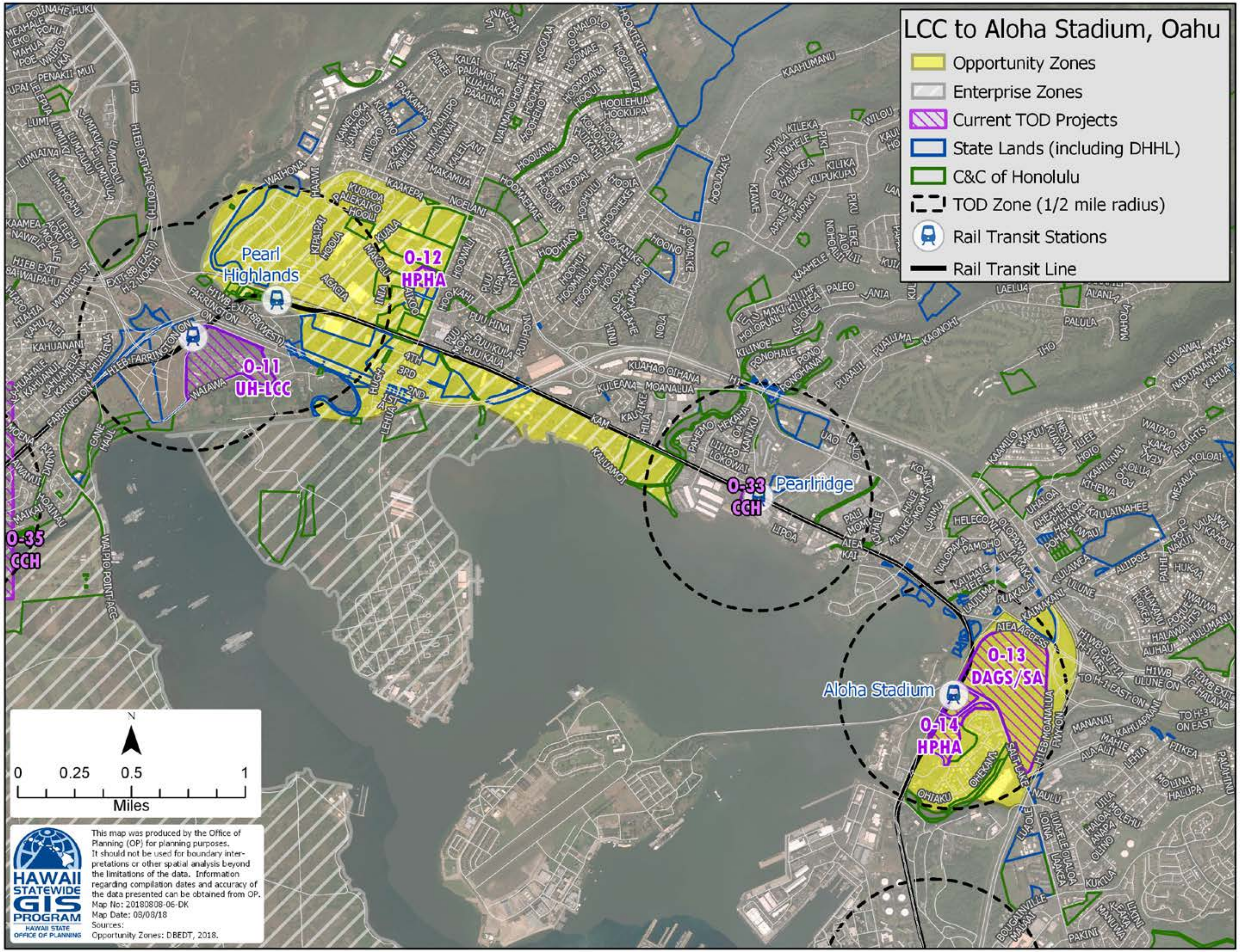
Map Date: 08/08/18
Sources:
Opportunity Zones: DBEDT, 2018.
Lagoon Drive
Middle Street Transit Center
Kalihi
Kapalama
Iwilei
Chinatown
Downtown
Civic Center
O-15 DHHL
O-16 PSD/DAGS
O-17 HPHA
O-18 HPHA
O-19 DHHL
O-20 UH HCC
O-21 HPHA
O-22 HPHA
O-23 HHFDC/DAGS
O-24 HPHA
O-26 DOE
O-32 CCH
O-34 CCH
O-36 CCH
SAND ISLAND


LCC to Aloha Stadium, Oahu
Opportunity Zones
Enterprise Zones
Current TOD Projects
State Lands (including DHHL)
C&C of Honolulu
TOD Zone (1/2 mile radius)
Rail Transit Stations
Rail Transit Line
Pearl Highlands
O-12 HPHA
O-11 UH-LCC
O-33 CCH
Pearlridge
O-35 CCH
O-13 DAGS/SA
Aloha Stadium
O-14 HPHA
N
0 0.25 0.5 1
Miles
HAWAII STATEWIDE GIS PROGRAM
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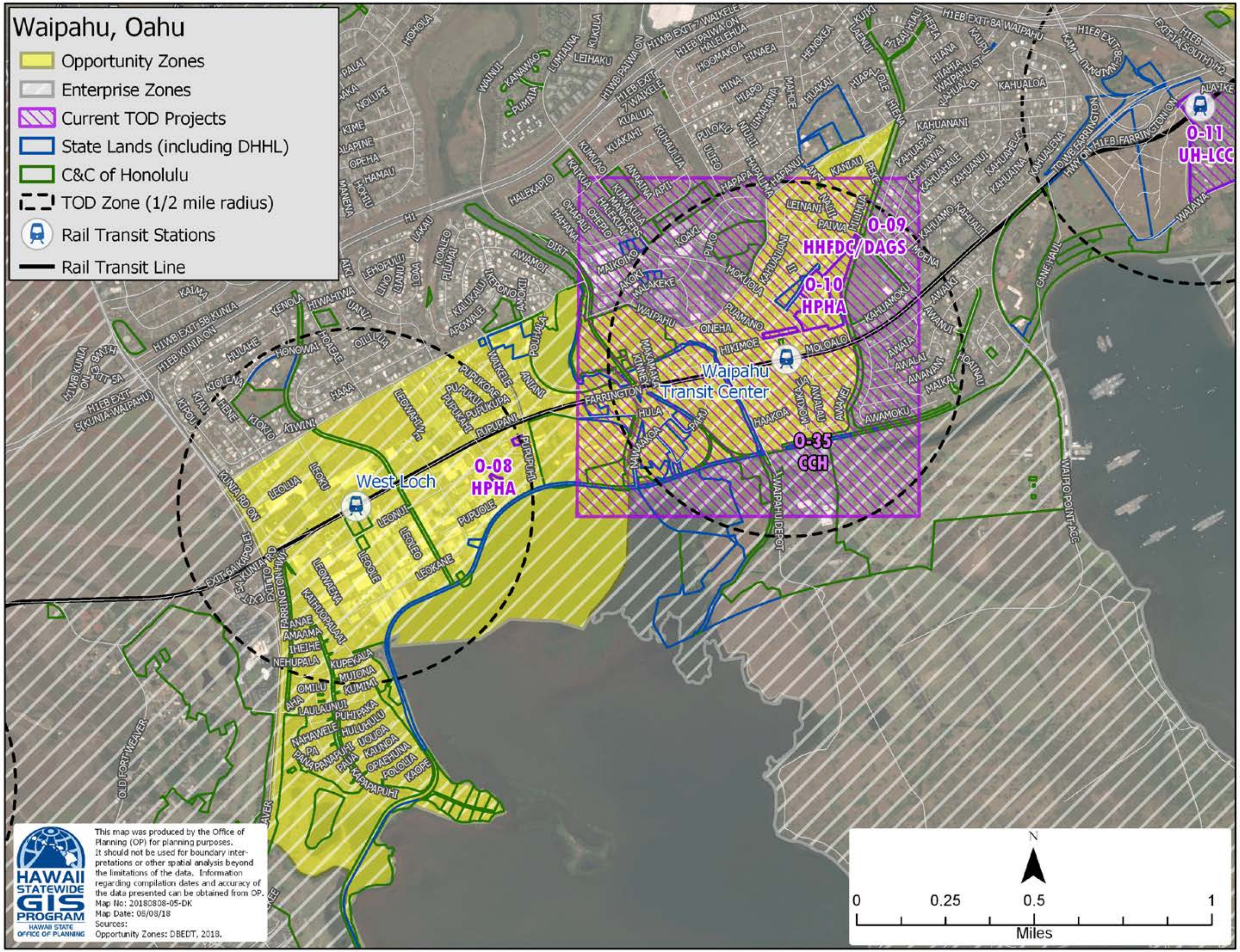
Map No: 20180808-06-DK
Map Date: 08/08/18
Sources:
Opportunity Zones: DBEDT, 2018.


Waipahu, Oahu
Opportunity Zones
Enterprise Zones
Current TOD Projects
State Lands (including DHHL)
C&C of Honolulu
TOD Zone (1/2 mile radius)
Rail Transit Stations
Rail Transit Line
West Loch
Waipahu Transit Center
O-08 HPHA
O-09 HHFDC/DAGS
O-10 HPHA
O-35 CCH
O-11 UH-LCC
FARRINGTON
WAIPAHU DEPOT
0
0.25
0.5
1
Miles
N
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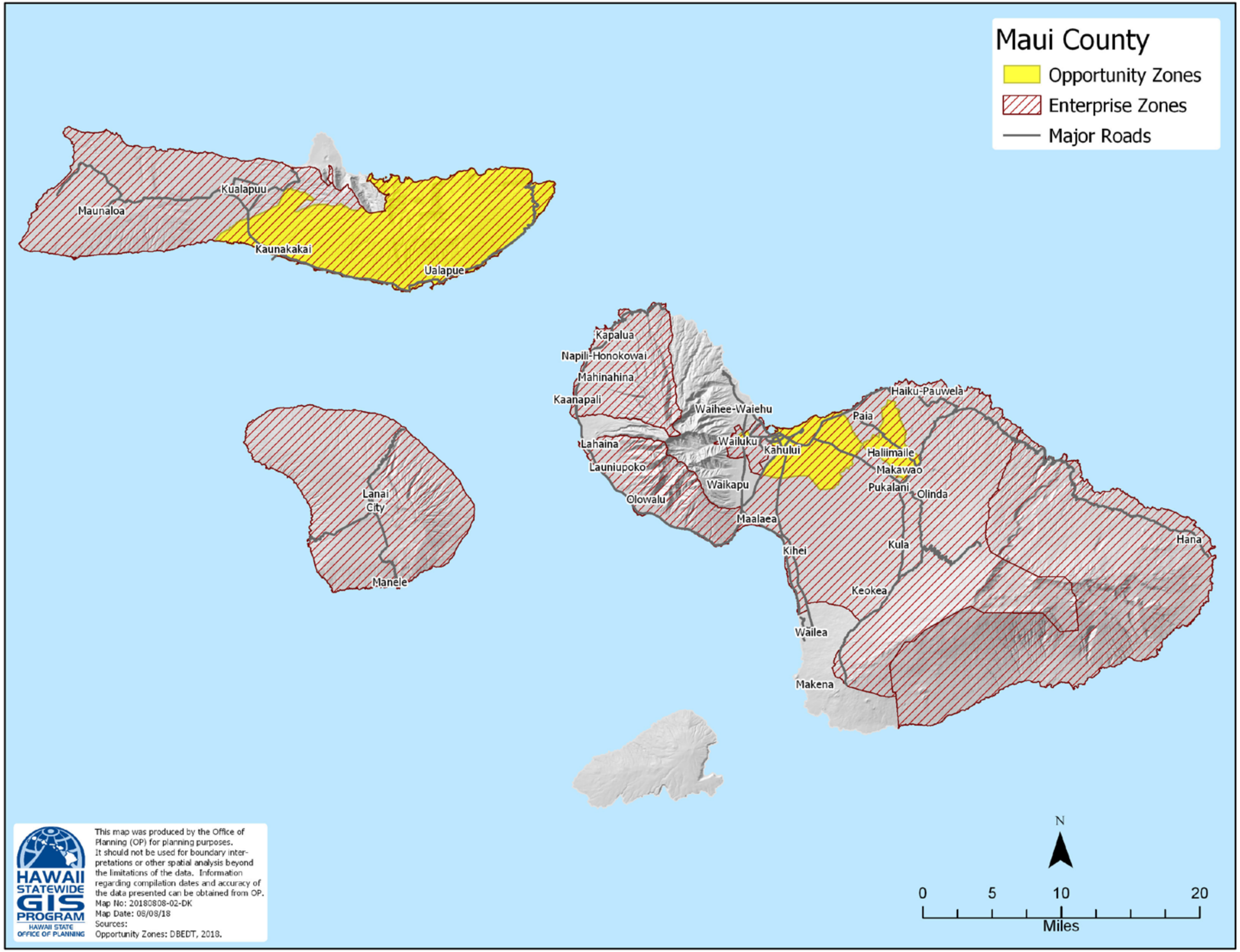
Maui County
Opportunity Zones
Enterprise Zones
Major Roads
Kualapuu
Maunaloa
Kaunakakai
Ualapue
Kapalua
Napili-Honokowai
Mahinahina
Kaanapali
Waihee-Waiehu
Haiku-Pauwela
Paia
Wailuku
Kahului
Haliimaile
Makawao
Pukalani
Olinda
Lahaina
Launiupoko
Waikapu
Olowalu
Maalaea
Kihei
Kula
Hana
Keokea
Wailea
Makena
Lanai City
Manele
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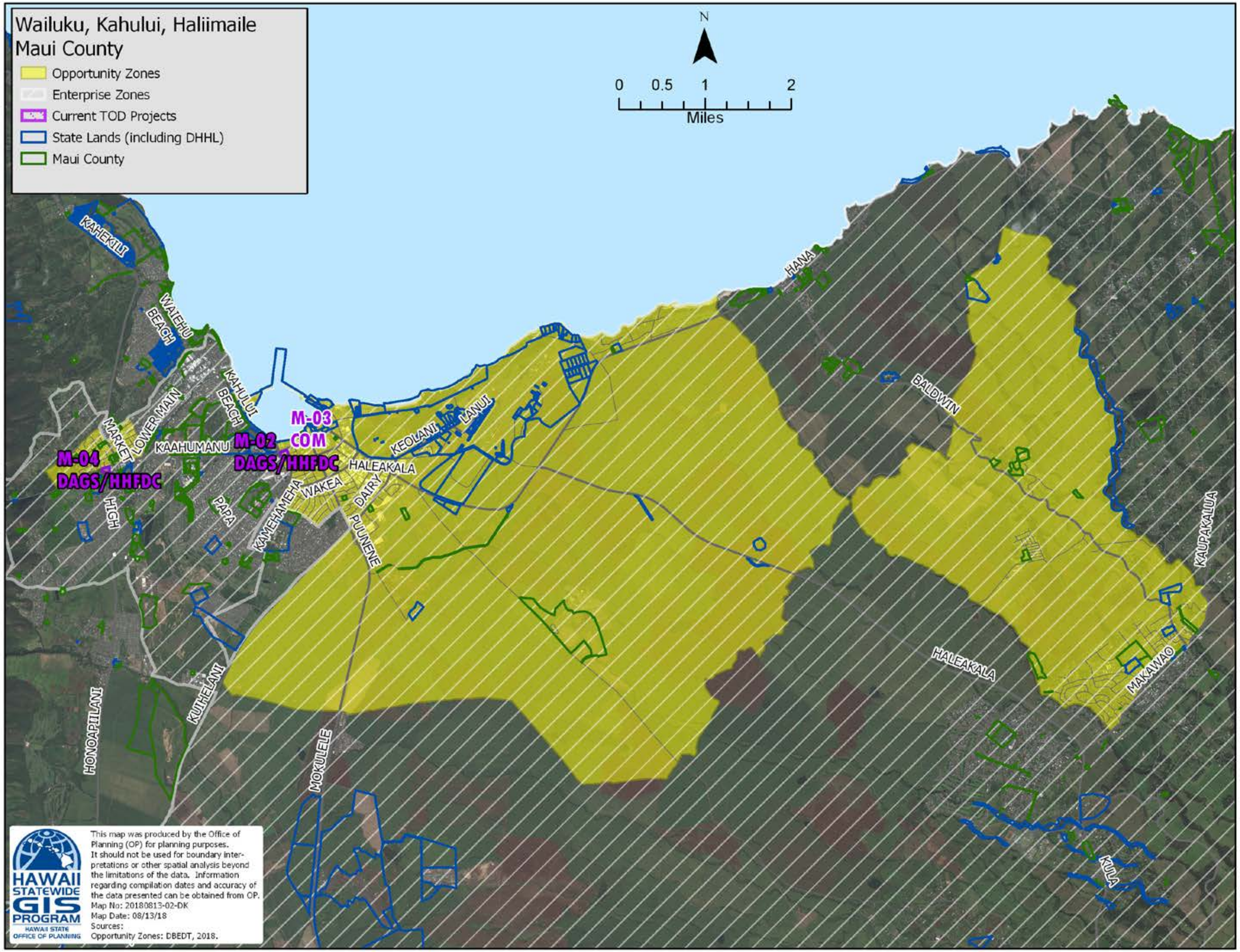
Map No: 20180808-02-DK
Map Date: 08/08/18
Sources:
Opportunity Zones: DBEDT, 2018.
N
0 5 10 20
Miles



Wailuku, Kahului, Haliimaile
Maui County
Opportunity Zones
Enterprise Zones
Current TOD Projects
State Lands (including DHHL)
Maui County
N
0 0.5 1 2
Miles
M-04
DAGS/HHFDC
M-02
DAGS/HHFDC
M-03
COM
KAHEKILI
WAIEHU BEACH
KAHULUI BEACH
LOWER MAIN
MARKET
KAAHUMANU
HIGH
PAPA
KAMEHAMEHA
WAKEA
DAIRY
PUUNENE
HALEAKALA
KEOLANI
LANUI
HANA
BALDWIN
KAUPAKALUA
MAKAWAO
KULA
MOKULELE
KUIHELANI
HONOAPIILANI
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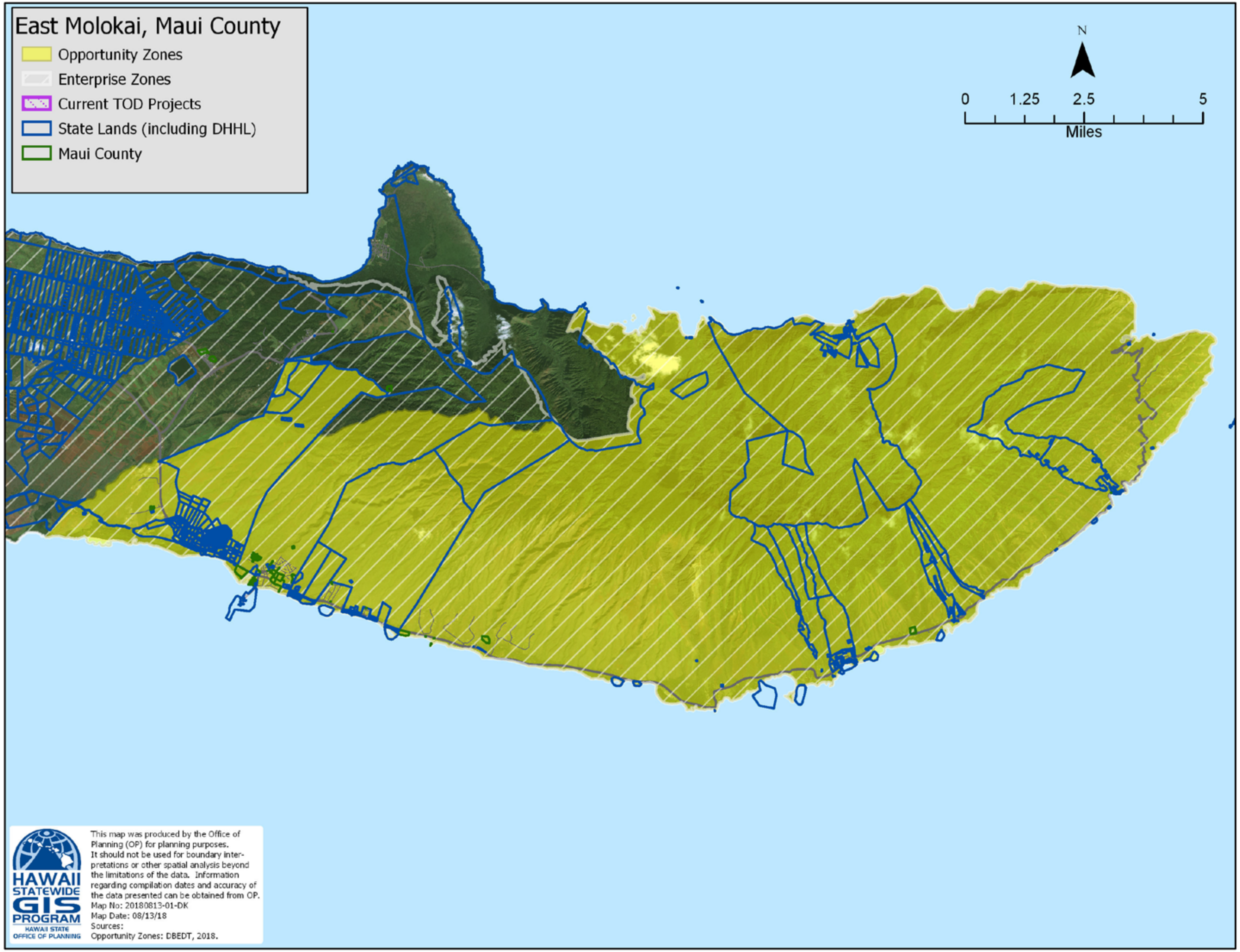
Map No: 20180813-02-DK
Map Date: 08/13/18
Sources:
Opportunity Zones: DBEDT, 2018.


East Molokai, Maui County
Opportunity Zones
Enterprise Zones
Current TOD Projects
State Lands (including DHHL)
Maui County
N
0
1.25
2.5
5
Miles
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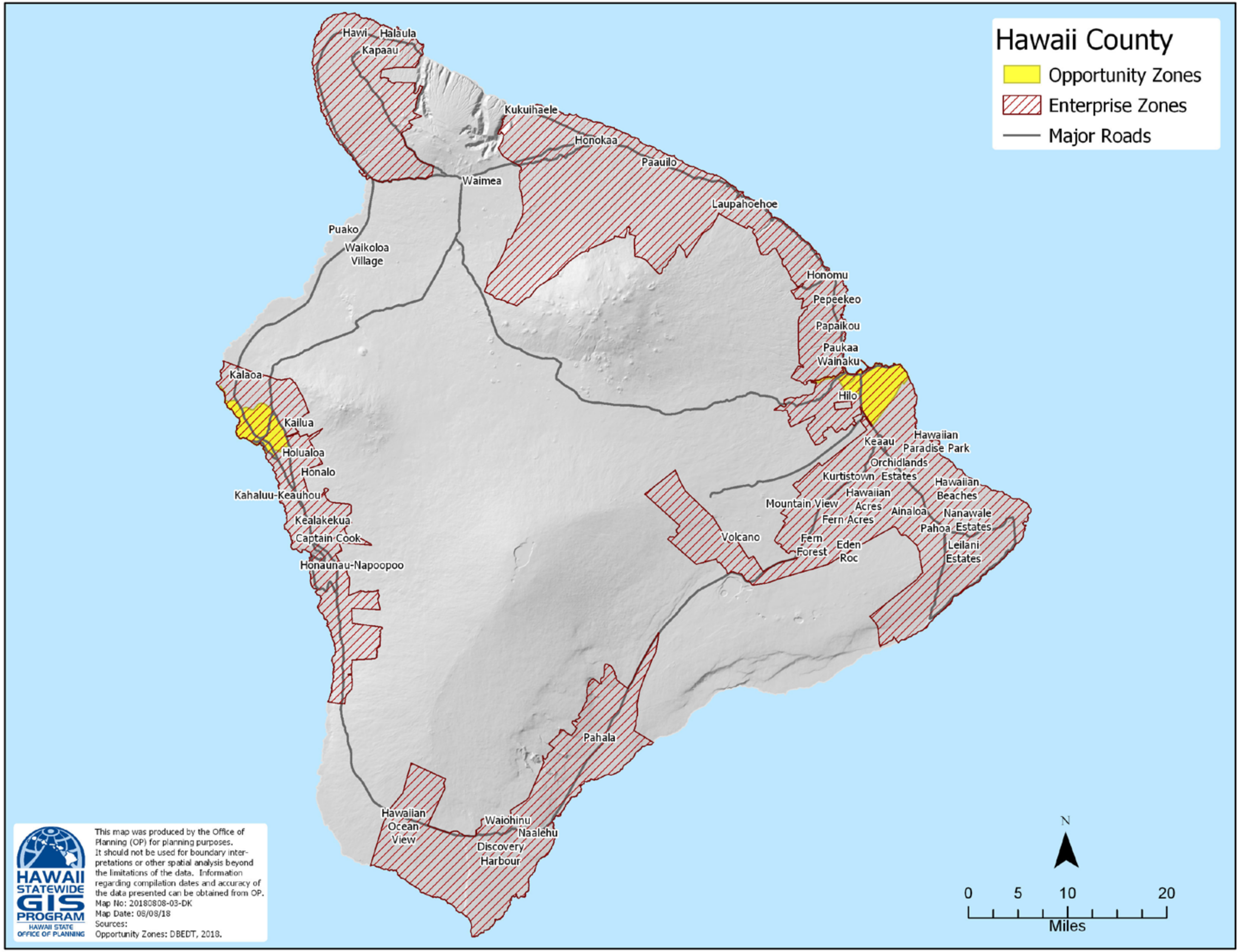
Hawaii County
Opportunity Zones
Enterprise Zones
Major Roads
Hawi
Halaula
Kapaau
Kukuihaele
Honokaa
Paauilo
Waimea
Laupahoehoe
Puako
Waikoloa Village
Honomu
Pepeekeo
Papaikou
Paukaa
Wainaku
Hilo
Kalaoa
Kailua
Holualoa
Honalo
Kahaluu-Keauhou
Kealakekua
Captain Cook
Honaunau-Napoopoo
Keaau
Hawaiian Paradise Park
Orchidlands Estates
Kurtistown
Hawaiian Acres
Hawaiian Beaches
Mountain View
Ainaloa
Nanawale Estates
Fern Acres
Pahoa
Volcano
Fern Forest
Eden Roc
Leilani Estates
Pahala
Hawaiian Ocean View
Waiohinu
Naalehu
Discovery Harbour
N
0
5
10
20
Miles
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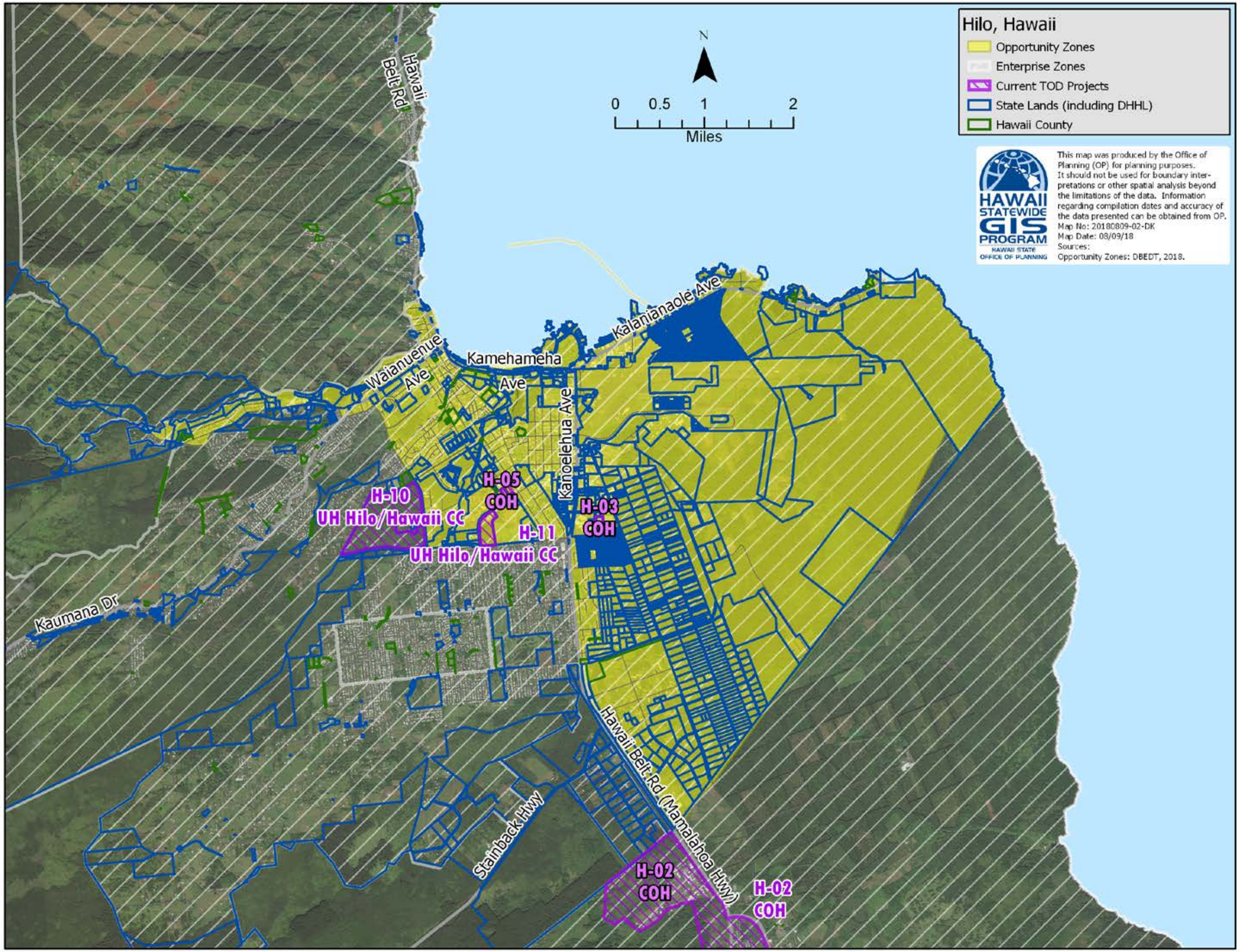
Map No: 20180808-03-DK
Map Date: 08/08/18
Sources:
Opportunity Zones: DBEDT, 2018.



Hilo, Hawaii
Opportunity Zones
Enterprise Zones
Current TOD Projects
State Lands (including DHHL)
Hawaii County
N
0 0.5 1 2
Miles
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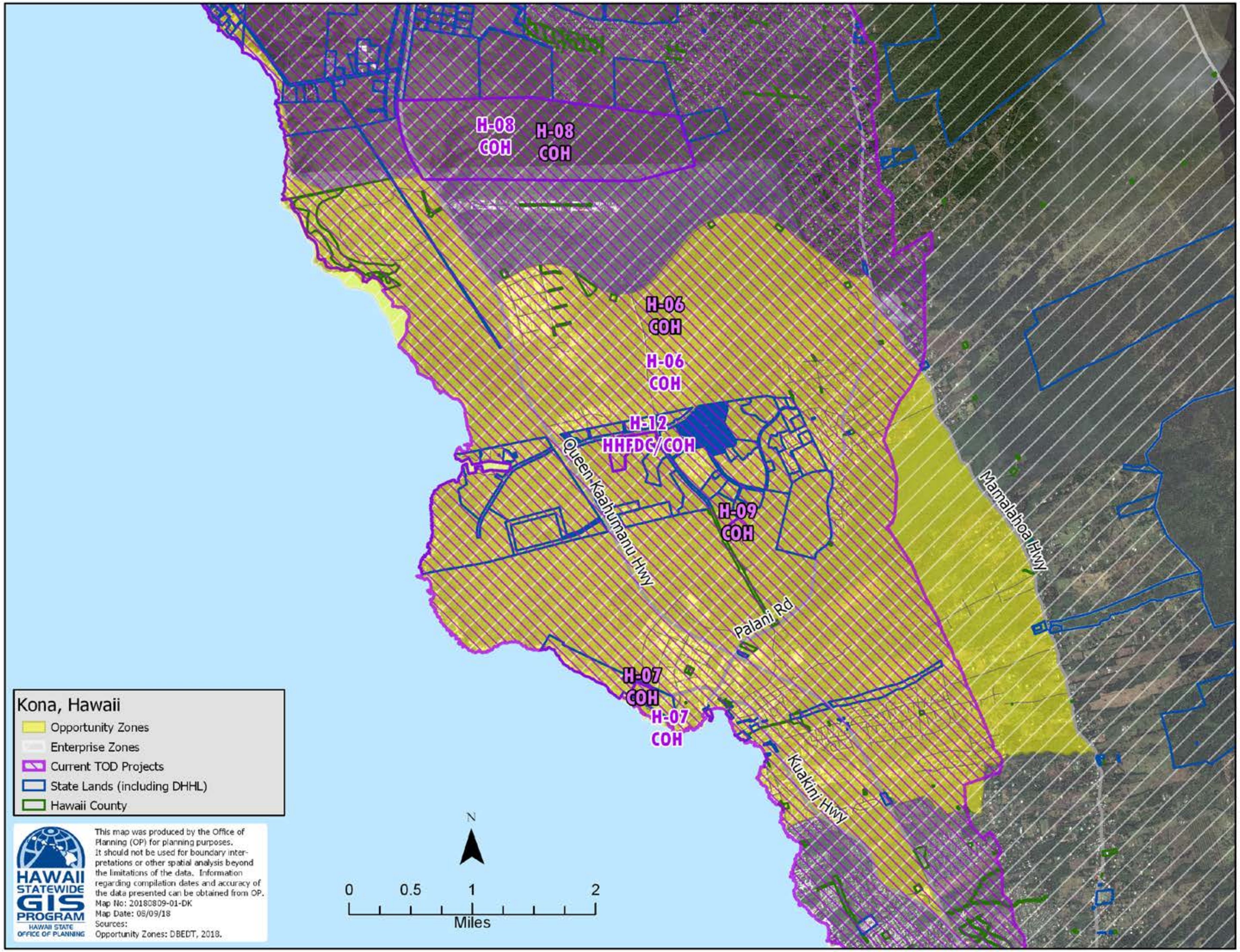
Sources:
Opportunity Zones: DBEDT, 2018.
Hawaii Belt Rd
Kalanianaole Ave
Kamehameha Ave
Waianuenue Ave
Kanoelehua Ave
Kaumana Dr
Stainback Hwy
Hawaii Belt Rd (Mamalahoa Hwy)
H-05 COH
H-10 UH Hilo/Hawaii CC
H-11 UH Hilo/Hawaii CC
H-03 COH
H-02 COH
H-02 COH



H-08
COH
H-08
COH
H-06
COH
H-06
COH
H-12
HHFDC/COH
H-09
COH
H-07
COH
H-07
COH
Queen Kaahumanu Hwy
Mamalahoa Hwy
Palani Rd
Kuakini Hwy
Kona, Hawaii
Opportunity Zones
Enterprise Zones
Current TOD Projects
State Lands (including DHHL)
Hawaii County
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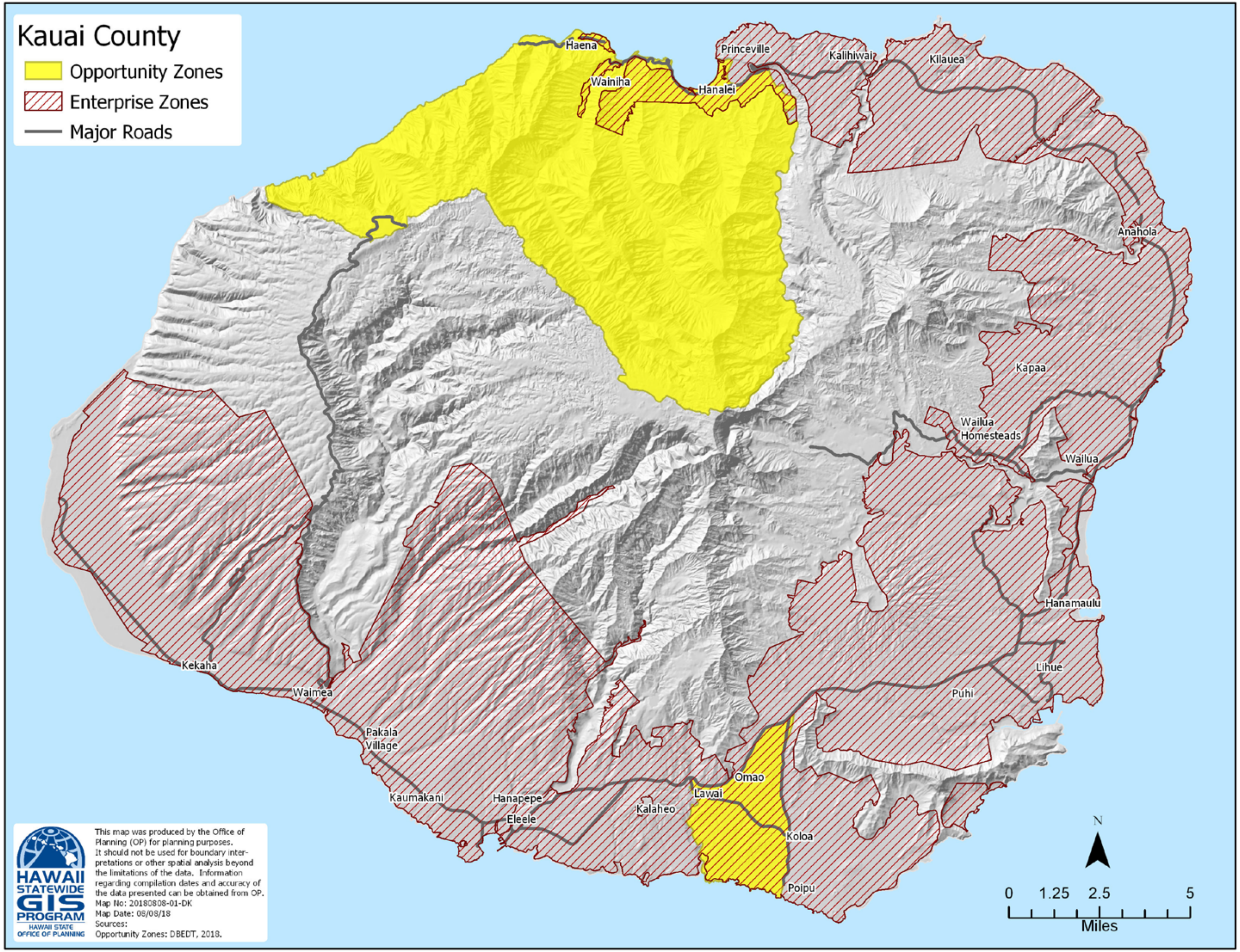
Map No: 20180809-01-DK
Map Date: 08/09/18
Sources:
Opportunity Zones: DBEDT, 2018.
N
0
0.5
1
2
Miles



Kauai County
Opportunity Zones
Enterprise Zones
Major Roads
Haena
Wainiha
Princeville
Hanalei
Kalihiwai
Kilauea
Anahola
Kapaa
Wailua
Homesteads
Wailua
Hanamaulu
Lihue
Puhi
Kekaha
Waimea
Pakala
Village
Kaumakani
Hanapepe
Eleele
Kalaheo
Lawai
Omao
Koloa
Poipu
N
0
1.25
2.5
5
Miles
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STATEWIDE
GIS
PROGRAM
HAWAII STATE
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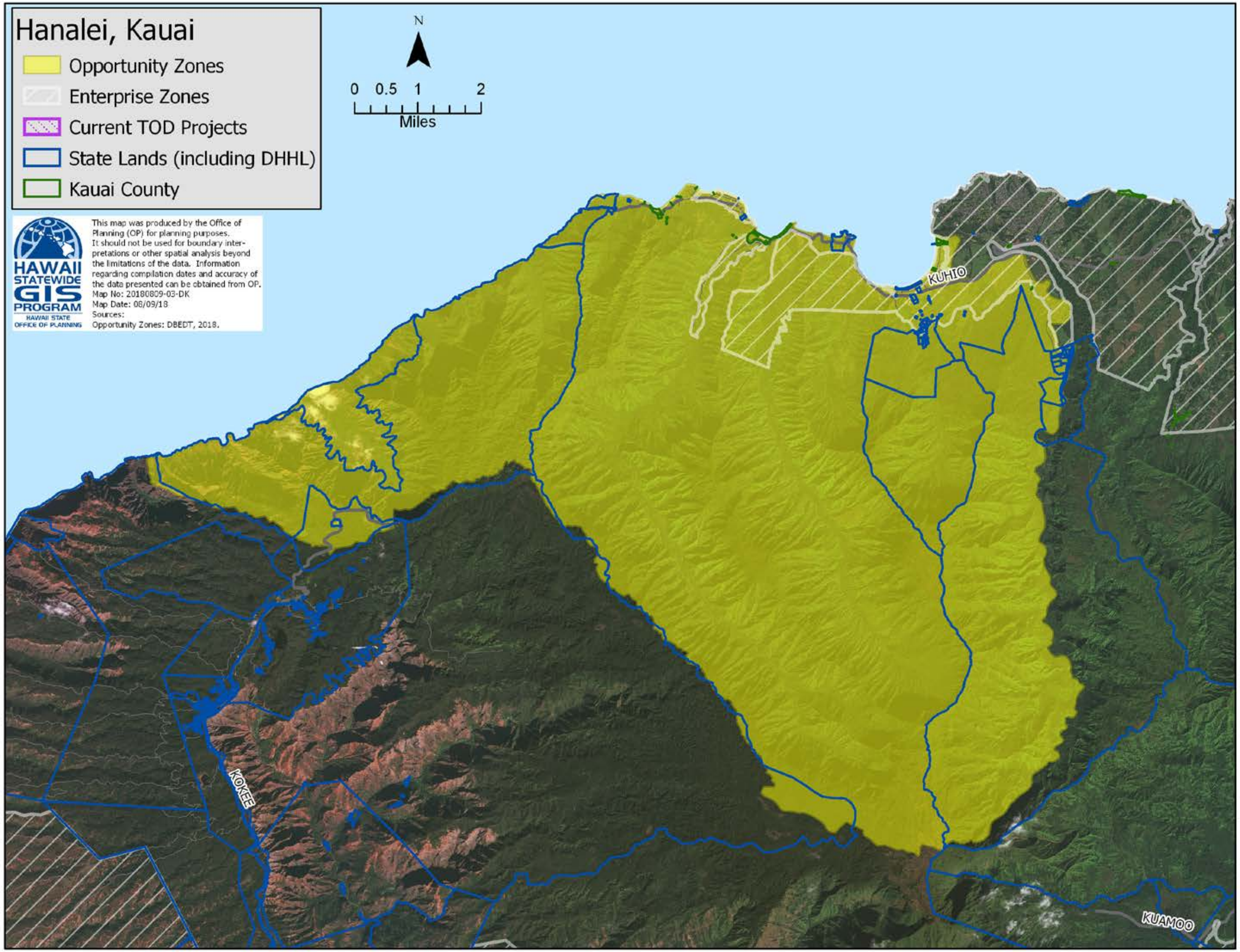
Hanalei, Kauai
Opportunity Zones
Enterprise Zones
Current TOD Projects
State Lands (including DHHL)
Kauai County
N
0 0.5 1 2
Miles
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Map No: 20180809-03-DK
Map Date: 08/09/18
Sources:
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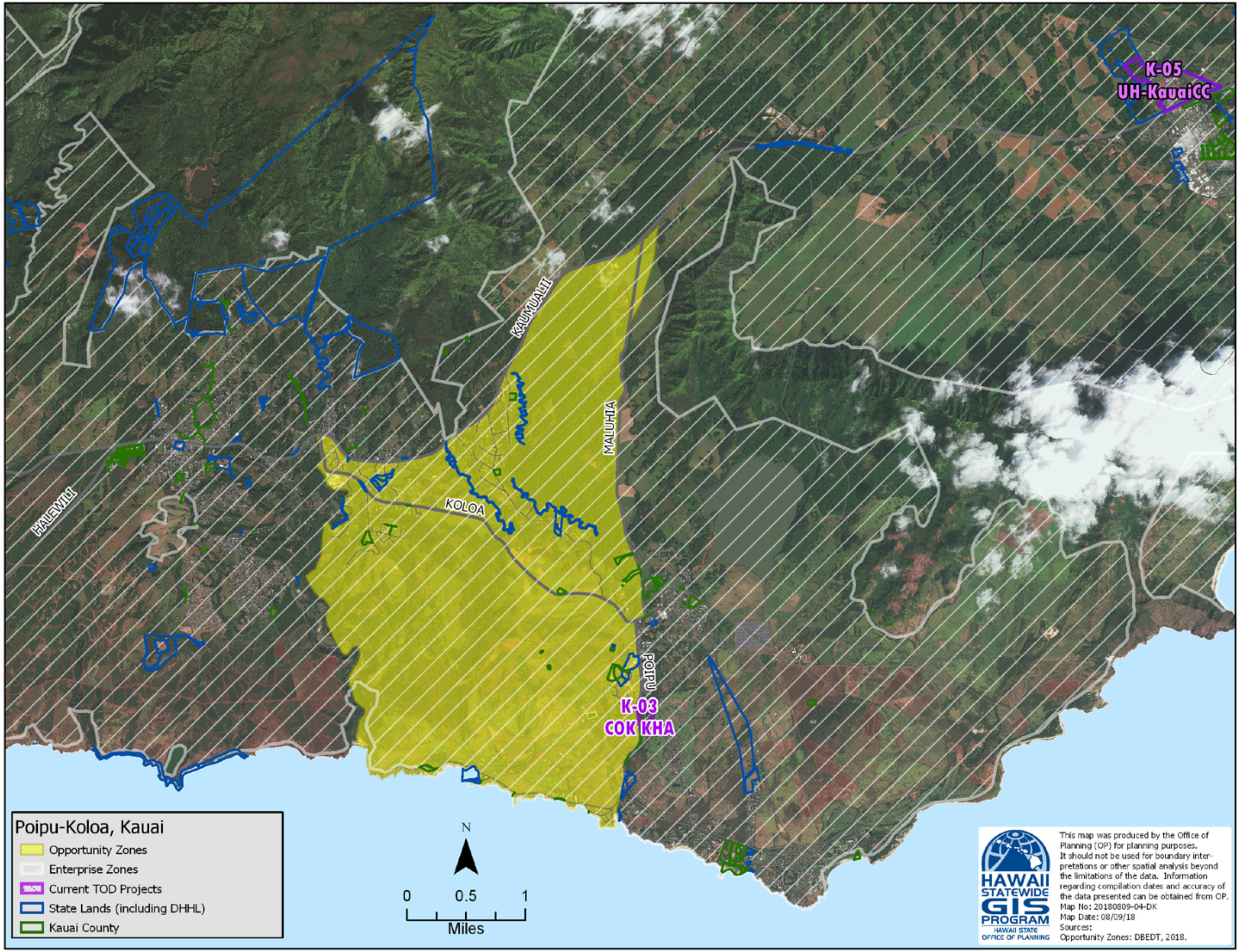
KUHIO
KOKEE
KUAMOO


K-05
UH-KauaiCC
KAUMUALII
MALUHIA
KOLOA
HALEWILI
POIPU
K-03
COK KHA
Poipu-Koloa, Kauai
Opportunity Zones
Enterprise Zones
Current TOD Projects
State Lands (including DHHL)
Kauai County
N
0
0.5
1
Miles
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CONCLUSIONS

- New economic development tool using the tax code to steer investment capital to distressed areas in the U.S.
- So far, the first opportunity funds established have been property developers.
- More guidance on the funds is expected from the Treasury Department this year.
- Key success factor for Hawaii will be the opportunity funds themselves…

CONTACT:

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